LITHOS ENERGY LTD.
(Formerly Alchemist Mining Inc.)

Consolidated Financial Statements

Years Ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

Charlton
+Company

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
Lithos Energy Ltd. (formerly Alchemist Mining Inc.)

Opinion

We have audited the accompanying consolidated financial statements of Lithos Energy Ltd. (formerly Alchemist Mining Inc.) (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2023 and 2022 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2023 and 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

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

<u>Asset Acquisition – Iron Forge Holdings (I) Ltd. ("Iron Forge")</u>

As disclosed in Notes 1 and 7 to the consolidated financial statements, the Company acquired all of the issued and outstanding common shares of Iron Forge. The acquisition of Iron Forge has been accounted for as an asset acquisition.

The principal considerations for our determination that the accounting for the acquisition is a key audit matter are that the transaction requires management to exercise judgement to determine the appropriate accounting treatment, including whether the acquisition should be accounted for as an asset acquisition or business combination, assessing the fair value of consideration provided, and estimating the fair value of net assets acquired. These factors in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment.

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

- Obtaining an understanding of the transaction, including management's assessment of whether the transaction constituted an asset acquisition or business combination;
- Reviewing the Share Exchange Agreement to understand key terms and conditions;
- Agreeing the consideration to supporting documentation;
- Evaluating management's calculation of the fair value of the net assets acquired in accordance with the Company's accounting policies; and
- Assessing the adequacy of the related disclosures to the consolidated financial statements.

Business Combination – Lithos Technology Corp. ("Lithos")

As disclosed in Notes 1 and 7 to the consolidated financial statements, the Company acquired all of the issued and outstanding common shares of Lithos by way of a three-cornered amalgamation. The acquisition of Lithos has been accounted for as a business combination.

Management is required to make significant judgements in assessing the fair values of consideration issued and the assets and liabilities acquired. The acquisition of Lithos gave rise to the recognition of an identifiable intangible asset and goodwill. Because of the judgements involved, we considered the accounting for the acquisition to be a key audit matter.

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

- Obtaining an understanding of the transaction, including management's assessment of whether the transaction constituted an asset acquisition or business combination and assessing the classification and measurement of the intangible asset and goodwill;
- Evaluating the appropriateness of the fair value assigned to the consideration issued;
- Evaluating the reasonability of key inputs used in the discounted cash flow model, such as forecasted revenues, operating expenses, growth rates and the discount rates used by management;
- Engaging valuation specialists to assess management's valuation methodology, and to conclude on the reasonability of their valuation approach and rates applied; and
- Assessing the adequacy of the related disclosures to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
August 16, 2023

LITHOS ENERGY LTD.
(Formerly Alchemist Mining Inc.)
Consolidated Statements of Financial Position
As at April 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Notes		**2023**		2022
Assets					
Current					
Cash		**$**	**577,669**	$	352,085
Advances receivable	6		**271,058**		-
GST receivable			**23,680**		60,737
Prepaid expenses			**35,000**		-
			907,407		412,822
Exploration advance			**14,117**		-
Exploration and evaluation assets	7,8		**1,142,589**		-
Intangible asset	7		**10,000,000**		-
Goodwill	7		**5,163,487**		-
Total assets		**$**	**17,227,600**	$	412,822
Liabilities					
Current					
Accounts payable and accrued liabilities	10	**$**	**476,326**	$	118,968
Convertible debt	11		**-**		94,063
Shareholder loans	10		**-**		222
Total liabilities			**476,326**		213,253
Shareholders' equity					
Share capital	9		**24,603,302**		6,155,365
Reserves	9		**154,838**		27,600
Deficit			**(8,006,866)**		(5,983,396)
Total shareholders' equity			**16,751,274**		199,569
Total liabilities and shareholders' equity		**$**	**17,227,600**	$	412,822

Nature of operations (note 1)
Going concern (note 2)
Subsequent events (note 16)

Approved on behalf of the Board by:

"Eric Boehnke"
Director

"Scott Taylor"
Director

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

LITHOS ENERGY LTD.
(Formerly Alchemist Mining Inc.)
Consolidated Statements of Loss and Comprehensive Loss
Years Ended April 30, 2023 and 2022

	Notes	**2023**	2022
Expenses			
Business development		**$ 47,250**	$ 13,112
Consulting	10	**106,097**	350,100
Depreciation	4	**-**	306
Exploration costs		**145,808**	34,719
Filing fees and shareholder information		**43,961**	22,742
Interest	10,11	**-**	6,563
Office and general		**2,834**	514
Professional fees	10	**203,641**	117,461
Rent	4,10	**46,580**	-
Share-based payments	9	**127,238**	-
		(723,409)	(545,517)
Foreign exchange gain		**266**	-
Forgiveness of debt	10	**-**	33,423
Loss on debt settlement	9,10,11	**(100,327)**	(500,112)
Transaction costs	7,9	**(1,200,000)**	-
Write-off of advances	14	**-**	(23,000)
Loss and Comprehensive Loss for the Year		**$ (2,023,470)**	$ (1,035,206)
Basic and Diluted Loss Per Share		**$ (0.09)**	$ (0.13)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted		**22,973,924**	7,855,904

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

LITHOS ENERGY LTD.
(Formerly Alchemist Mining Inc.)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares	Share capital	Reserves: Options	Reserves: Warrants	Deficit	Total
Balance, April 30, 2021	**3,830,536**	**$ 4,536,579**	**$ -**	**$ 27,600**	**$ (4,948,190)**	**$ (384,011)**
Private placements	12,133,333	1,003,750	-	-	-	1,003,750
Share issuance costs	-	(9,234)	-	-	-	(9,234)
Debt settlement	2,497,080	624,270	-	-	-	624,270
Loss for the year	-	-	-	-	(1,035,206)	(1,035,206)
Balance, April 30, 2022	**18,460,949**	**6,155,365**	**-**	**27,600**	**(5,983,396)**	**199,569**
Private placements	6,750,508	978,824	-	-	-	978,824
Share issuance costs	-	(12,999)	-	-	-	(12,999)
Debt settlement	648,706	194,612	-	-	-	194,612
Acquisition of Iron Forge Holdings (1) Ltd.	7,499,999	1,087,500	-	-	-	1,087,500
Acquisition of Lithos Technology Corp.	27,000,000	16,200,000	-	-	-	16,200,000
Share-based payments	-	-	127,238	-	-	127,238
Loss for the year	-	-	-	-	(2,023,470)	(2,023,470)
Balance, April 30, 2023	**60,360,162**	**$ 24,603,302**	**$ 127,238**	**$ 27,600**	**$ (8,006,866)**	**$ 16,751,274**

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

LITHOS ENERGY LTD.
(Formerly Alchemist Mining Inc.)
Consolidated Statements of Cash Flows
Years Ended April 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Notes	2023	2022
Operating Activities			
Loss for the year		$ (2,023,470)	$ (1,035,206)
Items not involving cash			
Depreciation		-	306
Interest expense		-	6,563
Loss on debt settlement		100,327	500,112
Shares issued on transaction costs		1,200,000	-
Share-based payments		127,238	-
Forgiveness of debt		-	(33,423)
Write-off of advances		-	(23,000)
Changes in non-cash working capital items:			
Amounts receivable		37,057	(16,936)
Prepaid expenses		(35,000)	142
Accounts payable and accrued liabilities		(12,263)	(128,541)
Cash used in operating activities		(606,111)	(729,983)
Investing Activities			
Advancement of funds to Alinea	14	-	23,000
Funds received from other receivable		-	5,000
Exploration and evaluation assets	8	(2,266)	-
Loan advanced to Lithos	7	(400,000)	-
Cash acquired from Iron Forge	7	38,376	-
Cash acquired on acquisition of Lithos	7	229,760	-
Cash (used in) provided by investing activities		(134,130)	28,000
Financing Activities			
Proceeds from convertible debt	11	-	87,500
Proceeds from shareholder loans	10	-	17,085
Repayment of shareholder loans	10	-	(28,534)
Issuance of common shares, net of share issue costs	9	978,824	994,515
Repayment of debt	10	-	(32,000)
Share issue costs	9	(12,999)	-
Cash provided by financing activities		965,825	1,038,566
Change in cash in the year		225,584	336,583
Cash, beginning of year		352,085	15,502
Cash, end of year		$ 577,669	$ 352,085

Supplemental cash flow information (note 15)

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

1. NATURE OF OPERATIONS

Lithos Energy Ltd. (formerly Alchemist Mining Inc.) (the "Company") was incorporated as NY85 Capital Inc. under the *Business Corporations Act* on October 22, 2010 in the province of British Columbia. On October 1, 2012, the shareholders of the Company approved the name change from NY85 Capital Inc. to Alchemist Mining Inc. On August 20, 2014, the Company de-listed from the TSX Venture Exchange and commenced trading on the Canadian Securities Exchange ("CSE"). On August 15, 2023, the Company changed its name to Lithos Energy Ltd. The common shares of the Company are listed for trading on the CSE under the symbol LITS. The Company's head office is located at Suite 2380 - 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9.

On January 27, 2023, the Company acquired all of the issued and outstanding common shares of Iron Forge Holdings (I) Ltd. ("Iron Forge"), a private British Columbia corporation which holds the rights to an exploration property located in west-central Nevada, called the Rhodes Marsh property. The acquisition of Iron Forge was accounted for as an asset acquisition (Note 7).

On April 27, 2023, the Company acquired all of the issued and outstanding common shares of Lithos Technology Corp., a private Alberta corporation, and its wholly owed subsidiary, Lithos Technology LLC, a private limited liability corporation incorporated in Delaware, USA, by way of a three-cornered amalgamation. The acquisition was accounted for as a business combination in accordance with IFRS 3 (Note 7).

Subsequent to year end, on August 4, 2023, the Company acquired all of the issued and outstanding common shares of Aqueous Resources LLC ("Aqueous"), a private entity located in Denver, Colorado, by issuing 17,500,000 common shares. Aqueous is the sole owner of patented technology for electro-pressure membrane process and method for recovery and concentration of lithium chloride from aqueous sources (Note 16).

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the development of its technologies and the attainment of profitable operations. Management is actively engaged in seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments may be necessary in the carrying values of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

For the year ended April 30, 2023, the Company incurred a net loss of $2,023,470 (2022 - $1,035,206), and as at April 30, 2023, has an accumulated deficit of $8,006,866 (2022 - $5,983,396). At April 30, 2023, the Company has a working capital of $431,081 (2022 –$199,569). As at April 30, 2023, the Company has sufficient resources to maintain its operations for the next 12 months.

2. GOING CONCERN (Continued)

On March 11, 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, was declared by the World Health Organization as a global pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

3. BASIS OF PRESENTATION

Approval of the consolidated financial statements

These consolidated financial statements for the year ended April 30, 2023 were reviewed by the Audit Committee and approved and authorized for issue on August 16, 2023 by the Board of Directors of the Company.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of preparation

These consolidated financial statements are presented in Canadian dollars, which is also the Company’s and its subsidiaries’ functional currency. These consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities measured at fair value.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its controlled entities. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated on consolidation.

	Country of incorporation	Percentage owned	
		April 30, 2023	**April 30, 2022**
1282112 B.C. Ltd.	Canada	100%	100%
Iron Forge Holdings (I) Ltd.	Canada	100%	-
Lithos Technology Corp.	Canada	100%	-
Lithos Technology LLC	USA	100 %	-

3. BASIS OF PRESENTATION (Continued)

Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, contingent assets, and contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates.

Significant accounting judgments

Acquisitions
Judgment is used when determining whether an acquisition is a business combination or an asset acquisition. Judgment is also used in measuring the fair value of equity instruments issued as consideration in an asset acquisition or business combination.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. In a business combination, the excess of the aggregate of the consideration transferred over the net assets of the acquisition-date amounts of all identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

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

Title to mineral property interest
Although the Company has taken steps to verify title to mineral properties that it currently has under option, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

Significant accounting estimates and assumptions

Valuation of equity consideration granted for acquisitions
The valuation of share consideration granted involves management judgment in determining the valuation of the share consideration granted. Judgment is exercised in assessing the fair value of the shares granted as well as any potential lock-up provisions on the common shares or performance shares.

Estimated useful life of intangible asset
Amortization of intangible assets is dependent upon estimates of useful lives based on management's judgment. Determination must be made by management whether the Lithos technology has an indefinite life or if not, management determines its lifespan. In management's view, the Lithos technology will have a finite life and will have a useful life of 15 years.

3. BASIS OF PRESENTATION (Continued)

Impairment of exploration and evaluation assets
The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Impairment considerations of intangible asset and goodwill
Goodwill impairment testing requires management to make critical estimates within the impairment testing model. On an annual basis, the Company tests whether goodwill is impaired.

Determining whether any charge to impairment against the Company's finite lived intangible assets requires management to estimate the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. Impairment is reviewed on an annual basis or as events and conditions change.

The recoverable value of goodwill and intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

Deferred income tax
The Company recognizes a deferred tax asset to extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Share-based payments
The determination of the fair value related to share-based payments are subject to estimate. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

4. SIGNIFICANT ACCOUNTING POLICIES

Equipment

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses. The Company begins to depreciate an asset when it becomes available for use, which is when it is in the location and condition necessary for it being capable of operating in the manner intended by management.

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

During the year ended April 30, 2023, the Company recognized $nil (2022 - $306) in depreciation expense. As at April 30, 2023, the Company has $nil (2022 - $nil) in capital assets.

Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred. Once the legal right to explore an exploration and evaluation asset has been acquired, all costs related to the acquisition of the property and exploration on the property are capitalized on a property-by-property basis. All expenditures are capitalized until such time the properties are placed into commercial production, sold, abandoned or impaired. If commercial production is achieved from a mineral property, the related capitalized costs will be tested for impairment and reclassified to mineral property in production and will be accounted for under IAS 16.

The carrying values of capitalized amounts are reviewed annually, or when indicators of impairment are present. If it is determined that the carrying amount of an exploration and evaluation asset is impaired, that property is written down to its estimated net realizable value.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, option payments are recorded as property costs or recoveries when paid or received. When recoveries exceed the carrying value of the mineral property, the excess is reflected in the statement of loss and comprehensive loss.

Restoration and environmental obligation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration 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 restoration 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 Company’s estimates of restoration 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 restoration 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 restoration costs, are charged to the statement of comprehensive loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production is charged to the statement of comprehensive loss in the period incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

As of April 30, 2023 and 2022, the Company did not have any decommissioning liabilities.

Intangible asset

The Company's intangible asset consists of its conductive fracturing imaging technology ("CFI").

The CFI is carried on the Company's financial statements using the cost model. The CFI has a finite life and will be amortized over its useful economic life of 15 years. The CFI is assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for the CFI is reviewed at least at the end of each reporting period. A change in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Goodwill

Goodwill represents the excess of the purchase price paid for an acquisition over the fair value of the net tangible and intangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill has an indefinite useful life, is not subject to amortization and therefore, subject to impairment testing annually for any impairment, or more frequently in the case that events or circumstances indicate. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units ("CGUs") or group of CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the recognized amount of the identifiable assets and liabilities assumed, all measured at the acquisition date. Transactions costs, other than those associated with the issue of equity instruments, incurred in connection with a business combination are expensed as incurred.

Impairment of non-current assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. Individual assets are grouped together as a cash generating unit for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other group assets.

If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where the carrying amount of a cash generating unit exceeds its recoverable amount, the cash generating unit is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the cash generating unit and are discounted to their present value with a discount rate that reflects the current market indicators.

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

Financial instruments

<u>Financial assets</u>

(i) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(ii) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

- The Company’s business model for such financial assets is to hold the assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income (“FVTOCI”)

Elected investments in equity instruments measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as “financial asset at fair value through other comprehensive income” in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

As at April 30, 2023, the Company's cash was measured as FVTPL and advances receivable were measured at amortized cost.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss.

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable. The Company's financial liabilities include accounts payable and accrued liabilities, convertible debt, and shareholder loans, which are all measured at amortized cost.

Convertible debt

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder. If the number of shares to be issued is fixed and does not vary, the liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the consolidated statements of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

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

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share-based payments

Under the Company's stock option plan, it may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date using the Black-Scholes option pricing model, and is recognized over the vesting period. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in options reserves. The amount recognized as expense is adjusted to reflect the number of share options that actually vest. Consideration received on the exercise of stock options is recorded in share capital and the related options reserves is transferred to share capital.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss per share

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of share options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the year.

Existing share options and share purchase warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share is the same.

Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of options or warrants is recorded in share capital and the related residual value is transferred to share capital. For those options and warrants that expire, the recorded value is transferred to deficit.

Leases

The Company considers whether a contract is, or contains, a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet. The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company’s incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the consolidated statement of financial position, right-of-use assets have been included under non-current assets and lease liabilities have been included under current and non-current liabilities.

During the year ended April 30, 2023, the Company recognized rent expense of $46,580 (2022 - $nil) in relation to short-term leases.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Related parties

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. Parties are also considered to be related if they are subject to common control. 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.

Foreign exchange

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian Dollar. Transactions in currencies other than the Canadian Dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Accounting standards issued but not yet effective

During the year ended April 30, 2023, there were no new IFRS or IAS accounting standards that became effective that had a material impact on the Company's consolidated financial statements. A number of new standards, amendments to standards and interpretations are not yet effective as at the date of issuing these statements and have not been applied in preparing these financial statements. The Company has not early adopted any of these standards and does not anticipate the adoption of the standards will have any impact on its financial statements.

(Expressed in Canadian Dollars, unless otherwise stated)

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The carrying values of these instruments approximate their fair values due to their short term to maturity.

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3:	Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy include cash. The carrying values of advances receivable, accounts payable and accrued liabilities, convertible debt and shareholder loans approximate their fair values due to the short-term maturity of these instruments.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing cash at major Canadian financial institutions. The Company has minimal credit risk on its advances receivable as at April 30, 2023, as subsequent to year end, it acquired a 100% interest in Aqueous Resources LLC (Notes 6 and 16).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The contractual financial liabilities of the Company as of April 30, 2023 equal $476,326 (2022 - $213,253). All of the liabilities presented as accounts payable are due within 90 days of April 30, 2023. The Company continues to seek additional sources of capital through financing opportunities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

As at April 30, 2023 and 2022, the Company is not exposed to significant market risk.

(Expressed in Canadian Dollars, unless otherwise stated)

6. ADVANCES RECEIVABLE

On December 1, 2022, the Company's subsidiary, Lithos Technology LLC. entered into a Membership Interest Purchase and Subscription Agreement (the "Membership Agreement") to acquire one-third of the outstanding membership and equity interest of Aqueous Resources LLC ("Aqueous") consisting of 500 Series Preferred Units of Aqueous, plus, warrant certificates to acquire an additional 2,400 units of Series A preferred membership (the "Investment"). Aqueous is the sole owner of patented technology for electro-pressure membrane process and method for recovery and concentration of lithium chloride from aqueous sources. The subscription price for the Investment was USD $600,000 (the "Total Consideration"), of which USD $200,000 was payable on the signing of the agreement and USD $400,000 was payable by January 2, 2023.

As at April 30, 2023, the Company had paid a deposit of $271,058 (USD $200,000) to Aqueous and subsequent to April 30, 2023, the Company paid an additional $134,085 (USD $100,000).

Subsequent to April 30, 2023, the parties terminated the Membership Agreement and entered into a definitive agreement to purchase a 100% interest in Aqueous (the "Alchemist Agreement"). As a result, the advances were converted into unsecured, non-interest bearing demand loans to Aqueous (Note 16).

7. ACQUISITIONS

<u>Iron Forge Holdings (I) Ltd.</u>

On January 27, 2023, the Company executed a share exchange agreement with Iron Forge (the "Iron Forge Transaction"), whereby Alchemist acquired all of the outstanding common shares of Iron Forge in consideration for the issuance of 7,499,999 common shares in the capital of the Company with a fair value of $0.145 per share and 3,749,999 common share purchase warrants. Each warrant entitled the holder there of to purchase one common share in the capital of the Company at an exercise price of $0.20 for a period of two years (Note 9). The warrants had a residual value of $nil.

Following the closing of the Iron Forge Transaction, Iron Forge became a wholly-owned subsidiary of Alchemist. No change of control of the Company occurred as a result of the Iron Forge Transaction.

As Iron Forge did not meet the definition of a business under IFRS 3 – Business Combinations, the Acquisition was accounted for as the purchase of Iron Forge's net assets by Alchemist. The net purchase price was determined as an equity settled share-based payment, under IFRS 2 - Share-based Payments, at the fair value of the equity instruments issued based on the fair value of $1,087,500.

The aggregate purchase price being $1,125,790 and the allocation of the consideration for purposes of the pro-forma consolidated statement of financial position is as follows:

Consideration:		
Consideration paid in common shares (Note 9)	$	1,087,500
Transaction costs - cash		38,290
	$	**1,125,790**

(Expressed in Canadian Dollars, unless otherwise stated)

7. ACQUISITIONS (Continued)

Fair value of assets and liabilities acquired:		
Cash	$	38,376
Exploration and evaluation asset – Rhodes Marsh (Note 8)		1,122,321
Accounts payable and accrued liabilities		(34,907)
	$	**1,125,790**

Lithos Technology Corp.

On March 6, 2023, the Company entered into an amalgamation agreement with Lithos Technology Corp. (“Lithos”), a private arm’s length Alberta company, pursuant to which Alchemist agreed to acquire all of the issued and outstanding common shares of Lithos by way of “three-cornered” amalgamation, whereby a wholly-owned subsidiary of Alchemist (“NewCo”) and Lithos amalgamated to form a new entity (“AmalCo”), and AmalCo became a wholly-owned subsidiary of Alchemist upon completion of the transaction (the “Lithos Transaction”). At the closing of the Lithos Transaction, each of the outstanding common shares of Lithos were cancelled and each respective Lithos shareholder received their pro rata portion of an aggregate of 15,000,000 common shares in the capital of the Company. In addition, the Company issued 10,000,000 performance shares to certain employees and consultants of Lithos. The performance shares were released in June 2023 upon the completion of the first brine shipment from 3 Proton Lithium.

In connection with the Lithos Transaction, Alchemist advanced a bridge loan in the amount of $400,000 to Lithos (the ”Bridge Loan”). The Bridge Loan was subsequently eliminated on consolidation.

On April 27 2023, the Lithos Transaction closed and the Company acquired and gained control of 100% of Litho’s issued and outstanding shares. The Lithos Transaction was accounted for as a business combination in accordance with IFRS 3 – Business Combinations, as such the Company used the acquisition method of accounting. Accordingly, the consolidated statement of financial position has been adjusted for the elimination of Lithos’s share capital and accumulated deficit. The consideration has been measured at fair value using the closing market price at the date the Transaction closed of $0.60 per share. The estimated fair value of the consideration paid was $15,000,000.

Consideration:		
Common shares	$	9,000,000
Contingent consideration – performance shares		6,000,000
	$	15,000,000

Fair value of net assets acquired:		
Cash	$	229,760
Advances receivable (Note 6)		271,058
Exploration advance		14,117
Exploration and evaluation asset (Note 8)		18,002
Intangible asset - Technology		10,000,000
Goodwill		5,163,487
Accounts payable and accrued liabilities		(296,424)
Bridge loan payable		(400,000)
	$	15,000,000

(Expressed in Canadian Dollars, unless otherwise stated)

7. ACQUISITIONS (Continued)

Goodwill arose over the acquisition of Lithos due to the benefit of expected revenue growth and future market developments that will result from the CFI. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions are expected to be deductible for tax purposes. All acquisitions were dealt with at arm's length at the time of transaction.

On an annual basis, the Company assesses the Company's CGUs for indicators of impairment or when facts or circumstances suggest the carrying amount may exceed its recoverable amount. Goodwill is tested for impairment annually. As at April 30, 2023, the carrying amount of goodwill and intangible asset does note exceed the recoverable amount, and as a result, the Company did not recognize any impairment charges.

8. EXPLORATION AND EVALUATION ASSETS

Rhodes Marsh Property, Nevada, USA

On January 27, 2023, the Company acquired the Rhodes Marsh property pursuant to the acquisition of Iron Forge (Note 7). The Rhodes Marsh property is an early-stage exploration project located in Mineral County, Nevada, USA. The project is comprised of two separate claim blocks within the Rhodes Marsh area, northwest of Las Vegas.

PacMan Project, Arizona, USA

On April 27, 2023, the Company acquired the PacMan property pursuant to the acquisition of Lithos. The property consists of 120 mineral claims which were staked on the Wilcox Playa, Arizona.

A breakdown of costs incurred on the mineral properties during the period ended April 30, 2023 is as follows:

	Rhodes Marsh	**PacMan**	**Total**
	$	$	$
Acquisition costs			
Balance, April 30, 2022 and 2021	-	-	-
Acquisition of Iron Forge (Note 7)	1,122,321	-	1,122,321
Acquisition of Lithos (Note 7)	-	18,002	18,002
Balance, April 30, 2023	**1,122,321**	**18,002**	**1,140,323**
Exploration costs			
Balance, April 30, 2022 and 2021	-	-	-
Laboratory expense	-	2,266	2,266
Balance, April 30, 2023	**-**	**2,226**	**2,266**
Balance, April 30, 2022	-	-	-
Balance, April 30, 2023	**1,122,321**	**20,268**	**1,142,589**

9. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued

For the year ended April 30, 2023:

On June 8, 2022, the Company settled its convertible debt of $94,062 by issuing 648,706 units at $0.145 per unit. Each unit is comprised of one common share with a fair value of $0.30 per share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire one share at a price of $0.145 per warrant share and exercisable for 4 years (Note 11). The warrants had a residual value of $nil.

On January 20, 2023, the Company issued an aggregate of 5,860,853 common shares at a price of $0.145 per share for gross proceeds of $849,824 in a non-brokered private placement. In connection with the financing, the Company paid $12,999 in share issuance costs.

On January 27, 2023, the Company issued an aggregate of 7,499,999 common shares to the shareholders of Iron Forge with a fair value of $0.145 per common share and 3,749,999 share purchase warrants (Note 7). Each warrant entitles the holder thereof to purchase one common share in the capital of the Company at an exercise price of $0.20 for a period of two years after the date of issuance. The warrants had a residual value of $nil.

On February 9, 2023, the Company issued an aggregate of 889,655 common shares at a price of $0.145 per share for gross proceeds of $129,000 in a non-brokered private placement.

On April 27, 2023, the Company issued an aggregate of 15,000,000 common shares to the Lithos shareholders and 10,000,000 performance shares to certain employees and consultants of Lithos (Note 7). The equity instruments had a fair value of $0.60 per share for total consideration of $15,000,000. In addition, the Company issued 2,000,000 common shares with a fair value of $1,200,000 to an arms length party as a finders' fee. The transaction costs were incurred in connection with the business combination and were expensed through the statement of loss and comprehensive loss.

For the year ended April 30, 2022:

On November 19, 2021, the Company consolidated the Company's issued share capital on the basis of twenty (20) common shares for one (1) new common share of the Company.

On January 13, 2022, the Company issued an aggregate of 11,983,333 units at a price of $0.075 per unit for aggregate gross proceeds of $898,750 in a non-brokered private placement. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire one share at a price of $0.20 per warrant share and exercisable for 3 years. In accordance with the financing, the Company paid $9,234 in share issuance costs.

On February 18, 2022, the Company settled $299,650 of debt by issuing 2,497,080 common shares with a fair value of $624,270. The Company recognized a loss on the settlement of debt of $324,621 on the transaction.

(Expressed in Canadian Dollars, unless otherwise stated)

9. SHARE CAPITAL (Continued)

On February 24, 2022, the Company issued an aggregate of 150,000 common shares at a price of $0.70 per share for gross proceeds of $105,000 in a non-brokered private placement.

Stock options

In November 2022, the Company amended its a stock option plan pursuant to which the Board of Directors of the Company may, from time to time, in its discretion, and in accordance with the CSE requirements, grant to directors, officers, employees and consultants of the Company non-transferable options, restricted share units, performance share units, and deferred share units to purchase common shares in the Company. Under the amended plan, the number of common shares reserved for issuance shall not exceed 20% of the issued and outstanding common shares at the time of grant and exercisable for a period of up to ten years from the date of grant. Options may be exercised within 90 days following cessation of the optionee's position with the Company.

On April 27, 2023, the Company granted 350,000 options to purchase common shares to a director and officer of the Company. Each option is exercisable into one common share at an exercise price of $0.30 until April 27, 2025. The options were fully vested on the date of grant. The fair value of the options granted was determined to be $127,238 using the Black-Scholes Option Pricing model using the following assumptions: Risk-free rate of 3.73%; Expected life of 1 year, expected volatility of 100% and dividend yield of nil.

During year ended April 30, 2022, the Company recognized share-based payment of $nil on vested options.

The continuity of option transactions are summarized as follows:

	2023		2022	
	Number of options	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**-**	**$ -**	-	$ -
Issued	**350,000**	**0.30**	-	-
Outstanding, end of year	**350,000**	**$ 0.30**	-	$ -

The following summarizes information about stock options outstanding at April 30, 2023:

Expiry date	**Exercise price**	**Options outstanding**	**Options exercisable**	**Weighted average remaining contractual years**
April 27, 2025	$ 0.30	350,000	350,000	1.99
Total		350,000	350,000	1.99

(Expressed in Canadian Dollars, unless otherwise stated)

9. SHARE CAPITAL (Continued)

Warrants

The continuity of warrant transactions are summarized as follows:

	2023		**2022**	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**11,983,333**	**$ 1.50**	92,000	$ 1.50
Issued	**4,398,705**	**0.192**	11,983,333	0.20
Expired	**-**	**-**	(92,000)	(1.50)
Outstanding, end of year	**16,382,038**	**$ 0.20**	11,983,333	$ 0.20

The following summarizes information about stock options outstanding at April 30, 2023:

Expiry date	**Exercise price**	**Warrants outstanding**
January 27, 2025	$0.20	3,749,999
January 13, 2026	$0.20	11,983,333
June 8, 2026	$0.145	648,706
Total		**16,382,038**

As at April 30, 2023, the weighted average remaining life of the warrants is 2.51 years.

Subsequent to year end, 150,000 warrants were exercised for gross proceeds of $30,000.

10. RELATED PARTY TRANSACTIONS

Key management personnel compensation

The remuneration of the Company’s directors and other members of key management, who have the authority and responsibility for planning, directing and controlling the activities of the Company, consists of the following amounts.

The following table summarizes transactions with related parties during the year ended April 30, 2023 and 2022:

	April 30, 2023	April 30, 2022
Consulting fees	**$ -**	$ 146,500
Accounting fees	**30,000**	15,500
Rent	**46,580**	-
	$ 76,580	$ 162,000

As at April 30, 2023, $129,461 (2022 - $13,025) of unpaid consulting and professional fees was included in accounts payable and accrued liabilities. The amounts are unsecured, non-interest bearing and due on demand.

(Expressed in Canadian Dollars, unless otherwise stated)

10. RELATED PARTY TRANSACTIONS (continued)

During the year ended April 30, 2021, the Company had $240,000 in loans due to related parties. Of this amount, $180,000 was due to the former CEO of the Company and $60,000 was due to a former director. The amounts represented accounts payable balances that were subordinated for working capital purposes. The debt was unsecured, non-interest bearing and was due 12 months from the date the Company resumed trading on the CSE.

During the year ended April 30, 2022, $174,575 of the $180,000 due to the former CEO was reassigned to arms length parties which were settled through the issuance of 1,455,417 common shares with a fair value of $363,854 and the difference between debt and fair value of shares of $189,204 was recorded in the profit and loss (Note 9). The remaining $5,425 of the $180,000 due to the former CEO was recorded as forgiveness of debt in the profit and loss statement. The Company repaid $32,000 of the $60,000 due to a director and the remaining $28,000 was recorded as forgiveness of debt in the profit and loss.

Shareholder loans

	Year ended	
	April 30, 2023	April 30, 2022
Opening balance	**$ 222**	$ 11,253
Cash received	**-**	17,085
Cash paid for principal	**-**	(28,534)
Loss on debt settlement	**-**	491
Forgiveness of debt	**-**	(73)
Shares issued to settle debt (Note 9)	**(222)**	-
Closing balance	**$ -**	$ 222

During the year ended April 30, 2022, the Company received working capital advances from related parties. The advances are unsecured, non-interest bearing and have no repayment terms. As at April 30, 2023, the balance was $Nil (2022 - $222).

Loan payable

On June 7, 2021, the Company entered into a loan agreement with a non-arms length party. The principal of the loan received was $100,000 and was non-interest bearing and unsecured with $50,000 repayable on January 31, 2022 and $50,000 repayable on March 4, 2022. During the year ended April 30, 2022, the Company repaid the full balance of $100,000 in principal.

11. CONVERTIBLE DEBT

On June 23, 2021, the Company entered into a loan agreement with a non-arms length party. The principal of the loan received was $87,500 and had a fixed annual interest rate of 10%. The loan was unsecured and was repayable within 30 days of the Company resuming trading. The loan was repayable in cash or through the issuance of 125,000 units. Each unit was comprised of one common share and one share purchase warrant. The loan met the criteria of a convertible debenture, however, as the debt was past due and recorded at its present value, $nil was assigned to the equity component. As of April 30, 2022, the Company owed $87,500 in principal and $6,563 in interest expense.

(Expressed in Canadian Dollars, unless otherwise stated)

11. CONVERTIBLE DEBT (Continued)

During the year ended April 30, 2023, the debt was re-assigned to an arm's length party and was settled through the issuance of 648,706 units. Each unit comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one share at a price of $0.145 per share and is exercisable for 4 years. On the date of issuance, the shares had a fair value of $194,612. Accordingly, the Company recorded a loss of $100,327 on settlement.

12. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2022 - 27%) to income before income taxes.

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

		2023		2022
Net loss for the year	$	(2,023,470)	$	(1,035,206)
Statutory income tax rate		27%		27%
Expected income tax recovery		(546,000)		(279,000)
Change in unrecognized deductible temporary differences		179,000		284,000
Permanent differences		359,000		-
Change in foreign exchange rates and other		12,000		(5,000)
Share issuance costs		(4,000)		-
Total income tax expense (recovery)	$	-	$	-

Significant components of the Company's deferred tax assets are as follows:

		2023		2022
Deferred tax assets (liabilities)				
Exploration and evaluation assets	$	126,000	$	126,000
Property and equipment		3,000		3,000
Share issue costs		4,000		2,000
Non-capital losses available for future period		1,421,000		1,244,000
		1,554,000		1,375,000
Unrecognized deductible temporary differences		(1,554,000)		(1,375,000)
Net deferred tax assets	$	-	$	-

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

(Expressed in Canadian Dollars, unless otherwise stated)

12. INCOME TAXES (Continued)

		2023			2022	
Temporary Differences						
Exploration and evaluation assets	$	465,000	No expiry date	$	465,000	No expiry date
Equipment		10,000	No expiry date		10,000	No expiry date
Share issue costs		16,000	2024 to 2027		9,000	2023 to 2026
Non-capital losses available for future period		5,262,000	2031 to 2043		4,607,000	2031 to 2042

13. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' equity.

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 equity. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

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. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended April 30, 2023. The Company is not subject to external restrictions on its capital.

14. DEFINITIVE AGREEMENTS

Alinea

On September 16, 2021, the Company entered into a share exchange agreement with Alinea Cannabis Inc. ("Alinea"). The Company was to purchase all of the issued and outstanding shares of Alinea (3,680,000 Alinea common shares) from Alinea shareholders in exchange for an aggregate of 49,066,667 Company common shares.

In October 29, 2021, the Company terminated the Share Exchange Agreement with Alinea.

During negotiations, the Company advanced Alinea $23,000 in order to pay for filing fees with Health Canada. The advancement was unsecured and had a 10% annual interest rate.

During the year ended April 30, 2022, the Company wrote off the advance of $23,000 to the statement of loss and comprehensive loss.

(Expressed in Canadian Dollars, unless otherwise stated)

15. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. During the years ended April 30, 2023 and 2022, the Company recorded the following non-cash investing and financing transactions:

		2023		2022
Taxes paid	**$**	**-**	$	-
Interest paid		**-**		6,563
Settlement of debt		**222**		-
Shares issued for debt settlement		**194,612**		624,271

During the year ended April 30, 2023, the Company acquired two companies, Iron Forge and Lithos. As consideration for the transactions, the Company issued common shares to acquire each entity's net assets (Note 7).

16. SUBSEQUENT EVENTS

Subsequent to the year ended April 30, 2023:

- The Company entered into a Securities Exchange Agreement with Aqueous Resources LLC whereby the Company issued 17,500,000 shares (the "Consideration Shares") in the capital of the Company to Aqueous at a fair value of $0.64 per Consideration Share. Aqueous is the sole owner of patented technology for electro-pressure membrane process and method for recovery and concentration of lithium chloride from aqueous sources. The Consideration Shares were issued on August 4, 2023 and are subject to a voluntary lockup whereby 10% of the Consideration Shares were released on Closing and 15% of the Consideration Shares are released every six months thereafter. The Company issued 1,000,000 common shares as a finders' fee in connection the transaction.

- The Company closed a private placement of 1,233,819 common shares at a price of $0.44 per share for gross proceeds of $542,880.

- The Company settled accounts payable of $34,717 by issuing 61,995 common shares.

  The Company issued 1,020,000 options to purchase common shares to consultants. The stock options have an exercise price of $0.70 per share and are exercisable for three years from the date of grant. The options vest as follows: 340,000 on the date of grant, 340,000 on the first anniversary of the date of grant and 340,000 on the second anniversary of the date of grant.

- The Company issued 250,000 options to purchase common shares to consultant. The options have an exercise price of $0.60 per share and are exercisable for three years from the date of grant. The options vest as follows: 83,333 on the date of grant, 83,333 on the first anniversary of the date of grant and 83,334 on the second anniversary of the date of grant.