LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)

Condensed Interim Consolidated Financial Statements

Three Months Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim financial statements of the Company for the three months ended July 31, 2024, have been prepared by and are the responsibility of the Company’s management.

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

September 16, 2024
Vancouver, Canada

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

As at	Notes		July 31, 2024		April 30, 2024
Assets					
Current					
Cash		$	240,499	$	691,178
GST receivable			62,623		71,561
Prepaid expenses			182,462		236,789
			485,584		999,528
Exploration advance			14,269		14,269
Exploration and evaluation assets	7,8		1,150,619		1,146,941
Property, plant and equipment	9		998,719		857,068
ROU asset	12		13,693		13,693
Intangible assets	7		16,586,278		18,021,988
Goodwill	7		5,163,487		5,163,487
Total assets		$	24,412,649	$	26,216,974
Liabilities					
Current					
Accounts payable and accrued liabilities		$	1,309,186	$	1,154,005
Deferred grant income	10		191,240		332,920
Deferred grant liability	10		296,165		280,073
Lease liability	12		19,918		19,918
Notes payable	11		672,181		687,483
Derivative liability	11		146,494		430,972
Total liabilities			2,635,184		2,905,371
Shareholders' equity					
Share capital	13		36,776,312		36,766,312
Reserves	13		2,390,955		1,578,335
Accumulated other comprehensive loss			(55,402)		297,855
Deficit			(17,334,400)		(15,330,899)
Total shareholders' equity			21,777,465		23,311,603
Total liabilities and shareholders' equity		$	24,412,649	$	26,216,974

Nature of operations (note 1)
Going concern (note 2)
Subsequent events (note 19)

Approved on behalf of the Board by:

"Jennie Choboter	*"Scott Taylor"*
Director	Director

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

LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
Three Months Ended July 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Notes		**2024**		2023
Expenses					
Business development	14	**$**	**65,490**	$	151,802
Consulting	14		**387,058**		94,589
Depreciation	7,9,12		**852,197**		-
Filing fees and shareholder information			**63,898**		22,238
Interest and finance fees	11,12		**188,320**		-
Investor relations			**75,100**		-
Office and general			**85,014**		4,357
Professional fees	14		**132,678**		118,388
Rent	4,14		**21,745**		13,944
Travel			**7,921**		-
Salaries			**180,534**		-
Share-based payments	13,14		**812,620**		173,297
			(2,872,575)		(578,615)
Foreign exchange (loss) gain			**(8,318)**		1,196
Gain on forgiveness on debt			**-**		(34,717)
Change in fair value of derivative	11		**284,478**		-
Grant income	10		**380,972**		-
Gain on the modification of debt	11		**211,942**		-
Loss for the period			**(2,003,501)**		(612,136)
Other comprehensive loss:					
Currency translation adjustment			**(55,402))**		-
Loss and comprehensive loss for the period			**(2,058,903)**	$	(612,136)
Basic and diluted loss per share		**$**	**(0.02)**	$	(0.09)
Weighted average number of common shares Outstanding – basic and diluted			**84,606,953**		22,973,924

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

LITHOS GROUP LTD.
(Formerly Lithos Energy Ltd.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of shares		Share capital		Reserves		AOCI		Deficit		Total
Balance, April 30, 2023	**60,360,162**	**$**	**24,603,302**	**$**	**154,838**	**$**	**-**	**$**	**(8,006,866)**	**$**	**16,751,274**
Private placements	1,233,819		542,880		-		-		-		542,880
Debt settlement	61,995		34,718		-		-		-		34,718
Share-based payments	-		-		173,297		-		-		173,297
Loss for the period	-		-		-		-		(612,136)		(612,136)
Balance, July 31, 2023	**61,655,936**		**25,180,900**		**328,135**		**-**		**(8,619,002)**		**16,890,033**
Balance, April 30, 2024	**84,537,988**	**$**	**36,766,312**	**$**	**1,578,335**	**$**	**297,855**	**$**	**(15,330,899)**	**$**	**23,311,603**
Exercise of warrants	79,590		10,000		-		-		-		10,000
Share-based payments	-		-		812,620		-		-		812,620
Foreign currency translation adjustment	-		-		-		(353,257)		-		(353,257)
Loss for the period	-		-		-		-		(2003,501)		(2,003,501)
Balance, July 31, 2024	**84,617,578**		**36,776,312**		**2,390,955**		**(55,402)**	**$**	**(17,334,400)**	**$**	**21,7777,465**

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

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

		2024	2023
Operating Activities	Notes		
Loss for the year		$ **(2,003,501)**	$ (7,324,033)
Items not involving cash:			
Shares issued for services		**-**	100,000
Depreciation		**852,197**	2,604,610
Interest accrued on notes payable		**28,480**	54,633
Accretion of notes payable		**159,840**	364,256
(Gain)		**(211,942)**	(32,174)
Share-based payments		**812,620**	1,418,206
Change in fair value of derivative		**(284,478)**	(57,416)
Impairment of exploration and evaluation assets		**-**	20,268
Changes in non-cash working capital items:			
GST receivable		**8,938**	(47,881)
Prepaid expenses		**54,327**	(199,449)
Accounts payable and accrued liabilities		**155,181**	710,129
Cash used in operating activities		**(428,338)**	(2,388,851)
Investing Activities			
Exploration and evaluation assets	8	**-**	(24,620)
Purchase of property, plant and equipment		**(155,893)**	(872,463)
Loan advanced to Aqueous	6	**-**	(136,272)
Cash acquired on acquisition of Aqueous	7	**-**	42,303
Cash used in investing activities		**(155,893)**	(991,052)
Financing Activities			
Proceeds from notes payable	11	**-**	752,565
Lease payments	12	**-**	(19,584)
Proceeds from private placements	13	**-**	1,694,065
Share issuance costs	13	**-**	(76,567)
Proceeds from government grants	10	**273,643**	1,395,960
Expenditures under government grants	10	**(147,380)**	(783,568)
Proceeds from exercise of warrants	13	**10,000**	493,926
Proceeds from exercise of options	13	**-**	42,000
Cash provided by financing activities		**136,263**	3,498,797
Change in foreign exchange – cash and other		**(2,711)**	(5,385)
Change in cash in the year		**(450,679)**	113,509
Cash, beginning of year		**691,178**	577,669
Cash, end of year		$ **240,499**	$ 691,178

Supplemental cash flow information (note 16)

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

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 three months ended July 31, 2024, the Company incurred a net loss of $2.003.501 (2023 - $612,136). As at July 31, 2024, the Company has an accumulated deficit of $17,334,400 (2023 - $8,619,002) and a working capital deficiency of $2,149,600 (2023 - working capital of $2,005,341). 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 the 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.

3. BASIS OF PRESENTATION

Approval of the consolidated financial statements

These consolidated financial statements for the year ended July 31, 2024 were reviewed by the Audit Committee and approved and authorized for issue on September 16, 2024 by the Board of Directors of the Company.

Statement of compliance

These condensed interim 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**	
		July 31, 2024	April 30, 2024
1282112 B.C. Ltd.	Canada	100%	100%
Aqueous Resources LLC	USA	100%	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%	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.

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.

3. BASIS OF PRESENTATION (Continued)

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.

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

3. BASIS OF PRESENTATION (Continued)

changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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.

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 July 31, 2024 and April 30, 2024, the Company did not have any decommissioning liabilities.

Intangible assets

The Company's intangible assets consist 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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:

- 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 give 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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 interest 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.

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 contacts 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Income taxes

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

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

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

Share-based payments

Under the Company's 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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 three months ended July 31, 2024, the Company recognized rent expense of $21,735 (2023 - $13,944) in relation to short-term leases.

Provisions

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

Related parties

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

Foreign exchange

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates. 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

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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.

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.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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.

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.

(Expressed in Canadian Dollars, unless otherwise stated)

6. ADVANCES RECEIVABLE

On December 1, 2022, the Company's subsidiary, Lithos Technology LLC entered into a Membership Interest Purchase and Subscription Agreement (the "Membership Agreement") to acquire one-third of the outstanding membership and equity interest of Aqueous Resources LLC ("Aqueous") consisting of 500 Series Preferred Units of Aqueous, plus, warrant certificates to acquire an additional 2,400 units of Series A preferred membership (the "Investment"). Aqueous is the sole owner of 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.

7. ACQUISITIONS

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

On January 27, 2023, the Company executed a share exchange agreement with Iron Forge (the "Iron Forge Transaction"), whereby Alchemist acquired all of the outstanding common shares of Iron Forge in consideration for the issuance of 7,499,999 common shares in the capital of the Company with a fair value of $0.145 per share and 3,749,999 common share purchase warrants. Each warrant entitled the holder 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**

(Expressed in Canadian Dollars, unless otherwise stated)

7. ACQUISITIONS (Continued)

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.

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

(Expressed in Canadian Dollars, unless otherwise stated)

7. ACQUISITIONS (Continued)

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 three months ended July 31, 2024, the Company recorded depreciation of $485,761 (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.

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

(Expressed in Canadian Dollars, unless otherwise stated)

7. ACQUISITIONS (Continued)

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 three months ended July 31, 2024, the Company recorded depreciation of $366,436 (2023 - $nil) and a cumulative translation adjustment of $Nil (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.
A breakdown of costs incurred on the mineral properties during the three months ended July 31, 2024 is as follows:

	Rhodes Marsh	**PacMan**	**Total**
	$	$	$
Acquisition costs			
Balance, April 30, 2023 and 2024	**1,122,321**	**18,002**	**1,140,323**
Exploration costs			
Balance, April 30, 2023	-	-	-
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, 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 and July 31 2024	**1,146,941**	**-**	**1,146,941**

(Expressed in Canadian Dollars, unless otherwise stated)

9. PROPERTY, PLANT, AND EQUIPMENT

	Leasehold improvements	Pilot plant Equipment	Total
Cost	$	$	$
Balance, April 30, 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**
Additions	-	155,893	155,893
Foreign currency translation	26	10,717	10,743
Balance, July 31, 2024	**5,524**	**1,055,607**	**1,061,131**
Accumulated depreciation			
Balance, April 30, 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**
Additions	137	26,174	26,311
Foreign currency translation	856	(2182)	(1,326)
Balance, July 31, 2024	1,318	61,094	62,412
Net Book Value, April 30, 2024	**5,173**	**851,893**	**857,068**
Net Book Value, July 31, 2024	**4,206**	**994,513**	**998,719**

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 three months ended July 31, 2024, the Company received USD $139,813 (2023 - $nil) in grant funding under the program.

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 three months ended July 31, 2024, the Company received USD $58,350 (2023 - $nil) in grant funding under the program. Of the amount received, $58,350 (2023 - $nil) was allocated to deferred grant income, as it relates to the purchase of capital assets.

As at July 31, 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 three months ended July 31, 2024, a total of $296,165 (2023 - $nil) was recorded as deferred grant liability for the funds used to purchase capital assets (Note 9).

(Expressed in Canadian Dollars, unless otherwise stated)

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.

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%.

The change of the maturity date to December 30, 2024 resulted in a gain $211,942 on the modification of debt. As at July 31, 2024, the adjusted fair value of the derivative was determined to be $146,494. Accordingly, the change in the fair value of the derivative liability was recognized as a gain of $284,478 during the three months ended July 31, 2024. The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 2.94%; time to maturity of 4.26 years; and a volatility rate of 112,05%.

A reconciliation of the Notes for the year ended July 31, 2024 is as follows:

	Liability component	**Derivative component**	**Total**
	$	$	$
Balance, April 30, 2024	**687,483**	**430,972**	**1,118,455**
Interest expense	28,480	-	28,480
Accretion expense	159,840	-	159,840
Foreign exchange	8,321	-	8,321
Gain on modification of debt	(211,942)	-	(211,942)
Change in fair value of derivative	-	(284,478)	(284,478)
Balance, July 31, 2024	**672,182**	**146,494**	**818,676**

(Expressed in Canadian Dollars, unless otherwise stated)

12. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company entered into an office lease with a 5-year term commencing on November 1, 2022. The office lease has an acceleration right whereby the Company may accelerate the expiration date of the lease to 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, 2023	$	-
Acquisition of Aqueous (Note 7)		33,259
Depreciation of right-of-use asset		(20,263)
Foreign currency translation		697
Balance, April 30, 2024 and July 31, 2024	**$**	**13,693**

Lease liability

Balance, April 30, 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 and July 31, 2024	**$**	**19,918**

13. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued

For the three months ended July 31, 2024:

On May 26,2024, the Company issued 79,590 shares for warrants that were exercised for total gross proceeds of $15,918.

For the year 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,

13. SHARE CAPITAL (Continued)

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.

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."

(Expressed in Canadian Dollars, unless otherwise stated)

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 the three months ended July 31, 2024, the Company recognized share-based payments of $59,169 on vested options (2023 - $173,297).

The continuity of stock option transactions are summarized as follows:

	July 31, 2024			**April 30, 2024**		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of year	**1,845,000**	**$**	**0.59**	**350,000**	**$**	**0.30**
Issued	**-**		**-**	**1,570,000**		**0.66**
Exercised	**-**		**-**	**(75,000)**		**0.56**
Outstanding, end of year	**1,845,000**	**$**	**0.59**	**1,845,000**	**$**	**0.59**

(Expressed in Canadian Dollars, unless otherwise stated)

13. SHARE CAPITAL (Continued)

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

Expiry date	Exercise price	Options outstanding	Options exercisable	Weighted average remaining contractual years
April 27, 2025	$0.30	350,000	350,000	0.74
May 7, 2025	$0.56	225,000	75,000	0.77
June 5, 2026	$0.70	1,020,000	680,000	1.85
July 17, 2026	$0.60	250,000	166,667	1.96
Total		1,845,000	1,271,667	1.52

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 three months ended July 31, 2024, the Company granted nil (2023 – nil) RSUs. The RSUs are subject to various vesting conditions and during the three months ended July 31, 2024, the Company recognized share-based payments of $42,342 (2023 - $nil). As at July 31, 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 three months ended July 31, 2024, the Company granted 600,000 (2023 – nil) PSUs to officers, employees and consultants of the Company. The PSUs had a fair value of $247,613 (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 $642,134 (2023 - $nil) during the three months ended July 31, 2024, in share-based payments through the consolidated statements of loss and comprehensive loss.

As at July 31, 2024, the total number of PSUs exercisable is nil (2023 – nil).

(Expressed in Canadian Dollars, unless otherwise stated)

13. SHARE CAPITAL (Continued)

Warrants

The continuity of warrant transactions are summarized as follows:

	July 31, 2024		**April 30, 2024**	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**16,482,486**	**$ 0.20**	**16,382,038**	**$ 0.20**
Issued	**-**	**-**	**2,637,455**	**0.77**
Exercised	**(79,590)**	**0.19**	**(2,537,007)**	**0.19**
Outstanding, end of year	**16,402,896**	**$ 0.29**	**16,482,486**	**$ 0.29**

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

Expiry date	**Exercise price**	**Warrants outstanding**
January 27, 2025	$0.20	2,971,810
January 13, 2026	$0.20	10,389,925
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		**16,402,896**

As at July 31, 2024, the weighted average remaining life of the warrants is 1.58 years.

(Expressed in Canadian Dollars, unless otherwise stated)

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:

	July 31, 2024	April 30, 2024
	$	$
Accounting fees	**30,000**	**81,129**
Business development	**54,864**	**299,289**
Consulting fees	**106,477**	**494,685**
Investor relations	**41,110**	**67,728**
Rent	**-**	**18,592**
Salaries and wages	**61,666**	**183,087**
Share-based payments:		
Stock options	**5,589**	**200,294**
PSU compensation expense	**498,545**	**388,825**
RSU compensation expense	**53,551**	**603,170**
	851,802	**2,336,799**

As at July 31, 2024, there was $536,784 (2023 - $93,055) 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 three months ended July 31, 2024. The Company is not subject to external restrictions on its capital.

(Expressed in Canadian Dollars, unless otherwise stated)

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 three months ended July 31, 2024 the Company paid $nil (2023 - $nil) in interest and $nil (2023 - $nil) in taxes.

17. SEGMENTED INFORMATION

The Company's operations are limited to a single industry segment, the extraction of lithium minerals. As at July 31, 2024, the Company's operations and assets are located in Canada and the USA.

By geographic areas, the Company's net loss for the period ended July 31, 2024 and 2023 are as follows:

	Period Ended			
		July 31, 2024		July 31, 2023
Canada	**$**	**1,923,513**	$	612,136
USA		**79,987**		-
	$	**2,003,501**	$	612,136

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

		July 31, 2024		July 31, 2023
Canada	**$**	**14,439,627**	$	16,454,278
USA		**9,487,437**		-
	$	**23,927,065**	$	16,454,278