

QUEST CRITICAL METALS INC.

Consolidated Financial Statements

(Expressed in Canadian dollars)

**Year Ended
September 30, 2024 and 2023**

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Quest Critical Metals Inc.

Opinion

We have audited the consolidated financial statements of Quest Critical Metals Inc. and its subsidiaries which comprise:

- the consolidated statements of financial position as at September 30, 2024 and September 30, 2023.
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2024 and September 30, 2023., and its consolidated financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the *consolidated* financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material Uncertainty Related to Going Concern

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditors' report:

Acquisition of 1439266 B.C. Ltd.

We draw your attention to Note 7 – *Exploration and Evaluation Assets* of the consolidated financial statements.

On December 1, 2023, the Company closed the acquisition of 1439266 B.C. Ltd. ("143") for total consideration of \$3,980,000, which consisted of cash of \$200,000 and common shares at a fair value of \$3,780,000. 143 owned a 100% interest in and rights to certain mineral tenements located in the state of Minas Gerais, Brazil. The acquisition was accounted for as an asset acquisition in the Company's consolidated financial statements. As a result of the acquisition, \$4,134,673 was recognized by the Company as exploration and evaluation assets acquired.

Subsequent to the acquisition and in the year ended September 30, 2024, the Company decided to relinquish its interest in the Brazilian mineral tenements and recorded a full impairment of these exploration and evaluation assets. Subsequent to September 30, 2024, the Company returned the 100% interest in and rights to the mineral tenements to the previous owner of the tenements for \$nil consideration.

We identified the acquisition of 143 as a key audit matter due to:

- The magnitude of the consideration paid for the exploration and evaluation assets acquired and the significant judgment required by management to conclude that the consideration given up was reasonable given that the fair value of the exploration and evaluation assets assumed could not be estimated reliably.
- The significant judgments involved in assessing whether the accounting for the acquisition and the related disclosures in the financial statements accurately reflected the terms of the arrangement.

Our audit response to the key audit matter was as follows:

- Evaluated management's judgement that the fair value of the exploration and evaluation assets assumed could not be estimated reliably and that the fair value of these assets is indirectly measured using the fair value of the consideration given up.
- Assessed management's accounting treatment for the acquisition.
- Recalculated the fair value of the shares issued to acquire 143 based on the quoted price of the Company's common shares.
- Obtained an understanding of management's business rationale behind the acquisition.
- Obtained a confirmation from the seller of the mineral tenements confirming the transfer of 100% interest in and rights to the mineral tenements upon acquisition by the Company.
- Performed an independent assessment under IAS 24 for key individuals and entities involved in the acquisition to determine if any of the parties in question met the definition of a related party under IFRS.
- Evaluated the design and implementation of controls over management's process for initiating and fulfilling asset acquisitions.
- Assessed the accuracy of the disclosure of the acquisition of exploration and evaluation assets in the notes to the consolidated financial statements (Note 7).

Other Information

Management is responsible for the other information. The other information comprises the Company's Management Discussion and Analysis to be filed with the relevant Canadian securities commissions.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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
January 31, 2025

Quest Critical Metals Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	September 30, 2024	September 30, 2023
	(\$)	(\$)
ASSETS		
Current assets		
Cash	260,660	182,352
Receivables (Note 5)	93,033	120,131
	353,693	302,483
Restricted deposits (Note 6)	15,000	15,000
Exploration and evaluation assets (Note 7)	-	1,084,148
	368,693	1,401,631
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 8 and 12)	1,003,807	688,673
Notes payable (Note 9 and 12)	284,753	204,343
Grant liability (Note 10)	147,836	231,104
	1,436,396	1,124,120
Shareholders' equity (deficiency)		
Share capital (Note 11)	41,659,929	37,259,841
Share-based payments reserve (Note 11)	5,238,804	4,186,818
Foreign currency translation	2,040	11,546
Deficit	(47,968,476)	(41,180,694)
	(1,067,703)	277,511
	368,693	1,401,631

Nature of operations and going concern (Note 1)

Commitments (Note 16)

Subsequent Event (Note 19)

These consolidated financial statements were authorized for issue by the Board of Directors on January 31, 2025. They are signed on behalf of the Board of Directors by:

"James Newall"
Director

"Robert Meister"
Director

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

Quest Critical Metals Inc.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended September 30, 2024	Year Ended September 30, 2023
	(\$)	(\$)
EXPENSES		
Consulting fees (Note 12)	189,199	148,784
Exploration and evaluation (Note 7)	49,077	292,470
Foreign exchange (gain) loss	(9,115)	(22,045)
Insurance	13,327	13,201
Investor relations	19,671	63,989
Management fees (Note 12)	-	210,000
Office and miscellaneous	144,787	142,265
Professional fees	76,742	67,968
Share-based compensation (Note 11 and 12)	1,021,304	-
Transfer agent and filing fees	58,110	51,231
Travel	5,859	11,932
Loss from operations	(1,568,961)	(979,795)
Gain on settlement of liabilities (Note 8 and 9)	-	302,763
Impairment of exploration & evaluation assets (Note 7)	(5,218,821)	-
Other income (Note 11)	-	36,779
	(5,218,821)	339,542
Net loss	(6,787,782)	(640,253)
Other Comprehensive Income		
Foreign currency translation differences	(9,506)	7,126
Total Comprehensive Loss	(6,797,288)	(633,127)
Basic and diluted loss per common share	(0.24)	(0.04)
Weighted average common shares outstanding:	28,464,568	14,600,268

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

Quest Critical Metals Inc.

Consolidated Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

	Number of Shares ¹	Amount (\$)	Share-based Payments Reserve (\$)	Foreign Currency Translation (\$)	Deficit (\$)	Total (\$)
Balance at September 30, 2022	14,406,717	35,983,790	4,186,818	4,420	(40,540,441)	(365,413)
Shares issued for exploration and evaluation assets	150,000	65,000	-	-	-	65,000
Shares issued for debt	3,027,628	1,211,051	-	-	-	1,211,051
Foreign currency translation	-	-	-	7,126	-	7,126
Loss and comprehensive loss for the year	-	-	-	-	(640,253)	(640,253)
Balance at September 30, 2023	17,584,345	37,259,841	4,186,818	11,546	(41,180,694)	277,511
Shares issued for exploration and evaluation assets	12,000,000	3,780,000	-	-	-	3,780,000
Shares issued for private placement	3,068,163	644,314	30,682	-	-	674,996
Share issuance costs	-	(24,226)	-	-	-	(24,226)
Share-based compensation	-	-	1,021,304	-	-	1,021,304
Foreign currency translation	-	-	-	(9,506)	-	(9,506)
Loss and comprehensive loss for the year	-	-	-	-	(6,787,782)	(6,787,782)
Balance at September 30, 2024	32,652,508	41,659,929	5,238,804	2,040	(47,968,476)	(1,067,703)

¹ On October 25, 2023, the Company completed a 1:10 share consolidation. The number of shares reflected in the table above are post-consolidation.

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

Quest Critical Metals Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended September 30, 2024	Year Ended September 30, 2023
	(\$)	(\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	(6,787,782.00)	(640,253)
Items not affecting cash:		
Share-based compensation	1,021,304.00	-
Unrealized foreign exchange	(9,506.00)	7,126
Impairment of exploration & evaluation assets	5,218,821.00	-
Flow-through share premium	-	(36,779)
Gain on settlement of liabilities	-	(302,763)
Changes in non-cash working capital items:		
Receivables	27,110.00	(95,467)
Prepaid expenses	-	10,000
Grant liability	(83,268.00)	231,104
Accounts payable and accrued liabilities	277,011.00	583,335
CASH USED IN OPERATING ACTIVITIES	(336,310.00)	(243,697)
FINANCING ACTIVITIES		
Proceeds received from private placements	674,996.00	-
Share issuance costs	(24,226.00)	-
Repayment of notes payable	(381,500.00)	-
Proceeds from notes payable	461,910.00	404,298
CASH PROVIDED BY FINANCING ACTIVITIES	731,180.00	404,298
INVESTING ACTIVITIES		
Exploration and evaluation assets	(316,562.00)	-
CASH USED IN INVESTING ACTIVITIES	(316,562.00)	-
CHANGE IN CASH DURING THE YEAR	78,308.00	160,601
CASH - BEGINNING OF YEAR	182,352.00	21,751
CASH - END OF YEAR	260,660.00	182,352

Supplemental Cash Flow Information (Note 17)

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

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

Year Ended September 30, 2024

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Quest Critical Metals Inc. (the “Company”) was incorporated on August 25, 2005 under the laws of British Columbia. The Company’s head office and registered and records office is located at 1558 West Hastings Street, Vancouver, BC, V6G 3J4, Canada. The Company is traded on the Canadian Securities Exchange (“CSE”) under the symbol ‘BULL’. On December 8, 2023, the Company changed its name from Canadian Palladium Resources Inc. to Quest Critical Metals Inc. The Company is a mineral exploration company focused on acquiring and exploring exploration and evaluation assets in Europe, North America, and South America.

At the date of these consolidated financial statements, the Company has not identified a known body of commercial grade mineral on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on exploration and evaluation assets is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In addition, management closely monitors the commodity prices and other developments in the natural resources market, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

Based on its working capital deficiency of \$1,082,703 as at September 30, 2024, the Company estimates that it will need additional capital to operate for the next 12 months. As of September 30, 2024, the Company had an accumulated deficit of \$47,968,476. The Company’s ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing or maintaining continued support from its shareholders and creditors. While the Company has been successful in obtaining financing in the past, there is no assurance that such financing will continue to be available or be available on favorable terms in the future. An inability to raise additional financing may impact the future assessment of the Company as a going concern. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company’s assets may be adversely affected. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PRESENTATION

These consolidated financial statements, including comparatives, are prepared using IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The consolidated financial statements were authorized for issue by the Board of Directors on January 31, 2025.

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

Year Ended September 30, 2024

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)**Basis of Measurement**

These consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as held for trading that have been measured at fair value. Cost is the fair value of consideration given in exchange for net assets.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent company and its subsidiaries, with the exception of the Company's wholly-owned subsidiary, Tisová Pty. Ltd., whose functional currency is the Czech Koruna.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Declan Resources (Wyoming) LLC	U.S.A.	100%	Dormant
1439266 BC Ltd.	Canada	100%	Exploration
East Bull Resources Inc.	Canada	100%	Exploration
Tisová Pty. Ltd.	Australia	100%	Exploration
TGER Pty. Ltd.	Australia	100%	Exploration
Golden Pet S.R.O.	Czech Republic	100%	Exploration
5498 Nunavut Inc.	Nunavut	100%	Dormant

Critical Accounting Judgments, Estimates and Assumptions

In the application of the Company's accounting policies which are described in Note 3, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses and are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and management's assessment of current events and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical judgments, estimates and assumptions that have the most significant effect on the amounts recognized in these consolidated financial statements include:

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

Year Ended September 30, 2024

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments

Estimates:

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model, which incorporates market data and involves uncertainty in estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, and, as a result, changes in subjective input assumptions can materially affect the fair value estimate.

Judgements:

Determination of functional currency

The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar with the exception of the Company's wholly-owned subsidiary, Tisová Pty. Ltd., whose functional currency is the Czech Koruna. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

The carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operation expenditures and to meet its liabilities for the ensuing year, involves significant judgement based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

Year Ended September 30, 2024

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments (continued)

Judgements: (continued)

Deferred income tax

The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

3. MATERIAL ACCOUNTING POLICIES

Exploration and Evaluation Assets

Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Costs incurred before the Company has obtained the legal rights to explore an area are recognized through profit or loss.

Costs related to exploration costs of exploration and evaluation assets, incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to operations as incurred. Development expenditures incurred subsequent to a development decision and impairment test, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves upon commencement of commercial production.

If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit-of-production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

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

Flow-Through Shares

Current Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. The issue of flow-through shares is in substance an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as deferred flow-through liability in the consolidated statements of financial position to recognize the obligation to incur and renounce eligible resource exploration and evaluation expenditures. The tax deduction is measured as the difference between the current market price of the Company's common shares and the issue price of the flow-through share.

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

Year Ended September 30, 2024

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)**Flow-Through Shares (continued)**

Upon incurring and renouncing eligible resource exploration and evaluation expenditures, the Company recognizes the sale of tax deductions as a recovery on the statement of comprehensive loss and reduces the deferred flow-through liability.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

Deferred Acquisition Costs

Costs related to the acquisition of other companies are deferred until such time that the Company obtains control to these entities.

Foreign Currency Translation

The Company's reporting currency is the Canadian dollar.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated.

Financial Instruments*Financial Assets*

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") are initially recognized at fair value with changes in fair value recorded in profit or loss. The Company records its cash and short-term investments at FVTPL.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as at fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's restricted deposits and receivables are recorded at amortized cost.

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

Year Ended September 30, 2024

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income as a component of equity. This election is available for each separate investment. Under this new FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and notes payable.

Impairment

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

Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The grant relates to an expense item, it is recognized as deduction on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Further the Company initially recognizes funding received through government grants related to exploration and evaluation of mineral properties on the balance sheet as a grant liability, which includes conditions on specified expenditures. Any amounts of government grants that remain receivable are included on the balance sheet in accounts receivable. Upon disbursement of qualified expenditures utilizing the government grant, the grant liability is reduced.

Provision for Environmental Rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets.

QUEST CRITICAL METALS INC.

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3. MATERIAL ACCOUNTING POLICIES (continued)**Provision for Environmental Rehabilitation (continued)**

The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as related assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss.

Share-based Payment Transactions

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants pursuant to a stock option plan. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model. It is recognized over the vesting period, using the graded vesting method, as an expense, with a corresponding increase to reserves in shareholders' equity. Expected volatility is based on historical volatility (based on the expected life of the options), adjusted for any expected changes due to publicly available information. No expense is recognized for awards that ultimately do not vest. If and when stock options are ultimately exercised, the amount of cash received as well as the applicable amount of the associated reserve is transferred to share capital.

Share-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of equity instruments issued, whichever is more reliably measurable. The fair value of stock-based payments to nonemployees is periodically re-measured until counterparty performance is complete and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of share-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

Share Capital

The Company records proceeds from share issuances, net of commissions and issuance costs, as share capital. The Company engages in equity financing transactions to obtain the funds necessary to continue operations. The equity financings may involve the issuance of common shares or units. Warrants that are a part of units are assigned a value based on the residual value, if any, and included in reserves.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting periods. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the period ended June 30, 2024 this calculation proved to be anti-dilutive.

QUEST CRITICAL METALS INC.

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3. MATERIAL ACCOUNTING POLICIES (continued)

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity.

Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred Income Tax

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

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.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB that are mandatory for accounting periods beginning on or after October 1, 2024. The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after October 1, 2024 will have a significant impact on the Company's results of operations or financial position.

- *Disclosure of Accounting Policies*

In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

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4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

- *Definition of Accounting Estimates (Amendment to IAS 8)*
In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

There was no material impact upon adoption of the above accounting standards.

- *Classification of Liabilities as Current or Non-Current*
The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments Non-current Liabilities with Covenants issued in October 2022. The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period. Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.
- *IFRS 18 Presentation and Disclosure in the Financial Statements*
In April 2024, the IASB issued a new IFRS accounting standard to improve the reporting of financial performance. IFRS 18 Presentation and Disclosure in the Financial Statements replaces IAS 1 Presentation of Financial Statements. The standards will become effective January 1, 2027, with early adoption permitted.

The Company is in the process of assessing the impact of these new standards on the Company's financial statements.

5. RECEIVABLES

As at September 30, 2024 and September 30, 2023, receivables consist of the following:

	September 30, 2024	September 30, 2023
	(\$)	(\$)
GST receivable	44,799	45,690
Other receivables (Note 11)	48,234	74,441
	93,033	120,131

6. RESTRICTED DEPOSITS

As at September 30, 2024, restricted deposits consisted of \$15,000 (September 30, 2023 - \$15,000) held in a guaranteed investment certificate as collateral for a corporate credit card.

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

Tisová/TGER European Copper-Cobalt Properties

On July 6, 2018 the Company entered into an arm's length share purchase agreement to purchase 100% of the shares of Tisová Pty. Ltd. ("Tisová") And TGER Pty. Ltd. ("TGER"). Tisová and TGER are private companies which have been granted 100% interest in and to certain mineral concessions located in the Czech Republic and Germany.

Pursuant to the agreement, and in exchange for the Tisová and TGER shares, the Company is committed to issue, in aggregate, to the shareholders of Tisová and TGER the following:

- \$60,000 cash to the vendors upon execution of the agreement (paid);
- Upon satisfaction of certain conditions precedent, issue 150,000 common shares of the Company to the vendors on the closing date (issued);
- Spend \$1,000,000 on the properties by July 1, 2019, and issue an aggregate of 250,000 common shares of the Company to the vendors at such time (issued);
- Spend an additional \$1,000,000 on the properties each year for the next three years and no later than July 1, 2022 and issue an additional 400,000 common shares of the Company to the vendors.

If the Company fails to satisfy any of the above requirements, the shares of Tisová and TGER will be returned to the original vendors. On October 23, 2018, the Company issued 150,000 common shares with fair value of \$450,000 in exchange for 100% ownership of Tisová and TGER, subject to the above terms, and their respective mineral concessions. A finder's fee was issued in connection with this closing through the issuance of 46,875 common shares with a fair value of \$14,063. The related mineral concessions are subject to a 1.5% NSR of which one-half can be purchased for \$750,000.

The Company incurred the minimum exploration expenditures on the properties by June 1, 2019 and issued an aggregate of 250,000 common shares with a fair value of \$525,000 pursuant to the terms of the agreement. The Company paid a finder's fee by way of the issuance of 7,812 common shares with a fair value of \$16,406.

Effective February 1, 2021, the Company agreed to amend the terms of its previously entered into share purchase agreements dated July 6, 2018, pursuant to which the Company agreed to acquire both Tisová Pty. Ltd. and TGER Pty. Ltd., being the owners of certain mineral concessions located in the Czech Republic and Germany.

Under the terms of the purchase agreements, the Company still had the obligation to incur an aggregate \$3-million in exploration expenditures on the properties over a three-year period ending July 1, 2022, and issue an aggregate of 400,000 common shares of the Company to the vendors immediately upon incurring such exploration expenditures.

The Company has agreed with the vendors that, notwithstanding the provisions of the purchase agreements, upon the Company immediately issuing an aggregate of 300,000 common shares to the vendors (issued February 2, 2021 with a fair value of \$390,000), the purchaser shall own all of the shares of Tisová and TGER (and indirectly, the properties) unconditionally and absolutely and shall have no further obligations to the vendors under the purchase agreements.

The Company and the vendors have also agreed that one-third of the common shares being issued to the vendors shall be restricted from being traded before August 1, 2021, another one-third of the common shares shall be restricted from being traded before November 1, 2021, and the final one-third of the common shares shall be restricted from being traded before February 1, 2022.

QUEST CRITICAL METALS INC.

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7. EXPLORATION AND EVALUATION ASSETS (continued)Tisová/TGER European Copper-Cobalt Properties (continued)

During the year ended September 30, 2022, the Company impaired the Tisova, TGER, and Agnew Lake properties, recognizing \$1,557,185 in property impairment. While additional exploration was planned and incurred subsequent to the year ended September 30, 2022, there were several factors of impairment including a delay and decrease in exploration expenditures, a decrease in the Company's share price, and lack of availability of equity financing.

Agnew Lake Property

During the year ended September 30, 2019, the Company acquired a palladium project in Ontario through staking. The Agnew Lake property comprises over 260 claims (about 6,000 hectares) and is part of the larger East Bull Lake-Agnew Lake mafic-ultramafic complex.

East Bull Palladium Property

On February 26, 2019, and as amended August 10, 2022, March 1, 2023, September 7, 2023, and December 30, 2023, the Company entered into an option agreement through its newly incorporated and wholly-owned subsidiary, East Bull Resources Inc. with Pavey Ark Minerals Inc. ("Pavey Ark") to acquire a 100% interest in the East Bull palladium property in the Sudbury mining division, Ontario (the "Agreement").

Pursuant to the Agreement, and over a period of four years (should the Company elect to continue), the Company is obliged to incur \$1,750,000 in exploration expenditures, issue \$1,120,000 in cash payments, and issue an aggregate of 750,000 common shares of the Company to Pavey Ark in accordance with the following schedule:

Minimum Exploration Expenditures	Common Shares Issued	Cash Issued	Due Date
-	-	\$25,000	On Term Sheet signing (paid)
-	75,000	\$75,000	Within 5 days of signing (paid and issued)
\$250,000	75,000	\$150,000	On or before March 1, 2020 (met, paid and issued)
\$500,000	100,000	\$200,000	On or before March 1, 2021 (met, paid and issued)
\$500,000	100,000	\$50,000	On or before March 1, 2022 (met, paid and issued)
\$500,000	100,000	-	On or before March 1, 2023 (met and issued)
-	50,000	-	Consideration for September 2023 amendment (issued)
-	-	\$250,000	On or before March 8, 2024
-	250,000	-	On or before March 29, 2024
-	-	\$370,000	On or before December 31, 2024
\$1,750,000	750,000	\$1,120,000	

As of September 30, 2021, the Company had exceeded the minimum exploration expenditures of \$1,750,000 required under the option agreement. During the year ended September 30, 2022, the Company issued 100,000 common shares and made a cash payment of \$50,000 pursuant to the terms of the East Bull property option agreement.

During the year ended September 30, 2023, the Company issued 150,000 common shares, with a fair value of \$65,000, pursuant to the terms of the East Bull property option agreement. During the year ended September 30, 2024, the Company relinquished its option to acquire 100% interest in the East Bull property, resulting in an impairment of \$1,084,148. The cash payments due under the option agreement between March and December 2024 were not paid as a result of the relinquishment and the Company has no further obligations relating to the option agreement.

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

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7. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended September 30, 2024, the Company incurred \$49,077 in exploration expenses on its mineral properties (2023 - \$292,470). The Company did not meet the milestone payment deadlines that were due in March 2024, and therefore was in default on the Agreement. As at September 30, 2024, the Company had lost its interest in the East Bull property.

1439266 B.C. Ltd.

On December 1, 2023, the Company closed the acquisition of a B.C. private company, 1439266 B.C. Ltd. ("143"), which is the legal and beneficial owner of a 100-per-cent interest in and to 15 mineral tenements totaling 24,427.28 hectares located in the Lithium Valley in Minas Gerais state, Brazil (the "Brazil Property"). Pursuant to the arm's length acquisition, the Company issued 12 million common shares to the shareholders of 143. Pursuant to the terms of the acquisition, the shareholders of 143 also received, on a pro rata basis, an aggregate cash payment of \$200,000. In addition, 143 carried indebtedness of \$100,000 in relation to a loan owing to the original Property vendor. The Company assumed the loan obligation, with payment due within three months of the acquisition closing date. During the year ended September 30, 2024, the Company issued the cash payment of \$200,000 and repaid the loan of \$100,000.

For accounting purposes, the acquisition is considered to be an acquisition outside the scope of IFRS 3 Business Combinations since 143, prior to the Acquisition, did not constitute a business. The Acquisition is accounted for in accordance with IFRS 2 Share-Based Payment whereby the Company issued shares to acquire the net assets of 143.

The acquisition of 143 has been recorded as an asset acquisition for the purchase of exploration and evaluation assets with costs of the acquisition as follows:

Acquisition of 1439266 BC Ltd.***Purchase Price:***

Common shares issues	\$	3,780,000
Cash issued		200,000
Transaction costs		16,561
	\$	<u>3,996,561</u>

Allocation of Purchase Price:

Other receivables	\$	12
Exploration and evaluation assets		4,134,673
Accounts payable and accrued liabilities		(38,124)
Note payable		<u>(100,000)</u>
	\$	<u>3,996,561</u>

Subsequent to the year ended September 30, 2024, the Company relinquished its interest in the Brazil Property due to a weak lithium market, escalating costs to maintain the Property, and difficulties raising financing for a grassroots lithium project.

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

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7. EXPLORATION AND EVALUATION ASSETS (continued)

A schedule of exploration and evaluation assets as at September 30, 2024 and September 30, 2023 is as follows:

	East Bull	Brazil	Total
	(\$)	(\$)	(\$)
At September 30, 2022	1,019,148	-	1,019,148
Common shares	65,000	-	65,000
At September 30, 2023	1,084,148	-	1,084,148
Acquisition cost	-	4,134,673	4,134,673
Impairment	(1,084,148)	(4,134,673)	(5,218,821)
At September 30, 2024	-	-	-

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at September 30, 2024 and September 30, 2023, the Company's accounts payable and accrued liabilities is comprised of the following:

	September 30,	September 30,
	2024	2023
	(\$)	(\$)
Accounts payable	321,837	259,858
Related party payable (Note 12)	597,276	366,773
Accrued liabilities	65,000	50,000
Interest payable (Note 12)	19,694	12,042
	1,003,807	688,673

During the year ended September 30, 2023, a total of \$860,624 in trade payables was settled through the issuance of 1,721,248 common shares at \$0.50. The fair value of the issued common shares was \$688,499 which resulted in a gain amounting to \$172,125 on the settlement of the accounts payable.

9. NOTES PAYABLE

During the year ended September 30, 2024, the Company issued notes payable for proceeds of \$461,910, of which \$194,710 was issued to related parties (September 30, 2023 - \$404,298), which are unsecured, non-interest bearing and repayable upon demand. During the year ended September 30, 2024, a total of \$381,500 in notes were repaid. During the year ended September 30, 2023, a total of \$653,190 was settled through the issuance of 1,306,380 common shares at \$0.50, and \$Nil was repaid in cash. The fair value of the issued common shares was \$522,552 which resulted in a gain amounting to \$130,638 on the settlement of the notes payable.

As at September 30, 2024, a total of \$284,753 (September 30, 2023 - \$204,343) of loan principal remains outstanding, of which \$184,753 is due to related parties.

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

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10. GRANT LIABILITY

The Company was selected as a project partner in an EU €7.4m grant funded Exploration Information Systems (EIS) project, with the Company's Tisová and TGER properties being used as a test site for the EIS project. Under the EIS grant, the Company was issued a total grant of €198,000 to spend on eligible exploration expenditures on its European properties, which may be increased in the future. As of September 30, 2024, \$44,082 (September 30, 2023 - \$72,170) of the EIS grant remains receivable and is included in other receivables. As of September 30, 2024, there is still \$147,836 obligation to incur eligible expenditures on the Tisová and TGER properties.

11. SHARE CAPITAL AND RESERVES**a) Authorized share capital**

An unlimited number of common shares without par value.

b) Issued share capital

During the year ended September 30, 2024, the following transactions took place:

On June 18, 2024, the Company completed a non-brokered private placement through the issuance of 3,068,163 units at a price of \$0.22 per unit. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.35 for two years from the date of issue. The Company recorded a residual value of \$30,682 for the common share purchase warrants.

b) Issued share capital

On October 25, 2023, the Company completed a share consolidation on the basis of 1 post-consolidation share for every 10 pre-consolidation shares.

On December 1, 2023, the Company issued 12,000,000 common shares with a fair value of \$0.315 per share, pursuant to the share purchase agreement to acquire 100% of 1439266 BC Ltd. (Note 8).

During the year ended September 30, 2023, the following transactions took place:

On March 1, 2023, the Company issued 100,000 common shares in exchange for another milestone payment towards the ownership of the East Bull palladium property with an estimated fair value of \$0.45 per share, being the market price on the date of issuance (Note 8).

On September 15, 2023, the Company issued 50,000 common shares in exchange for another milestone payment towards the ownership of the East Bull palladium property with an estimated fair value of \$0.40 per share, being the market price on the date of issuance (Note 8).

On September 15, 2023, the Company issued 3,027,628 common shares at \$0.50 to settle debt in the amount of \$1,513,814.

c) Stock options

The Company may grant incentive stock options to its officers, directors, employees and consultants. The Company has a fixed Stock Option Plan (the "Plan") whereby the Company has reserved 10% of the issued shares for issuance under the Plan. Options have a maximum term of ten years and terminate after a certain number of days following the termination of the optionee's term/employment, except in the case of death, in which case they terminate one year after the event. Vesting is determined by the Board of Directors.

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

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11. SHARE CAPITAL AND RESERVES (continued)

A continuity schedule of outstanding stock options is as follows:

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance – September 30, 2022	1,295,500	0.23
Expired	(342,000)	0.33
Balance – September 30, 2023	953,500	0.19
Expired	(608,500)	2.11
Granted	2,415,000	0.45
Balance – September 30, 2024	2,760,000	0.59

During the year ended September 30, 2024, the Company recognized \$1,021,304 (2023 - \$Nil) in share-based compensation relating to options vesting during the year.

As at September 30, 2024, the Company had incentive stock options enabling the holders to acquire further common shares as follows:

Expiry Date	Options Outstanding	Options Exercisable	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life (years)
February 11, 2025	95,000	95,000	0.07	0.37
October 28, 2025	250,000	250,000	0.13	1.08
December 15, 2028	2,415,000	2,415,000	0.39	4.21
	2,760,000	2,760,000	0.59	3.79

d) Share purchase warrants

A continuity schedule of outstanding share purchase warrants is as follows:

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance – September 30, 2022	1,755,698	1.72
Expired	(490,998)	1.52
Balance – September 30, 2023	1,264,700	1.80
Expired	(1,264,700)	1.80
Issued	3,608,163	0.35
Balance – September 30, 2024	3,608,163	0.35

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11. SHARE CAPITAL AND RESERVES (continued)

During the year ended September 30, 2024, 3,608,163 warrants were issued pursuant to a non-brokered private placement, exercisable at \$0.35 until June 18, 2026, and 1,264,700 warrants expired unexercised. During the year ended September 30, 2023, 490,998 warrants expired unexercised.

As at September 30, 2024, the Company had 3,608,163 share purchase warrants outstanding.

<u>Expiry Date</u>	<u>Warrants Outstanding</u>	<u>Exercise Price</u> (\$)	<u>Weighted Average Remaining Life</u> (years)
June 18, 2026	3,608,163	0.35	1.72
	3,608,163	0.35	1.72

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's key management personnel consist of directors, officers and companies owned or controlled in whole or in part by officers and directors. Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed by the related parties). The following summarizes the Company's related party transactions during the year ended September 30, 2024 and 2023:

Key Management Compensation

	2024	2023
	(\$)	(\$)
Consulting fees (b)	120,000	120,000
Management fees (c and d)	-	210,000
Share-based payments	750,647	-
	870,647	330,000

- a) As at September 30, 2024, included in accounts payable and accrued liabilities was \$597,276 (September 30, 2023 - \$366,773) owing to current and former officers and directors and companies.
- b) During the year ended September 30, 2024, \$120,000 (2023 - \$120,000) was paid or accrued to the CFO and Corporate Secretary for services rendered and included in consulting fees.
- c) During the year ended September 30, 2024, \$Nil (2023 - \$120,000) was paid or accrued to the former CEO for services rendered, and included in management fees.
- d) During the year ended September 30, 2024, \$Nil (2023 - \$90,000) was paid or accrued to the former Chair of the Board of Directors for services rendered, and included in management fees.
- e) As of September 30, 2024, \$182,153 (September 30, 2023 - \$169,343) in notes payable was payable to corporations controlled by the former CEO of the Company. The notes payable are unsecured, interest free and repayable on demand.
- f) Accounts payable as of September 30, 2024 includes \$12,042 (September 30, 2023 - \$12,042) in accrued interest payable to corporations controlled by the former CEO of the Company in relation to notes payable that have been repaid.

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, short-term investments, receivables, restricted deposits, accounts payable and notes payable.

The Company classified its cash as fair value through profit or loss; receivables and restricted deposits as amortized cost; and accounts payable and notes payable as amortized cost. The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, restricted deposits, accounts payable and notes payable approximate their book values because of the short-term nature of these instruments.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of goods and services tax due from the government and other receivables; the balances are in good standing as at September 30, 2024. The Company does not believe it has a material exposure to credit risk.

Liquidity risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements.

The Company's ongoing liquidity is impacted by various external events and conditions. The Company expects to repay its financial liabilities, consisting of accounts payable and notes payable, in the normal course of operations and to fund future operational and capital requirements future equity and debt financing.

To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will seek to secure additional funds through long-term debt and equity transactions.

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*Interest rate risk*

The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. Interest rate risk is minimal as the Company does not have significant interest-bearing assets or any variable interest-bearing liabilities that are tied into market rates.

Foreign exchange risk

The Company is not exposed to any significant foreign currency risk.

Commodity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

14. MANAGEMENT OF CAPITAL

The Company all components of shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. There have been no changes to the Company's approach to capital management during the year ended September 30, 2024.

15. SEGMENTED INFORMATION

The Company operates in one industry segment being the acquisition and exploration of mineral exploration and evaluation assets. The non-current assets attributable to the geographical locations relate primarily to exploration and evaluation assets and all the non-current assets are domiciled in Canada as at September 30, 2024 and September 30, 2023.

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

Year Ended September 30, 2024

(Expressed in Canadian dollars)

16. COMMITMENTS

As of September 30, 2024, the Company did not have any commitments.

17. SUPPLEMENTAL CASH FLOW INFORMATION

	2024	2023
	(\$)	(\$)
Interest paid during the year	-	-
Income taxes paid during the year	-	-
Supplemental Disclosure of Cash Flow Information:		
Shares issued for exploration and evaluation assets	3,780,002	-

18. INCOME TAXES**a) Provision for Income Taxes**

A reconciliation of the combined Canadian federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows:

	2024	2023
	(\$)	(\$)
Loss for the year	(6,787,782)	(640,253)
Expected income tax recovery	(1,833,000)	(173,000)
Permanent differences	278,000	2,000
Change in statutory, foreign tax, foreign exchange rates and other	1,119,000	(1,421,000)
Share issue cost	7,000	-
Change in unrecognized deductible temporary differences	429,000	1,592,000
Income tax expense	-	-

b) Deferred Income Taxes

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts:

	2024	2023
	(\$)	(\$)
Non-capital losses carry-forward	4,424,000	4,244,000
Exploration and evaluation assets	2,797,000	2,503,000
Property and Equipment	-	-
Share issuance costs	29,000	74,000
Allowable capital loss	15,000	15,000
	7,265,000	6,836,000
Unrecognized deferred tax assets	(7,265,000)	(6,836,000)
	-	-

QUEST CRITICAL METALS INC.

Notes to the Consolidated Financial Statements

Year Ended September 30, 2024

(Expressed in Canadian dollars)

18. INCOME TAXES (continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Temporary Differences	2024	Expiry Date Range
	(\$)	
Share issuance costs	109,000	2039 to 2044
Exploration and evaluation assets	10,361,000	No expiry date
Allowable capital losses	55,000	No expiry date
Non-capital losses available for future periods	16,238,000	2028 to 2044

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

19. SUBSEQUENT EVENT

Subsequent to September 30, 2024, the Company relinquished its interest in the mineral property located in the state of Minas Gerais, Brazil, and returned the licenses to the original seller for no consideration.