

LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)

Consolidated Financial Statements

Year Ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
Lithos Group Ltd. (formerly Lithos Energy Ltd.)

Opinion

We have audited the accompanying consolidated financial statements of Lithos Group Ltd. (formerly Lithos Energy Ltd.) (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2024 and 2023 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2024 and 2023 and its financial performance and its cash flows for the years then ended in accordance with IFRS.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$7,324,033 during the year ended April 30, 2024, and, as of that date, the Company's current liabilities exceeded its current assets by \$1,905,843. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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.

Key Audit Matters

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

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Asset Acquisition – Aqueous Resources LLC

As disclosed in Notes 1 and 7 to the consolidated financial statements, the Company acquired all of the issued and outstanding common shares of Aqueous Resources LLC ("Aqueous") during the year ended April 30, 2024.



The acquisition of Aqueous has been accounted for as an asset acquisition by using the optional concentration test.

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

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

- Obtaining an understanding of the transaction, including managements' assessment of whether the transaction constituted an asset acquisition or business combination;
- Reviewing the share exchange agreement to understand key terms and conditions;
- Agreeing the consideration to supporting documentation;
- Evaluating management's calculation of the fair value of the net assets acquired in accordance with the Company's accounting policies;
- Engaging an auditor's expert to analyze the rates used for the discount for the lack of marketability on consideration shares issued and the fair value of the intangible asset recognized on the acquisition date; and
- Assessing the adequacy of the related disclosures to the consolidated financial statements.

Impairment testing of intangible assets and goodwill

As described in Notes 4 and 7 of the consolidated financial statements, management performs its annual impairment assessment of goodwill and the cash generating unit (the "CGU") to which it belongs as of April 30th of each year, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired. The total carrying value of the intangible assets and the goodwill as of April 30, 2024 was \$23,185,475. An impairment loss exists if the cash generating units' carrying amount exceeds its recoverable amount.

Management applied significant judgment in determining the recoverable amount of the CGU using a discounted cash flow model. The recoverable amount determined by management exceeded the carrying value of the CGU, and as a result no impairment loss was recognized. Significant assumptions are used in the discounted cash flow model, which include: projected future revenues from contracts, operating costs, capital expenditures, discount rates, and foreign exchange rates.

The principal considerations for our determination that performing procedures relating to the impairment assessment is a critical audit matter are: (i) there was significant judgment by management when determining the recoverable amount of the CGU; (ii) management's specialists were used to review and complete the discounted cash flow analysis; and (iii) a high degree of auditor judgment, subjectivity and effort was required in performing procedures to evaluate management's cash flow projections and significant assumptions used in preparing the discounted cash flow model. In addition, the audit effort involved the use of professionals with specialized skills and knowledge to assist in performing procedures to evaluate the discount rate.

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

- Evaluating the appropriateness of the discounted cash flow model;
- Testing the completeness, accuracy, and relevance of underlying data and evaluating the reasonability of the significant assumptions used in the discounted cash flow model;
- Considering the qualifications and objectivity of management's specialists, obtaining an understanding of the work performed, including the methods and assumptions used by these specialists, testing data on a sample basis, and evaluating their findings; and

- Engage professionals with specialized skill and knowledge to assist in the evaluation of the discount rate and approach.

Other Information

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

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

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

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

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

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

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

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

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

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

obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC

July 29, 2024

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

As at	Notes	April 30, 2024	April 30, 2023
Assets			
Current			
Cash		\$ 691,178	\$ 577,669
Advances receivable	6	-	271,058
GST receivable		71,561	23,680
Prepaid expenses		236,789	35,000
		999,528	907,407
Exploration advance		14,269	14,117
Exploration and evaluation assets	7,8	1,146,941	1,142,589
Property, plant and equipment	9	857,068	-
ROU asset	12	13,693	-
Intangible assets	7	18,021,988	10,000,000
Goodwill	7	5,163,487	5,163,487
Total assets		\$ 26,216,974	\$ 17,227,600
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 1,154,005	\$ 476,326
Deferred grant income	10	332,920	-
Deferred grant liability	10	280,073	-
Lease liability	12	19,918	-
Notes payable	11	687,483	-
Derivative liability	11	430,972	-
Total liabilities		2,905,371	476,326
Shareholders' equity			
Share capital	13	36,766,312	24,603,302
Reserves	13	1,578,335	154,838
Accumulated other comprehensive loss		297,855	-
Deficit		(15,330,899)	(8,006,866)
Total shareholders' equity		23,311,603	16,751,274
Total liabilities and shareholders' equity		\$ 26,216,974	\$ 17,227,600

Nature of operations (note 1)

Going concern (note 2)

Subsequent events (note 19)

Approved on behalf of the Board by:

"Jennie Choboter"

Director

"Scott Taylor"

Director

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

LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)
Consolidated Statements of Loss and Comprehensive Loss
Years Ended April 30, 2024 and 2023
(Expressed in Canadian Dollars)

	Notes	2024	2023
Expenses			
Business development	14	\$ 509,325	\$ 47,250
Consulting	14	1,102,409	106,097
Depreciation	7,9,12	2,604,610	-
Exploration costs		-	145,808
Filing fees and shareholder information		431,826	43,961
Interest and finance fees	11,12	422,322	-
Investor relations	14	407,364	-
Office and general		202,424	2,834
Professional fees	14	619,920	203,641
Rent	4,14	51,884	46,580
Travel		57,776	-
Salaries		334,871	-
Share-based payments	13,14	1,418,206	127,238
		(8,162,937)	(723,409)
Foreign exchange (loss) gain		(13,986)	266
Impairment of exploration and evaluation assets	8	(20,268)	-
Gain on forgiveness on debt		32,174	(100,327)
Change in fair value of derivative	11	57,416	-
Grant income	10	783,568	-
Transaction costs	7,13	-	(1,200,000)
Loss for the year		(7,324,033)	(2,023,470)
Other comprehensive loss:			
Currency translation adjustment		297,855	-
Loss and comprehensive loss for the year		\$ (7,026,178)	\$ (2,023,470)
Basic and diluted loss per share		\$ (0.10)	\$ (0.09)
Weighted average number of common shares			
Outstanding – basic and diluted		76,534,787	22,973,924

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

LITHOS GROUP LTD.

(Formerly Lithos Energy Ltd.)

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

	Number of shares	Share capital	Reserves	AOCI	Deficit	Total
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	6,750,508	978,824	-	-	-	978,824
Share issuance costs	-	(12,999)	-	-	-	(12,999)
Acquisition of Iron Forge Holdings (I) Ltd.	7,499,999	1,087,500	-	-	-	1,087,500
Acquisition of Lithos Technology Corp.	27,000,000	16,200,000	-	-	-	16,200,000
Share-based payments	-	-	127,238	-	-	127,238
Loss for the year	-	-	-	-	(2,023,470)	(2,023,470)
Balance, April 30, 2023	60,360,162	\$ 24,603,302	\$ 154,838	\$ -	\$ (8,006,866)	\$ 16,751,274
Private placements	2,871,374	1,674,724	19,341	-	-	1,694,065
Share issuance costs	-	(76,567)	-	-	-	(76,567)
Acquisition of Aqueous Resources LLC	17,500,000	9,233,960	-	-	-	9,233,960
Finder's fee	1,000,000	640,000	-	-	-	640,000
Exercise of warrants	2,537,007	493,926	-	-	-	493,926
Exercise of options	75,000	56,050	(14,050)	-	-	42,000
Debt settlement	61,995	40,917	-	-	-	40,917
Shares for services	132,450	100,000	-	-	-	100,000
Share-based payments	-	-	1,418,206	-	-	1,418,206
Foreign currency translation adjustment	-	-	-	297,855	-	297,855
Loss for the year	-	-	-	-	(7,324,033)	(7,324,033)
Balance, April 30, 2024	84,537,988	\$ 36,766,312	\$ 1,578,335	\$ 297,855	\$ (15,330,899)	\$ 23,311,603

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

LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)
Consolidated Statements of Cash Flows
Years Ended April 30, 2024 and 2023
(Expressed in Canadian Dollars)

		2024	2023
Operating Activities			
Loss for the year	Notes	\$ (7,324,033)	\$ (2,023,470)
Items not involving cash:			
Shares issued for services		100,000	-
Depreciation		2,604,610	-
Interest accrued on notes payable		54,633	-
Accretion of notes payable		364,256	-
(Gain) loss on forgiveness of debt		(32,174)	100,327
Shares issued for transaction costs		-	1,200,000
Share-based payments		1,418,206	127,238
Change in fair value of derivative		(57,416)	-
Impairment of exploration and evaluation assets		20,268	-
Changes in non-cash working capital items:			
GST receivable		(47,881)	37,057
Prepaid expenses		(199,449)	(35,000)
Accounts payable and accrued liabilities		710,129	(12,263)
Cash used in operating activities		(2,388,851)	(606,111)
Investing Activities			
Exploration and evaluation assets	8	(24,620)	(2,266)
Purchase of property, plant and equipment		(872,463)	-
Loan advanced to Aqueous	6	(136,272)	-
Loan advanced to Lithos	7	-	(400,000)
Cash acquired on acquisition of Aqueous	7	42,303	-
Cash acquired on acquisition of Iron Forge	7	-	38,376
Cash acquired on acquisition of Lithos	7	-	229,760
Cash used in investing activities		(991,052)	(134,130)
Financing Activities			
Proceeds from notes payable	11	752,565	-
Lease payments	12	(19,584)	-
Proceeds from private placements	13	1,694,065	978,824
Share issuance costs	13	(76,567)	(12,999)
Proceeds from government grants	10	1,395,960	-
Expenditures under government grants	10	(783,568)	-
Proceeds from exercise of warrants	13	493,926	-
Proceeds from exercise of options	13	42,000	-
Cash provided by financing activities		3,498,797	965,825
Change in foreign exchange – cash and other		(5,385)	-
Change in cash in the year		113,509	225,584
Cash, beginning of year		577,669	352,085
Cash, end of year		\$ 691,178	\$ 577,669

Supplemental cash flow information (note 16)

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

LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)
Notes to the Consolidated Financial Statements
Years Ended April 30, 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. On December 8, 2023, the Company de-listed from the Canadian Securities Exchange (“CSE”) 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 (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. The acquisition of Aqueous was accounted for as an asset acquisition (Note 7).

2. GOING CONCERN

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

During the year ended April 30, 2024, the Company incurred a net loss of \$7,324,033 (2023 - \$2,023,470). As at April 30, 2024, the Company has an accumulated deficit of \$15,330,899 (2023 - \$8,006,866) and a working capital deficiency of \$1,905,843 (2023 - working capital of \$431,081). These factors indicate the existence of a material uncertainty that may raise significant doubt about the Company’s ability to continue as a going concern.

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

LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)
Notes to the Consolidated Financial Statements
Years Ended April 30, 2024 and 2023
(Expressed in Canadian Dollars, unless otherwise stated)

3. BASIS OF PRESENTATION

Approval of the consolidated financial statements

These consolidated financial statements for the year ended April 30, 2024 were reviewed by the Audit Committee and approved and authorized for issue on July 29, 2024 by the Board of Directors of the Company.

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”)

Basis of preparation

These consolidated financial statements are presented in Canadian dollars, which is also the Company and its Canadian subsidiaries’ functional currency. Aqueous Resources LLC, Lithos Alabama LLC, and Lithos Technology LLC’s functional currency is the US dollar (“USD”). These consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities measured at fair value.

Basis of consolidation

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

	Country of incorporation	Percentage owned	
		April 30, 2024	April 30, 2023
1282112 B.C. Ltd.	Canada	100%	100%
Aqueous Resources LLC	USA	100%	-
Iron Forge Holdings (I) Ltd.	Canada	100%	100%
Lithos Technology Corp.	Canada	100%	100%
Lithos Technology LLC	USA	100%	100%
Lithos Alabama LLC	USA	100%	-

Significant accounting judgments, estimates and assumptions

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

LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)
Notes to the Consolidated Financial Statements
Years Ended April 30, 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. When applicable, management may consider the optional use of the concentration test, when in substance, an acquisition represents the purchase of a single asset or group of similar assets. 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.

Cash generating unit ("CGUs")

The identification of cash generating units involves significant judgment when identifying and allocating assets and liabilities to the smallest group of assets that is largely independent of the cash inflows from other assets or groups of assets. Management considers the organizational structure and business operations when making this determination. These judgments are critical in the impairment process and could have a material impact on the accuracy of impairment testing.

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 7 years.

Impairment of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures 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.

LITHOS GROUP LTD.
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Notes to the Consolidated Financial Statements
Years Ended April 30, 2024 and 2023
(Expressed in Canadian Dollars, unless otherwise stated)

3. BASIS OF PRESENTATION (Continued)

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.

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 deferred tax assets to the extent their 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. Where a share-based payment includes performance conditions that impact the vesting of the award, management applies estimates to the likelihood the performance obligation will be met and the percentage of forfeitures.

Derivatives

Determining the fair value of the warrant derivative liability requires estimates relating to the choice of a valuation model and may involve the estimation of price volatility, the expected term, and risk-free interest rates. The Company elects to use the Black-Scholes Option Pricing Model. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results.

LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)
Notes to the Consolidated Financial Statements
Years Ended April 30, 2024 and 2023
(Expressed in Canadian Dollars, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION

Property, Plant and Equipment

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

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

Property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives as follows:

Property, plant, equipment	Term
Leasehold improvements	Over the term of the lease
Pilot plant equipment	10 years

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

Exploration and evaluation assets

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

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

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

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of restoration costs, are charged to the statement of comprehensive loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production is charged to the statement of comprehensive loss in the period incurred.

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

As of April 30, 2024 and 2023, the Company did not have any decommissioning liabilities.

Intangible assets

The Company's intangible assets consists of its conductive fracturing imaging technology ("CFI" or the "Lithos Technology") and its patent pending technology for electro-pressure membrane process and method for recovery and concentration of lithium chloride from aqueous sources ("AcQUA").

The assets are carried on the Company's financial statements using the cost model. The intangible assets have finite lives and will be amortized over their useful economic lives of 7 years. The intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for the intangible assets is reviewed at least annually. A change in the expected useful lives of the expected pattern of consumption of future economic benefits embodied in the assets is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The Company's intangible assets are combined with goodwill into a single cash-generating unit.

Goodwill

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations

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

Impairment of non-current assets

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

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

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

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

Financial instruments

Financial assets

(i) Recognition and measurement of financial assets

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

(ii) Classification of financial assets

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

Financial assets measured at amortized cost

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

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4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

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

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

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

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

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

The Company's cash is measured at FVTPL and its advances receivable are measured at amortized cost.

Impairment of financial assets at amortized cost

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

Derecognition of financial assets

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

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4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

The Company's financial liabilities include accounts payable and accrued liabilities, notes payable, and lease liability which are all measured at amortized cost and its derivative liability which is measured at FVTPL.

Convertible debt

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

Embedded derivatives are contained in non-derivative host contracts and are treated as separate derivatives when they meet the definition of a derivative, and their risks and characteristics are not closely related to those of the host contracts. Embedded derivatives are recorded at fair market value with mark-to-market adjustments recorded in the statement of loss and comprehensive loss. The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of its derivatives.

Income taxes

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Share-based payments

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

The fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as an expense is adjusted to reflect the number of stock options, RSUs or PSUs that are expected to vest.

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

The fair value of RSUs and PSUs is equal to the market price of the Company's common shares on the date of grant. RSUs are redeemable on the vesting date, into an equal number of common shares of the Company. The PSUs vest on the successful completion of certain revenue and financing objectives as set out in the agreements. When awards include a performance condition that impacts the vesting of the award, the Company records an expense when it becomes probable that the performance condition will be met and the expense will be attributed over the explicit or implicit service period. The Company accounts for forfeitures as they occur. Any previously recognized expense related to the forfeited awards will be reversed during the period of forfeiture.

Loss per share

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Share capital

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

Leases

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

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

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

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

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

During the year ended April 30, 2024, the Company recognized rent expense of \$51,884 (2023 - \$46,580) in relation to short-term leases.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Provisions

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

Related parties

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

Foreign exchange

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

On translation of the entities whose functional currency is not the Canadian dollar, expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Assets and liabilities are translated at the rate of exchange at the reporting date and equity is translated at historical rates. Exchange gains and losses, including results of re-translation, are recorded as a cumulative translation adjustment in other comprehensive income.

Government grants

The Company recognizes government grants and assistance when there is reasonable assurance that the grant will be received and any conditions associated with the grant have been met. Grant funding that is used to finance construction or is used towards the acquisition of property, plant and equipment is accounted for using the capital approach. Under the capital approach, the Company recognizes the grant funding as a deferred grant liability that is amortized over the useful life of the assets it was used to purchase. Grant funding that is used to cover operating expenses is recognized using the income approach. Under the income approach, the Company recognizes the grant funding as other income in the consolidated statements of loss and comprehensive loss.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

New accounting policies

Certain pronouncements have been issued by the IASB that are effective for accounting periods beginning on or after January 1, 2023. With the exception of changing the Company's accounting policies from "significant" to "material", the Company has reviewed all other updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within the material accounting policy information.

During the year ended April 30, 2024, the Company adopted accounting policies for government grants, embedded derivatives, and for RSU and PSU grants.

Future accounting standards

Certain pronouncements have been issued by the IASB that are effective for accounting periods beginning on or after January 1, 2024. The Company has reviewed these updates and determined that none are applicable or consequential to the Company and have been excluded from discussion within these material accounting policies.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

The Company's financial instruments classified as Level 1 in the fair value hierarchy include cash. The Company has recorded its derivative liability as a level 2 financial instrument. The carrying values of advances receivable, accounts payable and accrued liabilities, notes payable, 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.

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5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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 April 30, 2024 was \$2,905,371 (2023 - \$476,326). The majority of the current liabilities presented as accounts payable and accrued liabilities and notes payable are due within 90 days of April 30, 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.

The parent Company's functional currency is the Canadian dollar. The Company is subject to foreign exchange risk as it incurs a significant number of transactions denominated in USD. A 10% variance in the foreign exchange rates would expose the Company to a positive or negative impact on its statement of loss and comprehensive loss of approximately \$8,500 during the year ended April 30, 2024. The Company does not engage in any hedging activities to reduce its foreign currency risk.

As at April 30, 2024 and 2023, the Company is not exposed to significant price or interest rate 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 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.

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

During the year ended April 30, 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.

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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 13). 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 13)	\$	1,087,500
Transaction costs - cash		38,290
	\$	1,125,790
Fair value of net assets acquired:		
Cash	\$	38,376
Exploration and evaluation asset – Rhodes Marsh (Note 8)		1,122,321
Accounts payable and accrued liabilities		(34,907)
	\$	1,125,790

Lithos Technology Corp.

On March 6, 2023, the Company entered into an amalgamation agreement with Lithos Technology Corp. (“Lithos 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.

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7. ACQUISITIONS (Continued)

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 13)	\$	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.

On an annual basis, the Company assesses the Company's cash generating units 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 year ended April 30, 2024, the Company recorded \$nil in impairment.

During the year ended April 30, 2024, the Company recorded depreciation of \$1,428,571 (2023 - \$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.

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7. ACQUISITIONS (Continued)

Pursuant to the terms of the Securities Exchange Agreement, the Company acquired all the outstanding Membership Interests of Aqueous, and as consideration, issued 17,500,000 common shares, on a pro rata basis, to the Members (the "Aqueous Transaction"). The common shares are subject to a lock-up, where-by they will be released from escrow in equal tranches every six months over a three year period commencing in February 2024. The consideration has been measured at fair value using the closing market price at the date the Transaction closed of \$0.64 per share, adjusted for a discount for lack of marketability. The estimated fair value of the consideration paid was \$9,233,960.

Aqueous did not meet the definition of a business as it meets the concentration test requirements in accordance with IFRS 3 - Business Combinations, and as such, has been accounted for as an asset acquisition. On completion of the acquisition, Aqueous became a wholly-owned subsidiary of Lithos. No change of control of the Company occurred as a result of the acquisition.

Consideration:	
Common shares (Note 13)	\$ 9,233,960
Finder's fee (a) (Note 13)	640,000
	\$ 9,873,960

Fair value of net assets acquired:	
Cash	\$ 42,303
Prepaid expense	2,340
Property, plant and equipment (Note 9)	13,575
ROU asset (Note 12)	33,259
Intangible asset - AcQUA	10,260,227
Accounts payable and accrued liabilities	(40,642)
Loan payable (Note 6)	(401,845)
Lease liability (Note 12)	(35,257)
	\$ 9,873,960

(a) 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 year ended April 30, 2024, the Company recorded depreciation of \$1,116,656 (2023 - \$nil) and a cumulative translation adjustment of \$306,988 (2023 - \$nil) against the intangible asset.

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. At April 30, 2024, the claims were not renewed and the property was fully impaired.

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8. EXPLORATION AND EVALUATION ASSETS (Continued)

A breakdown of costs incurred on the mineral properties during the year ended April 30, 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, April 30, 2023 and 2024	1,122,321	18,002	1,140,323
Exploration costs			
Balance, April 30, 2022	-	-	-
Laboratory expense	-	2,266	2,266
Balance, April 30, 2023	-	2,266	2,266
Geophysical consulting	24,620	-	24,620
Balance, April 30, 2024	24,620	2,266	26,886
Impairment			
Balance, April 30, 2022 and 2023	-	-	-
Impairment	-	(20,268)	(20,268)
Balance, April 30, 2024	-	(20,268)	(20,268)
Balance, April 30, 2023	1,122,321	20,268	1,142,589
Balance, April 30, 2024	1,146,941	-	1,146,941

9. PROPERTY, PLANT, AND EQUIPMENT

	Leasehold improvements	Pilot plant Equipment	Total
	\$	\$	\$
Cost			
Balance, April 30, 2022 and 2023	-	-	-
Acquisition of Aqueous (Note 7)	5,340	10,161	15,501
Additions	-	872,463	872,463
Foreign currency translation	158	6,373	6,531
Balance, April 30, 2024	5,498	888,997	894,495
Accumulated depreciation			
Balance, April 30, 2022 and 2023	-	-	-
Depreciation on acquisition (Note 7)	314	1,612	1,926
Additions	851	32,910	33,761
Foreign currency translation	(840)	2,582	1,742
Balance, April 30, 2024	325	37,104	37,429
Net Book Value, April 30, 2023	-	-	-
Net Book Value, April 30, 2024	5,173	851,893	857,068

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10. DEFERRED GRANTS

Office of Economic Development and International Trade Grant

In June 2023, the Company's subsidiary, Aqueous, was awarded a definitive contract for up to USD \$250,000 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.

During the year ended April 30, 2024, the Company received USD \$54,346 (\$73,705) (2023 - \$nil) in grant funding under the program. Of the amount received, \$43,034 (2023 - \$nil) was allocated to deferred grant liability, as it relates to the purchase of capital assets. The remaining \$30,671 (2023 - \$nil) was recognized as grant income through the statement of loss and comprehensive loss.

Department of Energy Grant

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

During the year ended April 30, 2024, the Company received USD \$974,971 (\$1,331,030) (2023 - \$nil) in grant funding under the program. Of the amount received, \$251,780 (2023 - \$nil) was allocated to deferred grant income, as it relates to the purchase of capital assets. The remaining \$738,156 (2023 - \$nil) was recognized as grant income through the statement of loss and comprehensive loss.

As at April 30, 2024, the Company had \$332,920 (2023 - \$nil) in deferred grant income related to funds that had been received, but not yet spent in accordance with the DOE application.

During the year ended April 30, 2024, a total of \$294,814 (2023 - \$nil) was recorded as deferred grant liability for the funds used to purchase capital assets (Note 9). During the year ended April 30, 2024, the Company recognized amortization of \$14,741 (2023 - \$nil) in grant income. As at April 30, 2024, there was \$280,073 (2023 - \$nil) remaining.

11. NOTES PAYABLE

On November 3, 2023 the Company completed a non-brokered private placement pursuant to which it issued 550 non-convertible note units (the "Notes") for gross proceeds of USD\$550,000 (\$752,565). The Notes were priced at USD \$1,000 each and had 1,818 share purchase warrants attached, for a total of 999,900 share purchase warrants. The Notes had 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 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 and again to December 30, 2024.

The warrants attached to the Notes are exercisable in USD which differs from the functional currency of the Company. As a result, the warrants are classified as a financial liability on the consolidated statements of financial position as an embedded derivative. The embedded derivative is initially measured at fair value and re-measured at each period end, with movements recorded as a gain or loss (change in fair value of derivative) on the consolidated statements of loss and comprehensive loss. The difference between the fair value of the derivative component and the face value of the loan is allocated to the loan liability component.

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11. NOTES PAYABLE (Continued)

As a result, the recorded liability to repay the loan is lower than its face value. The debt component is accreted up to its face value over the term using the effective interest rate method.

Upon initial recognition on November 3, 2023, the fair value of the derivative was determined to be \$488,388 using the Black Scholes Option Pricing Model to fair value the warrant component. The following assumptions were used in determining fair value: risk-free interest rate of 3.78%; time to maturity of 5.0 years; and a volatility rate of 108.34%.

As at April 30, 2024, the adjusted fair value of the derivative was determined to be \$430,972. Accordingly, the change in the fair value of the derivative liability was recognized as a gain of \$57,416 during the year ended April 30, 2024. The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 2.07%; time to maturity of 4.52 years; and a volatility rate of 108.34%.

A reconciliation of the Notes for the year ended April 30, 2024 is as follows:

	Liability component	Derivative component	Total
	\$	\$	\$
Balance, April 30, 2022 and 2023	-	-	-
Issuance of Notes	264,177	488,388	752,565
Interest expense	54,633	-	54,633
Accretion expense	364,256	-	364,256
Foreign exchange	4,417	-	4,417
Change in fair value of derivative	-	(57,416)	(57,416)
Balance, April 30, 2024	687,483	430,972	1,118,455

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 October 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, 2022 and 2023	\$	-
Acquisition of Aqueous (Note 7)		33,259
Depreciation of right-of-use asset		(20,263)
Foreign currency translation		697
Balance, April 30, 2024	\$	13,693

Lease liability

Balance, April 30, 2022 and 2023	\$	-
Acquisition of Aqueous (Note 7)		35,257
Accretion of interest		3,433
Payment of lease liabilities		(19,584)
Foreign currency translation		812
Balance, April 30, 2024	\$	19,918

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13. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued

For the year ended April 30, 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. 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 with a fair value of \$640,000 as a finders' fee in connection the transaction (Note 7).

On March 8, 2024, the Company issued 75,000 common shares at \$0.56 per common shares on the exercise of options. On the exercise of the options \$14,050 was reclassified from reserves to share capital.

On March 12, 2024, The Company issued 132,450 common shares with a value of \$100,000 for advisory services.

On March 15, 2024, the Company issued an aggregate of 992,871 units at a price of \$0.70 per unit for gross proceeds of \$695,010 in a non-brokered private placement. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common shares at a price of \$0.90 per warrant share and exercisable for 3 years. In connection with the financing, the Company paid \$26,103 in share issuance costs. The warrants were assigned a value of \$nil under the residual value method.

On April 15, 2024, the Company issued an aggregate of 644,684 units at a price of \$0.70 per unit for gross proceeds of \$451,279 in a non-brokered private placement. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common shares at a price of \$0.90 per warrant share and exercisable for 3 years. In connection with the financing, the Company paid \$3,003 in share issuance costs. The warrants were assigned a value of \$19,341 under the residual value method.

The Company issued 2,537,007 common shares on the exercise of 2,537,007 warrants with an exercise price ranging from \$0.145 to \$0.20. The Company received gross proceeds of \$493,926.

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13. SHARE CAPITAL (Continued)

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.

Equity incentive plan

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 stock options, restricted share units (each, a "RSU"), performance share units (each, a "PSU") and deferred share units (each, a "PSU") to directors, officers, employees, and consultants of the Company. 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."

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13. SHARE CAPITAL (Continued)

Stock options

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.

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 \$340,480 using the Black-Scholes Option Pricing model using the following assumptions: Risk-free rate of 4.28%; Expected life of 1.5 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 \$71,737 using the Black-Scholes Option Pricing model using the following assumptions: Risk-free rate of 4.63%; Expected life of 1.5 years, expected volatility of 100% and dividend yield of 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. The fair value of the options granted was determined to be \$56,201 using the Black-Scholes Option Pricing model using the following assumptions: Risk-free rate of 4.47%; Expected life of 0.75 years, expected volatility of 73.51% and dividend yield of nil.

During year ended April 30, 2024, the Company recognized share-based payments of \$362,460 on vested options (2023 - \$127,238).

The continuity of stock option transactions are summarized as follows:

	April 30, 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
Exercised	(75,000)	0.56	-	-
Outstanding, end of year	1,845,000	\$ 0.59	350,000	\$ 0.30

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13. SHARE CAPITAL (Continued)

The following summarizes information about stock options outstanding at April 30, 2024:

Expiry date	Exercise price	Options outstanding	Options exercisable	Weighted average remaining contractual years
April 27, 2025	\$0.30	350,000	350,000	
May 7, 2025	\$0.56	225,000	-	
June 5, 2026	\$0.70	1,020,000	340,000	
July 17, 2026	\$0.60	250,000	83,333	
Total		1,845,000	773,333	1.77

Restricted share units

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 payments over the vesting period, with a corresponding credit to reserve for share-based payments.

During the year ended April 30, 2024, the Company granted 1,595,000 (2023 – nil) RSUs with a fair value of \$958,950 (2023 - \$nil). The RSUs are subject to various vesting conditions and during the year ended April 30, 2024, the Company recognized share-based payments of \$663,400 (2023 - \$nil). As at April 30, 2024, there were 901,667 exercisable RSUs. The vested RSUs are convertible into common shares at the election of the holder.

Grant date	Fair value	RSUs outstanding	RSUs exercisable
October 31, 2023	\$0.65	255,000	85,000
January 29, 2024	\$0.58	930,000	756,667
April 3, 2024	\$0.73	60,000	-
April 26, 2024	\$0.60	350,000	60,000
Total		1,595,000	901,667

Performance share units

PSUs are recorded at fair value based on the market price of the Company's common shares on the grant date and is recorded over the estimated vesting periods. During the year ended April 30, 2024, the Company granted 5,848,888 (2023 – nil) PSUs to officers, employees and consultants of the Company. The PSUs had a fair value of \$3,426,133 (2023 - \$nil) on the grant date. The PSUs are subject to certain vesting conditions, whereby 25% will vest upon each successful completion of an equity financing raising USD \$5,000,000 or the Company earning USD \$5,000,000 in sales revenues. Taking into account anticipated forfeitures, the likelihood of milestone conditions being met, and vesting periods, the Company recognized \$392,346 (2023 - \$nil) during the year ended April 30, 2024, in share-based payments through the consolidated statements of loss and comprehensive loss.

As at April 30, 2024, the total number of PSUs exercisable is nil (2023 – nil).

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13. SHARE CAPITAL (Continued)

Warrants

The continuity of warrant transactions are summarized as follows:

	April 30, 2024		April 30, 2023	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	16,382,038	\$ 0.20	11,983,333	\$ 0.20
Issued	2,637,455	0.77	4,398,705	0.192
Exercised	(2,537,007)	0.19	-	-
Outstanding, end of year	16,482,486	\$ 0.29	16,382,038	\$ 0.20

The following summarizes information about warrants outstanding at April 30, 2024:

Expiry date	Exercise price	Warrants outstanding
January 27, 2025	\$0.20	2,971,810
January 13, 2026	\$0.20	10,469,515
June 8, 2026	\$0.145	403,706
March 15, 2027	\$0.90	992,871
April 15, 2027	\$0.90	644,684
November 3, 2028	USD \$0.55	999,900
Total		16,482,486

As at April 30, 2024, the weighted average remaining life of the warrants is 1.83 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 consists of the following amounts:

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14. RELATED PARTY TRANSACTIONS (Continued)

	April 30, 2024	April 30, 2023
	\$	\$
Accounting fees	81,129	30,000
Business development	299,289	-
Consulting fees	494,685	-
Investor relations	67,728	-
Rent	18,592	46,580
Salaries and wages	183,087	-
<u>Share-based payments:</u>		
Stock options	200,294	-
PSU compensation expense	388,825	-
RSU compensation expense	603,170	-
	2,336,799	76,580

As at April 30, 2024, there was \$558,407 (2023 - \$129,461) in unpaid consulting and professional fees, which was included in accounts payable and accrued liabilities. The amounts are unsecured, non-interest bearing and due on demand.

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 year ended April 30, 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 April 30, 2024 and 2023, the Company recorded the following non-cash investing and financing transactions:

During the year ended April 30, 2024, the Company acquired one company, Aqueous (2023 – two companies - Iron Forge and Lithos Technology). As consideration for the transactions, the Company issued common shares to acquire each entity's net assets (Note 7). Refer to note 13 of these consolidated financial statements for non-cash financing activities impacting share capital and reserves.

During the year ended April 30, 2024 the Company paid \$3,433 (2023 - \$nil) in interest and \$nil (2023 - \$nil) in taxes.

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17. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2023 - 27%) to income before income taxes.

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

	2024	2023
Net loss for the year	\$ (7,324,033)	\$ (2,023,470)
Statutory income tax rate	27%	27%
Expected income tax recovery	(1,977,000)	(546,000)
Change in unrecognized deductible temporary differences	1,330,000	179,000
Permanent differences	750,000	359,000
Change in foreign exchange rates and other	(82,000)	12,000
Share issuance costs	(21,000)	(4,000)
Total income tax expense (recovery)	\$ -	\$ -

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

	2024	2023
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 132,000	\$ 126,000
Property, plant and equipment	(15,000)	3,000
Share issuance costs	20,000	4,000
Intangible assets	386,000	-
Deferred government grants	154,000	-
Non-capital losses available for future periods	2,207,000	1,421,000
	2,884,000	1,554,000
Unrecognized deductible temporary differences	(2,884,000)	(1,554,000)
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.

Temporary differences		2024		2023
Exploration and evaluation assets	\$ 486,000	No expiry date	\$ 465,000	No expiry date
Property, plant and equipment	(63,000)	No expiry date	10,000	No expiry date
Share issuance costs	73,000	2024 to 2028	16,000	2024 to 2027
Intangible assets	1,429,000	No expiry date	-	-
Deferred government grants	607,000	No expiry date	-	-
Non-capital losses available for future periods	8,166,000	2031 to 2044	5,262,000	2031 to 2043

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18. SEGMENTED INFORMATION

The Company's operations are limited to a single industry segment, being the extraction of lithium minerals. As at April 30, 2024, the Company's operations and assets are located in Canada and the USA.

By geographic areas, the Company's net loss for the years ended April 30, 2024 and 2023 are as follows:

	Years Ended	
	April 30, 2024	April 30, 2023
Canada	\$ 6,030,524	\$ 2,023,470
USA	1,293,509	-
	\$ 7,324,033	\$ 2,023,470

By geographic areas, the Company's non-current assets as at April 30, 2024 and 2023, are as follows:

	April 30,	
	2024	2023
Canada	\$ 14,896,125	\$ 16,370,193
USA	10,321,320	-
	\$ 25,217,446	\$ 16,370,193

19. SUBSEQUENT EVENTS

Subsequent to year end, the Company entered into the following transactions:

- the Company granted 600,000 PSUs to consultants. The PSUs vest 25% after each \$5,000,000 sale target or financing target is met.
- 79,590 warrants were exercised for total gross proceeds of \$15,918.
- the Company entered into a non-binding letter of intent with 1481450 B.C. Ltd. (the "Numberco") whereby the parties will enter into a definitive agreement whereby the Company will set out to acquire a 100% interest in Reservoir Imaging Solutions LLC from the Numberco. As consideration for the purchase, the Company will issue 4,000,000 common shares and 4,000,000 performance shares, which will be subject to vesting upon the successful completion of certain revenue milestones. The parties have not yet entered into a definitive agreement.