Form 51-102F4
Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

Lithos Energy Ltd. (the "**Company**" or "**Lithos**")
Suite 2380 – 1055 West Hastings Street
Vancouver, British Columbia, V6E 2E9

1.2 Executive Officer

The name, position and business telephone number of an executive officer who is knowledgeable about this significant acquisition and this Form 51-102F4 – *Business Acquisition Report* (this "**Report**") is as follows:

Scott Taylor
Chief Executive Officer and Director
Telephone: +1 (303) 915-8631

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

Pursuant to the terms of a securities exchange agreement dated June 13, 2023 (the "**Securities Exchange Agreement**") with Aqueous Resources LLC ("**Aqueous**"), a private arm's length limited liability company based in Denver, Colorado, USA, the Company acquired all of the outstanding membership interests of Aqueous (collectively, the "**Membership Interests**") from the holders of the Membership Interests (collectively, the "**Members**"), in exchange for common shares (each, a "**Share**") in the capital of the Company (the "**Transaction**").

Aqueous, a company existing under the laws of the State of Colorado, is the sole owner of patent pending technology for an electro-pressure membrane process and method for recovery and concentration of lithium chloride from aqueous sources (the "**Technology**"), and has built a complete pilot system for pre-treating, concentrating, and processing lithium enriched continental brines using their proprietary process in their laboratory facility in Denver. On May 18, 2023, Aqueous won a USD$250,000 grant from the Advanced Industries Early-Stage Capital and Retention Grant Program, a grant made through the Colorado Office of Economic Development and International Trade, designed to help Colorado-based advanced industries technology businesses develop and commercialize advanced technologies. Aqueous also received a USD$1,300,000 commitment from the U.S. Department of Energy on July 10, 2023 to support its fully commissioned Denver Colorado pre-treatment and DLE processing facility over the next 18 months.

2.2 Acquisition Date

Closing of the Transaction (the "**Closing**") occurred on August 4, 2023.

2.3 Consideration

Pursuant to the terms of the Securities Exchange Agreement, the Company acquired all the outstanding Membership Interests and as consideration issued 17,500,000 Shares, on a pro rata basis, to the Members at a deemed price equal to $0.52 per Share. The Shares issued to the Members in exchange for their respective Membership Interests are subject to a voluntary escrow with such Shares to be released as follows: (a) 10% of the Shares released on Closing; and (b) 15% of the Shares released every six (6) months thereafter.

Pursuant to the terms of a finder's fee agreement dated August 4, 2023, an arm's length finder (the "**Finder**") was issued an aggregate of 1,000,000 Shares (collectively, the "**Finder's Shares**") at a deemed price of $0.47 per Finder's Share in connection with the Transaction. The Finder's Shares are subject to a statutory hold period of four months and a day pursuant to relevant Canadian securities laws.

Following the Closing of the Transaction, the Company has 80,155,976 Shares issued and outstanding, of which approximately 76.9% of the Shares are held by the current shareholders of the Company, approximately 21.8% are held by the former Members and approximately 1.3% are held by the Finder. No change of control or creation of a new control person occurred to the Company as a result of the Transaction.

2.4 Effect on Financial Position

Upon completion of the Transaction, Aqueous became a wholly-owned subsidiary of the Company. The business and operations of Aqueous have been combined with those of the Company and are managed concurrently.

The Company has no current plans or proposals for material changes in its business affairs or the affairs of Aqueous which may have a significant effect on the financial performance and financial position of the Company.

2.5 Prior Valuations

Not applicable.

2.6 Parties to Transaction

The Transaction was not with an informed person, associate or affiliate of the Company.

2.7 Date of Report

October 18, 2023

Item 3 Financial Statements

The audited financial statements of Aqueous for the period from January 1, 2023 to May 31, 2023 and for the period from formation on May 18, 2022 to December 31, 2022 are attached hereto as Schedule "A" and, in addition thereto, the management discussions and analysis of Aqueous for the years ended December 31, 2022 and 2021 are attached hereto as Schedule "B".

The Company has obtained the consent of the auditors to include the audit report on the audited financial statements of Aqueous for the period from January 1, 2023 to May 31, 2023 and for the period from formation on May 18, 2022 to December 31, 2022 contained in this Report.

SCHEDULE "A"

Aqueous Financial Statements

[*See Attached*]

AQUEOUS RESOURCES LLC

FINANCIAL STATEMENTS

FOR THE PERIOD FROM JANUARY 1, 2023 TO MAY 31, 2023

(EXPRESSED IN CANADIAN DOLLARS)

Charlton
+Company

INDEPENDENT AUDITOR'S REPORT

To the Members of:
Aqueous Resources LLC

Opinion

We have audited the financial statements of Aqueous Resources LLC (the "Company"), which comprise the statements of financial position as at May 31, 2023 and December 31, 2022 and the statements of loss and comprehensive loss, changes in members' equity (deficiency) and cash flows for the period from January 1, 2023 to May 31, 2023 and for the period from formation on May 18, 2022 to December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the period from January 1, 2023 to May 31, 2023 and for the period from formation on May 18, 2022 to December 31, 2022, in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has not yet achieved profitable operations, has an accumulated deficit of $301,882 and a working capital deficiency of $306,716. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

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

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.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
October 18, 2023

AQUEOUS RESOURCES LLC
STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

As at,		May 31, 2023		December 31, 2022
ASSETS				
Current assets				
Cash	$	**44,121**	$	61,138
Prepaid expenses		**2,382**		2,373
Total current assets		**46,503**		63,511
Property and equipment (Note 6)		**13,821**		9,274
Right-of-use asset (Note 7)		**38,366**		49,459
Total assets	$	**98,690**	$	122,244
LIABILITIES AND MEMBERS' EQUITY (DEFICIENCY)				
Liabilities				
Accounts payable and accrued liabilities	$	**55,477**	$	1,803
Lease liability (Note 7)		**24,516**		22,350
Due to Lithos (Note 8)		**273,226**		67,704
Total current liabilities		**353,219**		91,857
Lease liability (Note 7)		**17,455**		28,252
Total liabilities		**370,674**		120,109
Members' equity (deficiency)				
Share capital (Note 9)		**32,926**		60,083
Accumulated other comprehensive income (loss)		**(3,028)**		3,136
Deficit		**(301,882)**		(61,084)
Total members' equity (deficiency)		**(271,984)**		2,135
Total liabilities and members' equity (deficiency)	$	**98,690**	$	122,244

Nature and continuance of operations (Note 1)
Subsequent events (Note 13)

Director **Director**

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

AQUEOUS RESOURCES LLC
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE PERIOD FROM JANUARY 1, 2023 TO MAY 31, 2023

For the period from	**January 1, 2023 to May 31, 2023**	May 18, 2022 to December 31, 2022
EXPENSES		
Accretion expense – right-of-use asset (Note 7)	**$ 3,069**	$ 1,357
Consulting	**91,336**	2,968
Depreciation (Notes 6 and 7)	**12,151**	5,385
Office and miscellaneous	**11,009**	5,220
Professional fees	**29,870**	14,610
Research and development	**55,978**	31,432
Repair and maintenance	**18,659**	-
Travel and accommodation	**5,497**	112
Wages and salaries	**13,229**	-
	(240,798)	(61,084)
OTHER COMPREHENSIVE LOSS		
Foreign currency translation adjustment	**(6,164)**	3,136
Net loss and comprehensive loss for the period	**$ (246,962)**	$ (57,948)
Basic and diluted net loss per share	**$ (240.80)**	$ (61.08)
Weighted average number of shares outstanding – basic and diluted	1,000	1,000

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

AQUEOUS RESOURCES LLC
STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE PERIOD FROM JANUARY 1, 2023 TO MAY 31, 2023

For the period from	**January 1, 2023 to May 31, 2023**	May 18, 2022 to December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	**$ (240,798)**	$ (61,084)
Items not affecting cash:		
Depreciation	**12,151**	5,385
Accretion on right-of-use asset	**3,069**	1,357
Change in non-cash working capital items:		
Prepaid expense	**-**	(2,373)
Accounts payable and accrued liabilities	**53,674**	1,803
Cash used in operating activities	**(171,904)**	(54,912)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution	**-**	72,747
Members' draws	**(27,157)**	(12,664)
Due to Lithos	**205,522**	67,704
Cash provided by financing activities	**178,365**	127,787
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment	**(5,411)**	(10,040)
Repayment of lease liabilities	**(11,853)**	(4,624)
Cash used in investing activities	**(17,264)**	(14,664)
Impact of foreign exchange rate on cash	**(6,214)**	2,927
Change in cash	**(17,017)**	61,138
Cash, beginning of period	**61,138**	-
Cash, end of period	**$ 44,121**	$ 61,138
Supplemental cash flow information		
Accumulated other comprehensive income	$ (6,214)	$ 2,927
Cash paid for taxes during the year	$ -	$ -
Cash paid for interest during the year	$ -	$ -
Right-of-use asset and lease liability additions	$ -	$ 52,570

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

AQUEOUS RESOURCES LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIENCY)
(EXPRESSED IN CANADIAN DOLLARS)

	Number of shares	Share capital	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, May 18, 2022	-	$ -	$ -	$ -	$ -
Capital contributions	1,000	72,747	-	-	72,747
Members' draws	-	(12,664)	-	-	(12,664)
Foreign currency translation adjustment	-	-	3,136	-	3,136
Net loss for the period	-	-	-	(61,084)	(61,084)
Balance, December 31, 2022	**1,000**	**$ 60,083**	**$ 3,136**	**$ (61,084)**	**$ 2,135**
Members' draws	-	(27,157)	-	-	(27,157)
Foreign currency translation adjustment	-	-	(6,164)	-	(6,164)
Net loss for the period	-	-	-	(240,798)	(240,798)
Balance, May 31, 2023	**1,000**	**$ 32,926**	**$ (3,028)**	**$ (301,882)**	**$ (271,984)**

1. NATURE AND CONTINUANCE OF OPERATIONS

Aqueous Resources LLC (the "Company") is a Colorado limited liability company formed on May 18, 2022. The Company's core business is the development of a patented processing, treatment, and extraction solution for the concentration and extraction of lithium. The Company's registered office is located at 8200 E Pacific Place, Suite 103, Denver, CO 80231.

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for twelve months and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. As at May 31, 2023, the Company has not achieved profitable operations, has an accumulated deficit of $301,882 (December 31, 2022 - $61,084) and working capital deficiency of $306,716 (December 31, 2022 - $28,346) and anticipates that it will need to raise additional funds in order to meet its expenditure commitments for the next 12 months. In addition, global stock markets have also experienced great volatility and a significant weakening in the aftermath of COVID-19. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Volatility in financial markets subsequent to May 31, 2023, may have a significant impact on the Company's financial position. The duration and impact of the higher inflationary environment, as well as the effectiveness of government and central bank responses, remains unclear at this time.

These circumstances comprise a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities should the Company not be able to continue as a going concern.

2. BASIS OF MEASUREMENT AND PRESENTATION

Statement of compliance

These financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

These financial statements were approved and authorized for issuance by the Board of Directors on October 18, 2023.

Basis of measurement

These financial statements have been prepared on the historical cost basis, except for certain financial instruments recorded at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies used in the preparation of these financial statements are the policies listed in the Note 3. These accounting policies have been applied consistently to all periods presented in these financial statements as if the policies have always been in effect.

Basis of presentation

These financial statements are presented in Canadian dollars. Items included in the financial statements of the Company is measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the Company is the United States Dollar ("USD").

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting standards issued but not yet effective

During the period ended May 31, 2023, there were no new IFRS or IAS accounting standards that became effective that had a material impact on the Company's 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.

Foreign exchange translation

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the date of the transactions. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items are measured at the exchange rate prevailing at the time of the transaction and are carried at historical cost. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

At year end, the Company's financial results are translated from their functional currency into the presentation currency, Canadian dollars. The assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and income and expenses are translated at the average exchange rate for the period. The exchange differences arising on the translation are recognized as a cumulative translation adjustment in other comprehensive loss.

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and impairment losses. The cost of an item consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The Company's property and equipment consists of manufacturing equipment and leasehold improvements. The property and equipment is depreciated using the straight-line method over the capital asset's estimated useful lives, the equipment has a useful life of ten years and the leasehold improvements are amortized over the term of the lease.

Property and equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. Current year additions are amortized at half of the normal rate. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of property and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Financial instruments

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument except for trade receivables which are initially recognized when they are originated. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectation of recovering the contractual cash flows on a financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories: (i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); or (ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

The classification and measurement bases of the Company's financial instruments are as follows:

Financial Assets and Liabilities	Classification and measurement
Cash	Fair value through profit and loss
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Due to Lithos	Amortized cost

After initial recognition at fair value, financial liabilities are classified and measured at either: (i) amortized cost; (ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or (iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost expected within 12 months of the reporting date or an amount equal to the lifetime expected credit losses. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportable forward-looking information.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development

Expenditures on research activities are recognized in the statement of loss and comprehensive loss as incurred. Development expenditures are capitalized as part of the cost of the resulting internally generated intangible asset only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Management determined that as at May 31, 2023, it was not yet able to demonstrate with sufficient certainty that it is probable that any economic benefits will flow to the Company. Accordingly, all research and development costs incurred to date have been expensed.

Impairment of non-financial assets

At each statement of financial position date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets, or its cash generating unit (“CGU”), have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset or CGU is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the fair value less costs of disposal and the value-in-use. If the recoverable amount is less than the carrying amount of the asset or CGU, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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 the 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.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions as at May 31, 2023 or as at December 31, 2022.

Share capital

The Company records proceeds from issuances of equity net of issue costs and any related tax effects. Shares issued for consideration other than cash are valued based on their market value at the date the shares are granted. The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as units. The residual value method first attributes value to the shares based on their quoted trading price at issuance, and the residual amount, if any, is attributed to the value of the warrants. Any fair value attributed to the warrants is recorded within the warrant reserve.

Share-based payments made to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured. The corresponding amount is charged to reserves. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of share-based payments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital (continued)

Under the Company's operating agreement, the members are entitled to take members' draws against the capital of the Company. The maximum amount of members' draws available to the members are equal to the value of their initial investment. When cash is withdrawn, the members' draws are applied against the share capital balance.

Income taxes

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

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

Deferred tax provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on temporary differences and the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and to the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it is not recognized.

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of shares outstanding during the period. The diluted loss per share reflects the potential dilution of share equivalents, unless they have an anti-dilutive effect, such as outstanding stock options and share purchase warrants, in the weighted average number of shares outstanding during the period. The "treasury stock method" is used for the assumption that proceeds upon the exercise of the options and warrants are used to purchase shares at the average market price during the period.

Right-of-use asset

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently amortized from the 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 using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following payments during the lease term: fixed payments (including in-substance fixed payments), and the exercise price under a purchase option that the Company is reasonably certain to exercise.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to $nil.

The Company does not recognize the right-of-use assets and lease liabilities for low value or short-term leases that have a lease term of twelve months or less. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term. During the periods ended May 31, 2023 and December 31, 2022, the Company did not have any low value or short-term leases.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these 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. Actual outcomes may differ from these estimates.

Significant accounting judgments

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 and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Functional currency

The functional currency for the Company is the currency of the primary economic environment in which the entity operates. 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Significant accounting judgments(continued)

Research and development costs

Research and development costs pertaining to an internally generated intangible asset need to be considered to determine whether they should be capitalized or expensed as incurred. Determination of whether an internally generated intangible asset meets the criteria for recognition requires judgement in the assessment pertaining to technical feasibility of completion and how the intangible asset will generate probable future economic benefits.

Significant accounting estimates

Estimated useful lives of property and equipment

The Company uses the straight-line method to allocate depreciable amounts of equipment over their estimated useful lives. Estimates of useful lives are reassessed annually and any change in estimate is taken into account in the determination of the remaining deprecation rate. Depreciation commences on the date the asset is available for its use as intended by the Company.

Valuation of warrants issued

The Company uses the residual value method in calculating the fair value of warrants issued. The inputs used in the valuation model require estimates related to the Company's current share price. To the extent that these estimates are not correct, the value of the instruments within equity may differ.

Current and deferred taxes

The Company's provision for income taxes is estimated based on the expected annual effective tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The current and deferred components of income taxes are estimated based on forecasted movements in temporary differences. Changes to the expected annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company's provision for income taxes in the period changes are made and/or differences are identified.

Discount rate used to present value lease liability

Management is required to estimate the Company's incremental borrowing rate. This rate is used to discount the future lease cash flows to determine the carrying value of the lease liability. Management estimates its incremental borrowing rate based on the risk-free rate and a credit risk premium for a period commensurate with the term of the lease.

5. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. To maintain or adjust the capital structure, the Company may attempt to issue new equity. Management considers the Company's capital structure to consist of the components of members' deficiency, which totaled $271,984 as at May 31, 2023.

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 were no changes in the Company's approach to capital management during the periods presented. The Company is not subject to externally imposed capital requirements.

(EXPRESSED IN CANADIAN DOLLARS)

6. PROPERTY AND EQUIPMENT

		Leasehold Improvements		*Equipment*		*Total*
Cost						
Balance, May 18, 2022	$	-	$	-	$	-
Additions		-		10,040		10,040
Foreign currency translation		-		264		264
Balance, December 31, 2022		**-**		**10,304**		**10,304**
Additions		**5,411**		**-**		**5,411**
Foreign currency translation		**26**		**41**		**67**
Balance, May 31, 2023	**$**	**5,437**	**$**	**10,345**	**$**	**15,782**
Accumulated depreciation						
Balance, May 18, 2022	$	-	$	-	$	-
Additions		-		1,004		1,004
Foreign currency translation		-		26		26
Balance, December 31, 2022		**-**		**1,030**		**1,030**
Additions		**318**		**604**		**922**
Foreign currency translation		**2**		**7**		**9**
Balance, May 31, 2023	**$**	**320**	**$**	**1,641**	**$**	**1,961**
Net Book Value, December 31, 2022	$	-	$	9,274	$	9,274
Net Book Value, May 31, 2023	**$**	**5,117**	**$**	**8,704**	**$**	**13,821**

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company entered into an office lease with a 5-year term commencing on November 1, 2022. The office lease has an acceleration right whereby the Company may accelerate the expiration date of the lease to October 31, 2024. The acceleration right was exercised as a result of the subsequent share exchange transaction (Note 13).

The weighted average incremental borrowing rate applied to lease liabilities is 16.47%.

Right-of-use asset

Balance, May 18, 2022	$	-
Additions		52,570
Depreciation of right of use asset		(4,381)
Foreign currency translation		1,270
Balance, December 31, 2022		**49,459**
Depreciation of right of use asset		**(11,229)**
Foreign currency translation		**136**
Balance, May 31, 2023	**$**	**38,366**

(EXPRESSED IN CANADIAN DOLLARS)

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY (continued)

Lease liability

Balance, May 18, 2022	$	-
Additions		52,570
Accretion of interest		1,357
Payment of lease liabilities		(4,624)
Foreign currency translation		1,299
Balance, December 31, 2022		**50,602**
Accretion of interest		**3,069**
Payment of lease liabilities		**(11,853)**
Foreign currency translation		**153**
Balance, May 31, 2023	**$**	**41,971**
Current portion		**24,516**
Long-term portion		**17,455**

8. DUE TO LITHOS

On December 1, 2022, Lithos Technology LLC, a subsidiary of Lithos Energy Ltd. (formerly Alchemist Mining Inc.) (“Lithos”) entered into a Membership Interest Purchase and Subscription Agreement (the “Membership Agreement”) to acquire one-third of the outstanding membership and equity interest of the Company.

To earn the equity interest, Lithos was required to pay the full subscription price of 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.

During the period ended May 31, 2023, the Company had only received $273,226 (USD $201,000) (December 31, 2022 - $67,704 (USD $50,000)) towards the subscription price from Lithos. As at May 31, 2023, the equity interest had not been earned.

In exchange for the Total Consideration, the Company was to issue 500 Series Preferred Units, representing one-third of the aggregate outstanding membership interest, and issue warrant certificates to acquire an additional 2,400 units of Series A preferred membership in the Company.

The warrants reserved for issuance were:

i) 200 warrant certificates to Purchase series A preferred units at a price of USD $2,500 per unit with for a period of three years (Note 9).
ii) 700 warrant certificates to Purchase series A preferred units at a price of USD $4,200 per unit with for a period of three years (Note 9).
iii) 1,500 warrant certificates to Purchase series A preferred units at a price of USD $6,500 per unit with for a period of three years (Note 9).

Subsequent to May 31, 2023, the parties terminated the Membership Agreement and entered into a definitive agreement for a share exchange transaction (Note 13). As a result, the amounts received by the Company were converted into a unsecured, non-interest bearing demand loan and the warrant certificates were cancelled.

(EXPRESSED IN CANADIAN DOLLARS)

9. SHARE CAPITAL

Authorized

The Company's authorized equity structure is represented by membership interests proportional to its capital accounts. For the purposes of these financial statements, the Company is using the term common shares or shares in reference to its outstanding membership interests.

Issued

During the period from May 18, 2022 to December 31, 2022, the Company issued 1,000 shares to its members.

During the period from January 1, 2023 to May 31, 2023, the Company did not have any share activity.

Share purchase warrants

During the period from May 18, 2022 to December 31, 2022, the Company reserved 2,400 warrants for issuance with a weighted average exercise price of USD $5,496. There were no changes to the issued and outstanding warrants from January 1, 2023 to May 31, 2023. As at May 31, 2023, the following warrants were as follows:

Expiry Date	Exercise Price (USD $)	Number of warrants	Remaining contractual life (years)
November 30, 2025	2,500	200	2.50
November 30, 2025	4,200	700	2.50
November 30, 2025	6,500	1,500	2.50
		2,400	

10. 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. 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.

During the period ended May 31, 2023, a member of the Company withdrew $27,157 (USD $20,150) (December 31, 2022 – 12,665 (USD $9,353)) from the Company's share capital contribution classified as members' draws.

As at May 31, 2023, there was $32,926 (USD $24,222) (December 31, 2022 - $ 60,082 (USD$44,372)) in membership contributions available for members' draws.

11. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial statements are summarized below. There have been no changes to the Company's approach to mitigating risk exposures during the period ended May 31, 2023.

<u>Fair value</u>

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments.

11. FINANCIAL RISK FACTORS (continued)

Financial instruments measured at fair value on the statements of financial position are summarized in levels of fair value hierarchy as either "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. Cash is Level 1 for the periods presented.

As at May 31, 2023, the Company believes that the carrying values of its accounts payable and accrued liabilities, lease liability, and due to Lithos balance, approximate their fair values because of their nature and relatively short maturity dates or durations.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in the United States. The Company has no significant concentration of credit risk. The maximum exposure to credit risk is the aggregate carrying amount of cash.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure it has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

As at May 31, 2023, the Company had $55,477 (December 31, 2022 - $1,803) of accounts payable and accrued liabilities due on standard trade payable terms not exceeding 90 days, and a working capital deficiency of $306,716 (December 31, 2022 - $28,346). As such, the Company is exposed to liquidity risk.

Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's financial instruments are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rates on the Company's financial instruments the Company is exposed to interest rate fair value risk. As at May 31, 2023, the Company is not exposed to significant interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's functional currency is United States dollar and the presentation currency is the Canadian dollar. As a result, the Company is exposed to fluctuations in these foreign currencies relative to the Canadian dollar. However, because most of the Company's financial instruments are denominated in United States Dollar, the Company does not believe it is subject to any significant foreign exchange risk.

(EXPRESSED IN CANADIAN DOLLARS)

12. DEFERRED INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the US statutory income tax rate of 25.40% to income before income taxes.

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

		May 31, 2023		December 31, 2022
Net loss for the year	**$**	**(240,798)**	$	(61,084)
Statutory income tax rate		**24.5%**		24.5%
Expected income tax recovery		**(65,000)**		(16,000)
Change in unrecognized deductible temporary differences		**53,000**		13,000
Change in statutory, foreign tax, foreign exchange rates and other		**12,000**		3,000
Total income tax expense (recovery)	**$**	**-**	$	-

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

		May 31, 2023		December 31, 2022
Deferred tax assets (liabilities)				
Non-capital losses available for future period	**$**	**67,000**	$	13,000
		67,000		13,000
Unrecognized deductible temporary differences		**(67,000)**		(13,000)
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. As at May 31, 2023, the Company has not recognized any deferred tax assets.

As at May 31, 2023, the significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position include non-capital losses of $275,000 (December 31, 2022 - $54,000) which do not have an expiry date.

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

13. SUBSEQUENT EVENTS

Subsequent to May 31, 2023, the Company:

i) Entered into a Securities Exchange Agreement dated June 13, 2023 with Lithos Energy Ltd., pursuant to which Lithos agreed to acquire all of the outstanding membership interests of the Company from the holders of the membership interests, in exchange for shares in the capital of Lithos (the "Transaction").

13. SUBSEQUENT EVENTS (continued)

Upon closing of the Transaction, which occurred on August 4, 2023, Lithos issued an aggregate of 17,500,000 shares, on a pro-rata basis, to the members at a deemed price of $0.64 (USD $0.52) per share. The shares issued in connection with the Transaction are subject to a voluntary lock-up whereby 10% of the shares were released on the closing of the Transaction and 15% of the Shares are to be released every six months thereafter. Upon completion of the Transaction, the Company became a wholly owned subsidiary of Lithos.

ii) Was awarded a $330,000 (USD $250,000) grant by the Colorado Business Development division of the Office of Economic Development and International Trade. The initial advance payment of USD $25,000 was received. The remaining payments are provided upon request by the Company.

iii) Was conditionally approved to receive up to $1,727,000 (USD $1,300,000) in grants from the U.S. Department of Energy.

SCHEDULE "B"

Aqueous MD&A

[*See Attached*]

AQUEOUS RESOURCES LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

October 18, 2023

For the period from January 1, 2023 to May 31, 2023

Head Office
8200 E Pacific Place – Suite 103, Denver, Colorado 80231

1. INTRODUCTION

The Management's Discussion and Analysis ("MD&A") of operating results and financial position for the period ended May 31, 2023 is supplementary to and should be read in conjunction with the audited financial statements and related notes for the financial period from January 1, 2023 to May 31, 2023. Copies of these documents can be found on the SEDAR website at www.sedarplus.com. The MD&A is intended to help readers understand the dynamics of our business and the key factors underlying our financial results. The MD&A and the financial statements were approved by the Board of Directors on October 18, 2023.

2. FORWARD-LOOKING INFORMATION

This document contains forward-looking statements which reflect management's current expectations about future events and financial and operating performance of the Company. Words such as "may", "will", "should", "could", "anticipate", "believe," "expect, "intend", "plan", "potential", "continue" and similar expressions have been used to identify these forward-looking statements. Forward-looking statements contained in this document may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. These statements reflect management's current views with respect to future events or conditions, including prospective financial performance, financial position, and predictions of future actions, plans or strategies. Certain material factors and assumptions were applied in drawing our conclusions and making these forward-looking statements. These statements reflect management's current views, beliefs and assumptions and are subject to certain inherent risks and uncertainties. Factors that could cause actual performance to differ materially include, but are not limited to:

- *ability to develop or acquire new technology;*
- *competition in the market;*
- *development of new software products;*
- *economic growth and fluctuations;*
- *proper performance of our applications;*
- *the protection and privacy of personal information which we hold;*
- *the risks associated with credit extended;*
- *capital expenditures;*
- *changes in accounting policies and estimates;*
- *exchange rate fluctuation between the US and Canadian dollar;*
- *human resource matters, including recruitment and retention of competent personnel; and*
- *the ability to raise capital.*

The above (and other) factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by these forward-looking statements. See "Risks and Uncertainties" below and the section entitled "Risk Factors". Should one or more of these risks or uncertainties materialize, or should the assumptions underlying our projections or forward-looking statements prove incorrect, our actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. We do not intend and do not assume any obligation to update these forward-looking statements whether as a result of new information, plans, events or otherwise, unless required by law. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

3. COMPANY OVERVIEW

Aqueous Resources LLC ("the Company") was incorporated in Colorado under the laws of the Colorado Secretary of State on May 18, 2022. The Company's core business is the development of a patented processing, treatment, and extraction solution for the concentration and extraction of lithium. The Company's registered office is located at #901 N Pennsylvania Street, Denver, CO 80203-3118 US.

4. NATURE OF CONTINUANCE OF OPERATIONS AND GOING CONCERN

The financial statements were prepared with the assumption 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. Continued operations of the Company are dependent on the Company's ability to receive financial support, complete additional debt or equity financing, or generate profitable operations in the future. The Company believes it will be able to raise the necessary funding to continue operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

At May 31, 2023, the Company had a net working capital deficiency of $306,716 (December 31, 2022 - $28,346).

These events and conditions result in a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

5. SELECTED ANNUAL INFORMATION

The following summary of selected audited financial information is derived from, and should be read in conjunction with, the Company's audited financial statements, including the notes thereto, for the financial periods ended May 31, 2023 and December 31, 2022.

	May 31, 2023	December 31, 2022
	$	$
Revenue	-	-
Loss and comprehensive loss for the period	(240,798)	(61,084)
Basic and diluted net loss per common share	(240.80)	(61.08)
Working deficiency	(306,716)	(28,346)
Total assets	98,690	122,244
Long-term debt	17,455	28,252

A discussion of significant changes in revenue and loss and comprehensive loss for the period ended May 31, 2023 and December 31, 2022 is disclosed in Section 7, below.

As at May 31, 2023, the Company had assets of $98,690 (December 31, 2022 - $122,244) and liabilities of $370,674 (December 31, 2022 - $120,109). The decrease in assets of $23,554 can be primarily attributed to changes in working capital items.

6. DISCUSSION OF OPERATIONS

The results of operations reflect the overhead costs incurred to provide an administrative infrastructure to manage the business and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity of Management and Directors.

Period ended May 31, 2023 and December 31, 2022

For the period ended May 31, 2023, the Company had a net loss of $240,798 (with basic and diluted loss per share of $240.80) compared with a net loss of $61,084 (with basic and diluted loss per share of $61.08) in the comparative period. During the period ended May 31, 2023, the Company incurred:

- consulting fees of $91,336 (December 31, 2022 - $2,968) relating to services rendered for business operation during the period.

- depreciation of $12,151 (December 31, 2022 - $5,385) related to the amortization of equipment and office lease liabilities in the current period.

- professional fees of $29,870 (December 31, 2022 - $14,610) relating to accounting and legal services rendered during the current period.

- research and development of $55,978 (December 31, 2022 - $31,432) related to research on lithium extraction technology in the current period.

7. SUMMARY OF QUARTERLY RESULTS

The following table contains selected financial information for the Company, prepared in accordance with IFRS, for the most recently completed quarters since inception:

Three Months Ended	**May 31, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**
	$	$	$	$
Revenue and other income	Nil	Nil	Nil	Nil
Loss and Comprehensive loss	(170,074)	(70,724)	(60,700)	(110)
Loss per Common Share	(170.07)	(70.72)	(60.70)	0.11

Three Months Ended	**June 30, 2022**
	$
Revenue and other income	Nil
Loss and Comprehensive loss	(274)
Loss per Common Share	0.27

8. LIQUIDITY AND CAPITAL RESOURCES

The Company’s cash position was $44,121 at May 31, 2023, compared to $61,138 at December 31, 2022. The Company had a working capital deficiency of $306,716 at May 31, 2023 (December 31, 2022 – $28,346). During the period ended May 31, 2023, cash flow activities consisted of:

i) cash spent on operating activities of $171,904 (December 31, 2022 - $54,912) consisting of operating expenses during the current period.

ii) cash received from financing activities of $178,365 (December 31, 2022 - $127,787) primarily consist of owner’s draws and due to Lithos.

iii) cash spent on investing activities of $17,264 (December 31, 2022 - $14,664) primarily consist of cash used for lease obligations and equipment purchases during the current period.

9. SHARE CAPITAL

As at the date of this report, the Company had 1,000 shares and nil warrants.

Subsequent to May 31, 2023, the Company Entered into a Securities Exchange Agreement dated June 13, 2023 with Lithos Energy Ltd. (formerly Alchemist Mining Inc.) ("Lithos") whereby Lithos issued 17,500,000 shares (the "Consideration Shares") in the capital of the Lithos to the Company at a deemed price of $0.64 (USD $0.52) per Consideration Share in exchange for the issued and outstanding membership interests of the Company (the "Transaction"). The Consideration Shares were issued on August 4, 2023 and are subject to a voluntary lock-up whereby 10% of the Consideration Shares were released on Closing and 15% of the Consideration Shares are released every six months thereafter.

Upon completion of the Transaction, the Company became a wholly owned subsidiary of Lithos.

10. OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements or transactions.

11. 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. 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.

During the period ended May 31, 2023, an owner of the Company withdrew $27,157 (USD $20,150) (December 31, 2022 – 12,665 (USD $9,353)) from the Company's share capital contribution classified as members' draws.

As at May 31, 2023, there was $32,926 (USD $24,222) (December 31, 2022 - $60,082 (USD$44,372)) in membership contributions available for members' draws.

12. NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND FUTURE ACCOUNTING CHANGES

During the period ended May 31, 2023, there were no new IFRS or IAS accounting standards that became effective that had a material impact on the Company's 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.

13. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial statements are summarized below. There have been no changes to the Company's approach to mitigating risk exposures during the period ended May 31, 2023.

Fair value

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments.

Financial instruments measured at fair value on the statements of financial position are summarized in levels of fair value hierarchy as either "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. Cash is Level 1 for the periods presented.

As at May 31, 2023, the Company believes that the carrying values of its accounts payable and accrued liabilities, lease liability, and due to Lithos balance, approximate their fair values because of their nature and relatively short maturity dates or durations.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. To maintain or adjust the capital structure, the Company may attempt to issue new equity. Management considers the Company's capital structure to consist of the components of members' equity (deficiency), which totaled $271,984 as at May 31, 2023.

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 were no changes in the Company's approach to capital management during the period presented. The Company and its subsidiaries are not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

15. CONTINGENCIES

The Company is unaware of exposure to any contingent liabilities.

16. RISKS AND UNCERTAINTIES

The Company's financial condition, results of operations and business are subject to risks. The following are identified as the main risk factors:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in the United States. The Company has no significant concentration of credit risk. The maximum exposure to credit risk is the aggregate carrying amount of cash.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure it has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

As at May 31, 2023, the Company had $55,477 (December 31, 2022 - $1,803) of accounts payable and accrued liabilities due on standard trade payable terms not exceeding 90 days, and a working capital deficiency of $306,716 (December 31, 2022 - $28,346). As such, the Company is exposed to liquidity risk.

Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's financial instruments are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rates on the Company's financial instruments the Company is exposed to interest rate fair value risk. As at May 31, 2023, the Company is not exposed to significant interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's functional currency is United States dollar and the presentation currency is the Canadian dollar. As a result, the Company is exposed to fluctuations in these foreign currencies relative to the Canadian dollar. However, because most of the Company's financial instruments are denominated in United States Dollar, the Company does not believe it is subject to any significant foreign exchange risk.

Financing

The Company is reliant upon financing in order to continue its operations because it does not derive any income from its assets. There is no guarantee that future sources of funding will be available to the Company. If the Company is not able to raise additional funding in the future, it will be unable to carry out its operations.

Key Personnel

The future of the Company is dependent on the management of the Company. The departure of any of operations or management personnel or their inability to continue being functional could have an adverse impact on the Company's growth, business, financial position, and operating results.

Competition

The Company will compete with many larger companies and newcomers to the industry that will have greater financial and technical resources than the Company for the development of its applications as well as the recruitment and retention of qualified consultants and employees.