

LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)

Condensed Interim Consolidated Financial Statements

Nine Months Ended January 31, 2024 and 2023

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company for the three months ended July 31, 2023, have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor Charlton & Company has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

March 15, 2024
Vancouver, Canada

LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	Notes	January 31, 2024	April 30, 2023
Assets			
Current			
Cash		\$ 136,685	\$ 577,669
Advances receivable	6	-	271,058
Amounts receivable		54,057	23,680
Prepaid expenses		2,348	35,000
		193,090	907,407
Exploration advance		14,117	14,269
Exploration and evaluation assets	7,8	1,142,437	1,142,437
Property, plant and equipment	9	275,614	-
ROU asset	12	20,018	-
Intangible assets	7	20,571,399	10,000,000
Goodwill	7	5,163,487	5,163,487
Total assets		\$ 27,380,162	\$ 17,227,600
Liabilities			
Current			
Accounts payable and accrued liabilities	4	\$ 362,861	\$ 476,326
Deferred grant income	10	547,638	-
Lease liability	12	16,357	-
		926,856	476,326
Notes	11	748,761	-
Total liabilities		1,675,617	476,326
Shareholders' equity			
Share capital	13	37,393,888	24,603,302
Reserves	13	763,547	154,838
Accumulated other comprehensive loss		10,248	-
Deficit		(12,463,138)	(8,006,866)
Total shareholders' equity		25,704,545	16,751,274
Total liabilities and shareholders' equity		\$ 27,380,162	\$ 17,227,600

Nature of operations (note 1)

Going concern (note 2)

Subsequent events (note 17)

Approved on behalf of the Board by:

"Jennie Choboter"

Director

"Scott Taylor"

Director

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

LITHOS GROUP LTD.

(Formerly Lithos Energy Ltd.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**Nine Months Ended January 31, 2024 and 2023**

	Notes	Three Months Ended		Nine Months Ended	
		January 31, 2024	January 31, 2023	January 31, 2024	January 31, 2023
		\$	\$	\$	\$
Expenses					
Business development		127,876	-	341,419	15,100
Consulting fees	14	108,397	15,500	440,039	38,281
Depreciation	7,9,	516,637	-	1,052,064	-
Exploration costs		-	-	4,410	-
Filing fees and shareholder information		151,985	18,452	432,893	29,303
Office and general		158,049	14,463	198,092	33,348
Professional	13	142,031	69,032	401,987	132,893
Rent	14	(8,485)	-	13,882	-
RSU compensation expense	13	261,660	-	261,660	-
Salaries		169,699	-	264,803	-
Share-based payments	13	62,733	-	347,049	-
		(1,690,582)	(117,447)	(3,758,298)	(249,925)
Transaction costs	7	-	-	(722,855)	-
Foreign exchange gain (loss)		(21,732)	-	(13,492)	(1,040)
Loss on settlement of convertible debt	12	-	-	-	(100,549)
Gain on settlement of debt		6,199	-	38,373	-
Write-off of shareholder loan	12	-	-	-	222
Net Loss		(1,706,115)	(117,447)	(4,456,272)	(351,293)
Other comprehensive gain		30,906	-	10,248	-
Loss and comprehensive (loss) for the period		(1,737,021)	(117,447)	(4,446,024)	(351,293)
Basic and diluted loss per share		(0.02)	(0.00)	(0.06)	(0.02)
Weighted average number of common shares outstanding – basic and diluted		81,780,663	20,159,315	71,008,983	19,377,853

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

LITHOS GROUP LTD.

(Formerly Lithos Energy Ltd.)

**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)**

	Number of shares	Share capital	Reserves			Total
			Reserves	AOCI	Deficit	
Balance, April 30, 2022	18,460,949	\$ 6,155,365	\$ 27,600	\$ -	\$ (5,983,396)	\$ 199,569
Shares issued for debt	648,706	194,612	-	-	-	194,612
Private Placements	586,853	849,825	-	-	-	849,825
Acquisition of Iron Forge	7,499,999	1,087,500	-	-	-	1,087,500
Loss for the period	-	-	-	-	(351,293)	(351,293)
Balance, January 31, 2023	32,470,507	\$ 8,297,302	\$ 27,600	\$ -	\$ (6,334,689)	\$ 1,980,213
Balance, April 30, 2023	60,360,162	\$ 24,603,302	\$ 154,838	\$ -	\$ (8,006,866)	\$ 16,751,274
Private placements	1,233,819	542,880	-	-	-	542,880
Acquisition of Aqueous Resources	17,500,000	11,200,000	-	-	-	11,200,000
Finder fees	1,000,000	640,000	-	-	-	640,000
Exercise of warrants	1,833,946	372,988	-	-	-	372,988
Debt settlement	61,995	34,718	-	-	-	34,718
RSU	-	-	261,660	-	-	261,660
Share-based payments	-	-	347,049	-	-	347,049
Translation adjustment	-	-	-	10,248	-	10,248
Loss for the period	-	-	-	-	(4,456,272)	(4,456,272)
Balance, January 31, 2024	81,989,922	\$ 37,393,888	\$ 763,547	\$ 10,248	\$ (12,463,138)	\$ 25,704,545

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

LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)
Condensed Interim Consolidated Statements of Cash Flows
Nine Months Ended January 31, 2024 and 2023
(Expressed in Canadian Dollars)

		2024	2023
Operating Activities			
Loss for the period	Notes	\$ (4,456,272)	\$ (351,293)
Items not involving cash			
Accretion	10	3,602	-
Depreciation	7,9	1,061,458	-
Shares issued for finders' fee	7	640,000	-
Gain (Loss) on debt settlement		(38,373)	100,549
RSU compensation		261,660	-
Share-based payments	13	347,049	-
Write-off of shareholder loan		-	(222)
Gain on settlement of accounts payables			-
Changes in non-cash working capital items:			
Advance		-	(3,000)
Amounts receivable		(30,377)	48,157
Accounts payable and accrued liabilities		(81,016)	17,576
Cash used in operating activities		(2,292,269)	(188,233)
Investing Activities			
Acquisition of equipment	9	(257,013)	-
Exploration and evaluation expenditures		152	(143,644)
Loan advanced to Aqueous	6	(130,787)	-
Cash acquired on acquisition of Aqueous		77,295	-
Cash used in investing activities		(310,353)	(143,644)
Financing Activities			
Issuance of common shares, net of share issue costs	13	542,880	849,825
Issuance of common shares on exercise of warrant	13	372,988	-
Proceeds from government grant		547,638	-
Proceeds from issuance of notes	11	748,761	-
Cash provided by financing activities		2,212,267	849,825
Change in cash in the period		(390,355)	(517,948)
Change in foreign exchange		(50,629)	-
Cash, beginning of period		577,669	352,085
Cash, end of period		\$ 136,685	\$ 870,033

Supplemental cash flow information (note 16)

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

LITHOS GROUP LTD.

(Formerly Lithos Energy Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

Nine Months Ended January 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

Lithos Group Ltd. (formerly Lithos Energy Ltd.) (the “Company” or “Lithos”) 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 15, 2023, the Company changed its name to Lithos Energy Ltd. Effective August 15, 2023, the Company changed its name from “Alchemist Mining Inc.” to “Lithos Energy Ltd.”. On December 8, 2023, the Company de-listed from the and commenced trading on Cboe Canada under the ticker symbol “LITS”. On January 24, 2024, the Company changed its name from “Lithos Energy Ltd.” to “Lithos Group Ltd.” The common shares of the Company are listed for trading 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).

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 7).

2. GOING CONCERN

These condensed interim 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 condensed interim 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 nine months ended January 31, 2024, the Company incurred a net loss of \$4,456,272(2023 - \$351,293, and as at January 31, 2024, has an accumulated deficit of \$12,463,138 (April 30, 2023 - \$8,006,866). At January 31, 2024, the Company has a working capital deficit of \$186,128 (April 30, 2023 – working capital of \$431,081).

LITHOS GROUP LTD.

(Formerly Lithos Energy Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements**Nine Months Ended January 31, 2024 and 2023****(Expressed in Canadian Dollars, unless otherwise stated)**

3. BASIS OF PRESENTATION**Approval of the condensed interim consolidated financial statements**

These condensed interim consolidated financial statements for the nine months ended January 31, 2024 were reviewed by the Audit Committee and approved and authorized for issue on March 15, 2024 by the Board of Directors of the Company.

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standards 34, Interim Financial Reporting. Interim financial statements do not include all the information required for full annual financial statements. These condensed interim consolidated financial statements do not contain all disclosures required by IFRS and accordingly should be read in conjunction with the 2023 annual audited consolidated financial statements and the notes thereto.

Basis of preparation

These condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company and its subsidiaries’ (with the exception of Aqueous Resources LLC) functional currency. Aqueous Resources LLC’s functional currency is the USD. These condensed interim 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 condensed interim 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	
		January 31, 2024	April 30, 2023
1282112 B.C. Ltd.	Canada	100%	100%
Aqueous Resources LLC	USA	100%	Nil
Iron Forge Holdings (I) Ltd.	Canada	100%	100%
Lithos Technology Corp.	Canada	100%	100%
Lithos Technology LLC	USA	100 %	100%

Significant accounting judgments, estimates and assumptions

The preparation of condensed interim 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.

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Notes to the Condensed Consolidated Interim Financial Statements

Nine Months Ended January 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

3. BASIS OF PRESENTATION (Continued)

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 assets and property, plant and equipment

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

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.

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Nine Months Ended January 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

3. BASIS OF PRESENTATION (Continued)

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.

Impairment considerations of capital assets, intangible assets 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 capital assets and finite lived intangible assets require 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

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended April 30, 2023. The Company did not adopt any new accounting policies during the period ended January 31, 2024.

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:

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Notes to the Condensed Consolidated Interim Financial Statements

Nine Months Ended January 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, amounts receivable, accounts payable and accrued liabilities, subscriptions received, deferred grant income, and lease liability 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 financial institutions in Canada and the United States.

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 current contractual financial liabilities of the Company as of January 31, 2024 was \$379,218 (April 30, 2023 - \$476,326). The majority of the current liabilities presented as accounts payable are due within 90 days of January 31, 2024. 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 January 31, 2024 and April 30, 2023, the Company is not exposed to significant market risk.

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

LITHOS GROUP LTD.

(Formerly Lithos Energy Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

Nine Months Ended January 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

6. ADVANCES RECEIVABLE (continued)

acquire an additional 2,400 units of Series A preferred membership (the "Investment"). Aqueous is the sole owner of pending patent 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.

At April 30, 2023, the Company paid a deposit of \$271,058 (USD \$200,000) to Aqueous and during the period ended January 31, 2024, the Company paid an additional \$134,085 (USD \$100,000).

During the period ended January 31, 2024, the parties terminated the Membership Agreement and entered into a definitive agreement to purchase a 100% interest in Aqueous. As a result, the advances were converted into unsecured, non-interest-bearing demand loans to Aqueous (Note 7). The loans were eliminated on consolidation upon the acquisition of Aqueous.

7. ACQUISITIONS

Iron Forge Holdings (I) Ltd.

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 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 (Note 11). The warrants had a residual value of \$nil.

Following the closing of the Iron Forge Transaction, Iron Forge became a wholly-owned subsidiary of Lithos. 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 Lithos. 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 11)	\$ 1,087,500
Transaction costs - cash	38,290
	\$ 1,125,790

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 GROUP LTD.

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Notes to the Condensed Consolidated Interim Financial Statements**Nine Months Ended January 31, 2024 and 2023****(Expressed in Canadian Dollars, unless otherwise stated)****7. ACQUISITIONS (Continued)**Lithos Technology Corp.

On March 6, 2023, the Company entered into an amalgamation agreement with Lithos Technology Corp. ("Lithos Technology"), a private arm's length Alberta company, pursuant to which the Company agreed to acquire all of the issued and outstanding common shares of Lithos Technology by way of "three-cornered" amalgamation, whereby a wholly-owned subsidiary of the Company ("NewCo") and Lithos Technology amalgamated to form a new entity ("AmalCo"), and AmalCo became a wholly-owned subsidiary of Lithos upon completion of the transaction (the "Lithos Transaction"). At the closing of the Lithos Transaction, each of the outstanding common shares of Lithos Technology were cancelled and each respective Lithos Technology 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 Technology. 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, the Company advanced a bridge loan in the amount of \$400,000 to Lithos Technology (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 Lithos Technology'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 Technology'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 (Note 11)	\$	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

Goodwill arose over the acquisition of Lithos Technology due to the benefit of expected revenue growth and future market developments that will result from the conductive fracturing imaging technology. 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.

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Notes to the Condensed Consolidated Interim Financial Statements**Nine Months Ended January 31, 2024 and 2023****(Expressed in Canadian Dollars, unless otherwise stated)****7. ACQUISITIONS (Continued)**

On an annual basis, the Company assesses the Company's cash generating units ("CGU") for indicators of impairment or when facts or circumstances suggest the carrying amount may exceed its recoverable amount. Goodwill is tested for impairment annually.

During the period ended January 31, 2024, the Company recorded depreciation of \$508,219 (2022 - \$nil) against the intangible asset.

Aqueous Resources LLC

On August 4, 2023, the Company closed its Securities Exchange Agreement dated June 13, 2023 with Aqueous Resources LLC, a private arm's length limited liability company based in Denver, Colorado, USA, pursuant to which the Company acquired all of the outstanding membership interests of Aqueous from the holders of the membership interests in exchange for common shares in the capital of the Company (the "Aqueous Transaction"). On completion of the Aqueous Transaction, Aqueous became a wholly-owned subsidiary of the Company.

Pursuant to the terms of the Securities Exchange Agreement, Lithos acquired all the outstanding Membership Interests and as consideration issued 17,500,000 common shares, on a pro rata basis, to the Members with a fair value of \$0.64 per share. The Aqueous 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 Aqueous'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 \$0.64 per share. The estimated fair value of the consideration paid was \$11,200,000.

Consideration:

Common shares (Note 11)	\$ 11,200,000
	<u>\$ 11,200,000</u>

Fair value of net assets acquired:

Cash	\$ 42,303
Prepays	2,340
Property, plant and equipment (Note 9)	13,575
Right to use asset (Note 10)	33,259
Intangible asset - IP	11,586,267
Accounts payable and accrued liabilities	(40,642)
Loan payable (Note 6)	(401,845)
Lease liability (Note 10)	(35,257)
	<u>\$ 11,200,000</u>

The Company issued an aggregate of 1,000,000 common shares with a fair value of \$640,000 as a finders' fee in connection with the Aqueous Transaction.

During the period ended January 31, 2024, the Company recorded depreciation of \$538,868 (2022 - \$nil) against the intangible asset.

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Notes to the Condensed Consolidated Interim Financial Statements**Nine Months Ended January 31, 2024 and 2023****(Expressed in Canadian Dollars, unless otherwise stated)****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 January 31, 2024 is as follows

	Rhodes Marsh	PacMan	Total
	\$	\$	\$
Acquisition costs			
Balance, April 30, 2022	-	-	-
Acquisition of Iron Forge (Note 7)	1,122,321	-	1,122,321
Acquisition of Lithos (Note 7)	-	18,002	18,002
Balance, January 31, 2024 and April 30, 2023	1,122,321	18,002	1,140,323
Exploration costs			
Balance, April 30, 2022	-	-	-
Laboratory expense	-	2,114	2,114
Balance, January 31, 2024 and April 30, 2023	-	2,114	2,114
Balance, January 31, 2024 and April 30, 2023	1,122,321	20,116	1,142,437

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Notes to the Condensed Consolidated Interim Financial Statements**Nine Months Ended January 31, 2024 and 2023****(Expressed in Canadian Dollars, unless otherwise stated)****9. PROPERTY, PLANT, AND EQUIPMENT**

	<i>Leasehold Improvements</i>	<i>Equipment</i>	<i>Plant</i>	<i>Total</i>
Cost				
Balance, April 30, 2023 and 2022	\$ -	\$ -	\$ -	\$ -
Acquisition of Aqueous (Note 7)	5,340	10,161	-	15,501
Additions	-	-	257,013	257,013
Foreign currency translation	255	485	1,271	13,011
Balance, January 31, 2024	\$ 5,595	\$ 10,646	\$ 269,284	\$ 285,525
Accumulated depreciation				
Balance, April 30, 2023 and 2022	\$ -	\$ -	\$ -	\$ -
Depreciation on acquisition (Note 7)	314	1,612	-	1,926
Additions	528	427	6,682	7,637
Foreign currency translation	28	76	244	348
Balance, January 31, 2024	\$ 870	\$ 2,115	\$ 6,926	\$ 9,911
Net Book Value, April 30, 2023	\$ -	\$ -	\$ -	\$ -
Net Book Value, January 31, 2024	\$ 4,725	\$ 8,531	\$ 262,358	\$ 275,614

10. DEFERRED GRANTS

In June 2023, the Company's subsidiary, Aqueous Resources LLC ("Aqueous"), was awarded a definitive contract for US\$250,000 (CDN\$330,000) by the Colorado Global Business Development division of the Office of Economic Development and International Trade (OEDIT). This grant supports businesses commercializing innovative and disruptive technologies in the advanced industries that will be created or manufactured in Colorado.

In July 2023, Aqueous was awarded a USD\$1,300,000 (CDN\$1,727,000) grant by the U.S. Department of Energy (DOE). The DOE funds projects for leading small businesses to pursue scientific, clean energy, and climate research, development, and demonstration projects.

As at January 31, 2024, the Company had received a drawdown of \$547,638 of those government grants.

The cash received until the reporting date has been recognized as deferred grant income.

11. DEBENTURES

On November 3, 2023 the Company completed a non-brokered private placement pursuant to which it issued non-convertible notes in the aggregate principal amount of USD\$550,000 (CAD\$748,761) and 999,900 share purchase warrants. The notes have a term of 91 days and bear interest at the rate of 15% per annum payable on maturity. Each warrant entitles the holder thereof to acquire one common share each of the Company at a price of USD\$0.55 per warrant share for a period of five years from closing. Subsequent to their issuances, the Company extended the maturity date of the notes to June 30, 2024. (Note 17)

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Notes to the Condensed Consolidated Interim Financial Statements**Nine Months Ended January 31, 2024 and 2023****(Expressed in Canadian Dollars, unless otherwise stated)****12. 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 January 31, 2024. The acceleration right was exercised as a result of the subsequent share exchange transaction (Note 7).

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

Right-of-use asset

Balance, April 30, 2023 and 2022	\$	-
Acquisition of Aqueous		33,259
Depreciation of right-of-use asset		(11,622)
Foreign currency translation		(1,619)
Balance, January 31, 2024	\$	20,018

Lease liability

Balance, April 30, 2023 and 2022	\$	35,257
Accretion of interest		3,602
Payment of lease liabilities		(11,573)
Foreign currency translation		(1,425)
Balance, January 31, 2024	\$	25,861

Current portion	25,861
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13. SHARE CAPITAL

Authorized Unlimited number of common shares without par value.

Issued

For the nine months ended January 31, 2024:

On May 29, 2023, 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.

On June 9, 2023, the Company settled accounts payable of \$69,435 by issuing 61,995 common shares at a price of \$0.66 per share and by paying cash of \$34,717. The Company recognized a loss of \$6,199 on the settlement.

On August 4, 2023, the Company issued 17,500,000 common shares to the holders of the membership interests of Aqueous in exchange for common shares in the capital of Aqueous Resources LLC at a fair value of \$0.64 per share. The shares are subject to a voluntary lockup whereby 10% of the shares were released on closing and 15% of the shares are released every six months thereafter. In addition, the Company issued 1,000,000 common shares as a finders' fee in connection the transaction (Note 7). The transaction costs were incurred in connection with the business combination and were expensed through the statement of loss and comprehensive loss.

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Nine Months Ended January 31, 2024 and 2023

(Expressed in Canadian Dollars, unless otherwise stated)

13. SHARE CAPITAL (Continued)

The Company issued 1,833,946 common shares on the exercise of 1,833,946 warrants with an exercise price ranging from \$0.145 to \$0.20. The Company received gross proceeds of \$372,988.

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 four years. 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 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.

On April 27, 2023, the Company issued an aggregate of 15,000,000 common shares to the shareholders of Lithos Technology and 10,000,000 performance shares to certain employees and consultants of Lithos Technology (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.

Stock options

The Company has a stock option plan pursuant to which the Board of Directors of the Company may, from time to time, in its discretion, 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.

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.

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Notes to the Condensed Consolidated Interim Financial Statements**Nine Months Ended January 31, 2024 and 2023****(Expressed in Canadian Dollars, unless otherwise stated)****13. SHARE CAPITAL (Continued)**

On June 5, 2023, the Company granted 1,020,000 options to purchase common shares to the directors of the Company. Each option is exercisable into one common share at an exercise price of \$0.70 until June 5, 2026. On the date of grant 340,000 options vested immediately and 340,000 options will vest on each of the first and second anniversaries. The fair value of the options granted was determined to be \$455,373 using the Black-Scholes Option Pricing model using the following assumptions: Risk-free rate of 4.28%; Expected life of 3 years, expected volatility of 100% and dividend yield of nil.

On July 17, 2023, the Company granted 250,000 options to purchase common shares to a consultant of the Company. Each option is exercisable into one common share at an exercise price of \$0.60 until July 17, 2026. On the date of grant 83,333 options were vested and 83,333 options vest on the first and second anniversaries. The fair value of the options granted was determined to be \$95,957 using the Black-Scholes Option Pricing model using the following assumptions: Risk-free rate of 4.63%; Expected life of 3 years, expected volatility of 100% and dividend yield of nil.

During nine months ended January 31, 2024, the Company recognized share-based payments of \$347,049 on vested options (January 31, 2022 - \$Nil).

On November 7, 2023, the Company granted 300,000 stock options with an exercise price of \$0.56. The options vest on a quarterly basis, commencing three months from the grant date. The options have a term of 18 months. As at January 31, 2024, no share-based payments were recognized.

The continuity of option transactions are summarized as follows:

	January 31, 2024		April 30, 2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	350,000	\$ 0.30	-	\$ -
Issued	1,570,000	0.66	350,000	0.30
Outstanding, end of period	1,920,000	\$ 0.59	350,000	\$ 0.30

The following summarizes information about stock options outstanding at January 31, 2024:

Expiry date	Exercise price	Options outstanding	Options exercisable	Weighted average remaining contractual years
April 27, 2025	\$0.30	350,000	350,000	
June 5, 2026	\$0.70	1,020,000	340,000	
July 17, 2026	\$0.60	250,000	83,333	
November 3, 2023	\$0.56	300,000	-	
Total		1,920,000	773,333	1.99

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Notes to the Condensed Consolidated Interim Financial Statements**Nine Months Ended January 31, 2024 and 2023****(Expressed in Canadian Dollars, unless otherwise stated)****13. SHARE CAPITAL (Continued)****Performance and Restricted Share Units**

The Company adopted its Omnibus Equity Incentive Plan (the “**Omnibus Plan**”) on November 22, 2022. The Omnibus Plan provides flexibility to the Company to grant equity-based incentive awards in the form of Options, restricted share units (each, a “**RSU**”), performance share units (each, a “**PSU**”) and deferred share units (each, a “**PSU**”). The purpose of the Omnibus Plan is to, among other things, provide the Company with a share related mechanism to attract, retain and motivate qualified directors, officers, employees and consultants of the Company and to reward such of those directors, officers, employees and consultants for their contributions toward the long-term goals and success of the Company and to enable and encourage such directors, employees and consultants to acquire Shares as long-term investments and proprietary interests in the Company.

The Omnibus Plan is a rolling plan which, subject to the adjustment provisions provided for therein (including a subdivision or consolidation of Common Shares), provides that the aggregate maximum number of Common Shares that may be issued upon the exercise or settlement of awards granted under the Omnibus Plan shall not exceed 20% of the Company’s issued and outstanding common shares from time to time. The Omnibus Plan is considered an “evergreen” plan, since the common shares covered by awards which have been exercised, settled or terminated shall be available for subsequent grants under the Omnibus Plan and the number of awards available to grant increases as the number of issued and outstanding common shares increases.”

PSUs and RSUs are measured at their fair value on the date of grant based on the closing price of the Company’s common shares on the date prior to the grant and are recognized as share-based compensation expense over the vesting period, with a corresponding credit to reserve for share-based payments.

Effective January 1, 2024, the Company granted to its executive officers 520,000 RSUs to vest every month to June 30, 2024. As at January 31, 2024, \$48,594 was recorded as RSU compensation expense.

The Company also granted 380,000 RSUs to its independent directors, vesting on date of grant. As at January 31, 2024, \$213,066 was recorded as RSU compensation expense.

The fair value of the RSUs on January 1, 2024 was \$0.5607 per RSU being the share price at date of the vest.

Warrants

The continuity of warrant transactions are summarized as follows:

	January 31, 2024		January 31, 2023	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of	16,382,038	\$ 0.20	11,983,333	\$ 0.20
Issued	999,900	0.55	4,398,705	0.192
Exercised	(1,833,946)	0.20	-	-
Outstanding, end of period	15,797,992	\$ 0.22	16,382,038	\$ 0.20

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Notes to the Condensed Consolidated Interim Financial Statements**Nine Months Ended January 31, 2024 and 2023****(Expressed in Canadian Dollars, unless otherwise stated)****13. SHARE CAPITAL (Continued)**

The following summarizes information about warrants outstanding at January 31, 2024:

Expiry date	Exercise price	Warrants outstanding
January 27, 2025	\$0.20	3,024,871
January 13, 2026	\$0.20	11,119,515
June 8, 2026	\$0.145	403,706
November 3, 2023	\$0.55	999,900
Total		15,547,992

As at January 31, 2024, the weighted average remaining life of the warrants is 1.72 years.

14. 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.

The following table summarizes transactions with related parties during the nine months ended January 31, 2024 and 2023:

	January 31, 2024	January 31, 2023
Consulting fees	\$ 144,477	\$ -
Accounting fees	58,629	10,000
RSU compensation expense	261,660	
Share-based payments	347,049	
Rent	13,882	18,592
	\$ 825,697	\$ 28,592

As at January 31, 2024, \$122,591 (April 30, 2023 - \$129,461) 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.

Shareholder loans

	Period ended	
	January 31, 2024	April 30, 2023
Opening balance	\$ -	\$ 222
Shares issued to settle debt	-	(222)
Closing balance	\$ -	\$ -

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.

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15. 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 nine months ended January 31, 2024. The Company is not subject to external restrictions on its capital.

16. 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 January 31, 2024 and 2023, the Company recorded the following non-cash investing and financing transactions:

	2024	2023
Taxes paid	\$ -	\$ -
Interest paid	-	-
Convertible debt settled on issuance of units	-	94,063
Acquisition of Iron Forge	-	1 087,500

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

17. SUBSEQUENT EVENTS

Subsequent to the nine months ended January 31, 2024:

- On February 2, 2024 the Company amended the terms of the Debenture such that the Maturity Date of the Debenture was extended to June 30, 2024.
- On February 26, 2024, the Company announced a non-brokered private placement (the "Offering") of up to 2,857,143 units (each, a "Unit") at a price of \$0.70 per Unit for gross proceeds of up to \$2,000,000. Each Unit will consist of one common share in the capital of the Company and one transferable share purchase warrant. Each warrant will entitle the holder to purchase one additional common share in the capital of the Company for a period of three years from the closing date at an exercise price of \$0.90 per share.