



DISCOVERY LITHIUM INC.
(formerly ISM RESOURCES CORP.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED APRIL 30, 2024

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

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 condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor 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.

DISCOVERY LITHIUM INC. (formerly ISM RESOURCES CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Expressed in Canadian Dollars
(Unaudited – prepared by management)

| | April 30, 2024 | January 31, 2024 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 3,096,688 | \$ 3,000,012 |
| Receivables | 112,800 | 187,411 |
| Prepays | 48,229 | 49,657 |
| | 3,257,717 | 3,237,080 |
| Non-current | | |
| Exploration and evaluation assets (Note 5) | 8,551,184 | 8,538,889 |
| TOTAL ASSETS | \$ 11,808,901 | \$ 11,775,969 |
| LIABILITIES & SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 8) | \$ 238,424 | \$ 114,934 |
| Liability for flow-through shares (Note 13) | 344,308 | 344,308 |
| | 582,732 | 459,242 |
| Shareholders' equity | | |
| Share capital (Note 7) | 14,337,011 | 13,878,311 |
| Reserves (Note 7) | 1,326,489 | 1,326,489 |
| Deficit | (4,462,331) | (3,888,073) |
| | 11,226,169 | 11,316,727 |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | \$ 11,808,901 | \$ 11,775,969 |

Nature and continuance of operations (Note 1)
Subsequent events (Note 14)

Authorized and approved by the Board of Directors on June 21, 2024.

"Ryan Arthur"
Director

"Michael Gheyle"
Director

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

DISCOVERY LITHIUM INC. (formerly ISM RESOURCES CORP.)**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

For the three months ended April 30, 2024 and 2023

Expressed in Canadian Dollars

(Unaudited – prepared by management)

| | April 30, 2024 | April 30, 2023 |
|--|---------------------------|---------------------------|
| EXPENSES | | |
| Accounting and audit fees | \$ 19,500 | \$ 16,333 |
| Consulting fees (Note 8) | 82,629 | 15,500 |
| Depreciation (Note 6) | - | 8,096 |
| Filing fees | 14,879 | 12,477 |
| Interest expenses (Note 6) | - | 983 |
| Legal fees | 29,826 | 86,116 |
| Management fees (Note 8) | 37,500 | 25,500 |
| Advertising, meals and promotion (Note 12) | 400,036 | - |
| Office and administration | 644 | 392 |
| Share-based compensation (Note 8) | - | 9,427 |
| Travel expense | 14,872 | 18,341 |
| Net loss | (599,886) | (193,166) |
| OTHER ITEM | | |
| Interest income | 25,628 | - |
| Net loss and comprehensive loss for the period | \$ (574,258) | \$ (193,166) |
| Weighted-average number of shares outstanding | 46,361,405 | 12,527,357 |
| Weighted-average loss per share – basic & diluted | \$ (0.01) | \$ (0.02) |

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

DISCOVERY LITHIUM INC. (formerly ISM RESOURCES CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended April 30, 2024 and 2023
Expressed in Canadian Dollars
(Unaudited – prepared by management)

| | April 30, 2024 | April 30, 2023 |
|---|---------------------|---------------------|
| Cash provided by (used in): | | |
| OPERATING ACTIVITIES | | |
| Net loss for the year | \$ (574,258) | \$ (193,168) |
| Items not involving cash: | | |
| Depreciation | - | 8,096 |
| Interest on lease | - | 982 |
| Changes in non-cash working capital items: | | |
| Receivables | 74,611 | (7,256) |
| Prepays | 1,428 | (15,067) |
| Accounts payable and accrued liabilities | 123,490 | 92,463 |
| Cash flows used in operating activities | (374,729) | (113,950) |
| INVESTING ACTIVITIES | | |
| Exploration and evaluation assets | (12,295) | (4,797) |
| Cash flows used in investing activities | (12,295) | (4,797) |
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of common shares | - | 1,500,000 |
| Exercise of warrants | 458,700 | - |
| Share subscriptions received | 25,000 | - |
| Lease payments | - | (9,000) |
| Cash flows provided by (used in) financing activities | 483,700 | 1,501,000 |
| Change in cash | 96,676 | 1,382,253 |
| Cash, beginning of the period | 3,000,012 | 1,070,508 |
| Cash, end of the period | \$ 3,096,688 | \$ 2,452,761 |

Supplemental cash flow information (Note 11)

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

DISCOVERY LITHIUM INC. (formerly ISM RESOURCES CORP.)**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the three months ended April 30, 2024 and 2023

Expressed in Canadian Dollars

(Unaudited – prepared by management)

| | Number of Shares | Share Capital | Share Subscriptions | Reserves | Deficit | Shareholders' Equity |
|----------------------------------|---------------------|----------------------|------------------------|---------------------|-----------------------|-------------------------|
| Balance, January 31, 2023 | 13,742,934 | \$ 4,195,892 | \$ - | \$ 177,300 | \$ (552,436) | \$ 3,820,756 |
| Private placement | 10,000,000 | 1,500,000 | - | - | - | 1,500,000 |
| Exercise of options | 50,000 | 18,578 | - | (8,478) | - | 10,000 |
| Loss for the period | - | - | - | - | (193,168) | (193,168) |
| Balance, April 30, 2023 | 23,792,934 | \$ 5,714,370 | \$ - | \$ 168,822 | \$ (745,604) | \$ 5,137,588 |
| | Number of Shares | Share Capital | Share Subscriptions | Reserves | Deficit | Shareholders' Equity |
| Balance, January 31, 2024 | 44,382,905 | \$ 13,878,311 | \$ 25,000 | \$ 1,326,489 | \$ (3,888,073) | \$ 11,316,727 |
| Exercise of warrants | 1,453,500 | 290,700 | - | - | - | 290,700 |
| Exercise of finder's warrants | 525,000 | 168,000 | - | - | - | 168,000 |
| Share subscriptions received | - | - | 25,000 | - | - | 25,000 |
| Loss for the period | - | - | - | - | (574,258) | (574,258) |
| Balance, April 30, 2024 | 46,361,405 | \$ 14,337,011 | \$ 25,000 | \$ 1,326,489 | \$ (4,462,331) | \$ 11,226,169 |

Effective February 1, 2023, the Company consolidated its common shares on a 2:1 basis. All share and per share amounts in the consolidated financial statements have been retroactively restated to reflect the share consolidation.

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

DISCOVERY LITHIUM INC. (formerly ISM RESOURCES CORP.)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED APRIL 30, 2024
Expressed in Canadian Dollars
(Unaudited – prepared by management)

1. NATURE AND CONTINUANCE OF OPERATIONS

Discovery Lithium Inc. (formerly ISM Resources Corp.) (the “Company” or “Discovery”) was incorporated under the Business Corporations Act (British Columbia) on October 26, 2021 as a wholly-owned subsidiary of Ameriwest Lithium Inc. (“Ameriwest” or the “Parent”). The Company changed its name to Discovery Lithium Inc. on September 1, 2023.

The Company’s corporate office and principal address is located at Suite 1450, 789 West Pender Street, Vancouver, BC, Canada, V6C 1H2.

On March 31, 2022, Ameriwest and Discovery entered into an arrangement agreement pursuant to which it was proposed that Discovery would, through a series of transactions, acquire all of Ameriwest’s gold assets on a tax deferred basis and would itself be acquired by Ameriwest’s shareholders. At the conclusion of the transactions set out in the arrangement agreement, each Ameriwest shareholder would hold the same number of Ameriwest shares as he, she or it held at the start of the transactions, and approximately one quarter of that number of Discovery shares. Ameriwest shareholders will thereafter directly own the shares of Discovery in the same proportion, relative to each other, that they own their shares of Ameriwest.

As such, Discovery would obtain assets and a distribution of shareholders sufficient to obtain the intended subsequent listing of its common shares for trading on the TSX Venture Exchange.

The arrangement agreement between Ameriwest and Discovery was completed on September 23, 2022. Under the terms of the arrangement agreement, Ameriwest transferred its gold assets to the Company (Note 5), and Ameriwest’s shareholders received one common share of the Company for every four common shares of Ameriwest held. A total of 7,467,434 common shares of the Company were issued pursuant to the arrangement agreement. Under the terms of the Arrangement, there were also 318,750 stock options of the Company issuable to Ameriwest stock option holders and 381,652 warrants of the Company issuable to Ameriwest warrant holders.

The mineral property interests acquired from Ameriwest were measured at fair value and, as the fair value of the Company’s equity issued in exchange was not more readily determinable, and given the exploration stage nature of the assets acquired, fair value was based on their current carrying amounts in the accounts of Ameriwest, as follows:

| | | |
|-------------|----|-----------|
| ESN | \$ | 2,718,271 |
| Koster Dam | | 221,475 |
| Quet & Fire | | - |
| | \$ | 2,939,746 |

Their consideration recorded by the Company was allocated as follows:

| | | |
|---------------|----|-----------|
| Share capital | \$ | 2,646,219 |
| Reserves | | 101,000 |
| | \$ | 2,747,219 |

The allocation to reserves was based on the estimated aggregate fair value of outstanding Ameriwest options and warrants converted to option and warrants of Discovery on a four to one basis. As all such stock options had previously vested to their holders and substantially all holders were not expected to provide future services to Discovery, the related share-based compensation comprised, in substance, a component of the consideration issued for the property interests rather than a current operating expense of Discovery.

The allocation of \$2,646,219 to share capital reflects solely the residual value associated with the difference between the value of the assets acquired from Discovery and the reserves figure described above.

Discovery obtained assets and a distribution of shareholders sufficient to facilitate the intended listing of its common shares for trading on the Canadian Securities Exchange (“CSE”). The Company’s shares are now trading on the CSE under the stock symbol “DCLI”. The Company is also trading on the OTC under the symbol DCLIF, and on the Frankfurt Stock Exchange under the symbol Q3Q0.

DISCOVERY LITHIUM INC. (formerly ISM RESOURCES CORP.)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AND APRIL 30, 2024
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1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

Effective February 1, 2023, the Company consolidated its common shares on a 2:1 basis. All share and per share amounts in the financial statements have been retroactively restated to reflect the share consolidation.

The coronavirus, also known as “COVID-19”, has spread across the globe and is impacting worldwide economic activity. Government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the duration of the outbreak, travel restrictions, business disruptions and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and, as such, the Company cannot determine their financial impact at this time.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management believes that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These events and conditions create a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. Such adjustments could be material.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company’s annual financial statements as at and for the year ended January 31, 2024. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company’s January 31, 2024 annual financial statements.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed interim consolidated financial statements were authorized for issuance on June 21, 2024 by the directors of the Company.

The functional currency of the Company and its subsidiaries is the Canadian dollar. These financial statements are presented in Canadian dollars, unless otherwise indicated.

Basis of Consolidation

These financial statements include the accounts of the Company and its 100% owned US subsidiary, ISM Resources Nevada Corp., which was incorporated on February 15, 2022 and its 100% owned British Columbia, Canada subsidiary, Discovery Lithium Holdings Inc. All significant inter-company transactions and balances have been eliminated on consolidation.

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2. BASIS OF PREPARATION (continued)

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The subsidiaries of the Company are as follows:

| Name of subsidiary | Incorporation | Interest April 30, 2024 | Interest January 31, 2024 |
|---------------------------------|--------------------------|-------------------------------|---------------------------------|
| Discovery Lithium Holdings Inc. | British Columbia, Canada | 100% | 100% |
| ISM Resources Nevada Corp. | Nevada, USA | 100% | 100% |

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year that could result in a material adjustment of the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant judgments

i) Impairment of exploration and evaluation assets

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

ii) Going concern

The Company's assessment of its ability to raise sufficient funds to finance operations involves significant judgments. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

iii) Functional currency

The determination of a subsidiaries' functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

iv) Arrangement agreement

The determination that the best representation of fair value in respect to the exploration and evaluation assets acquired from Ameriwest, upon completion of the arrangement agreement, was their related deferred carrying amounts in the accounts of Ameriwest.

Significant estimates and assumptions

i) Share-based compensation

Share-based compensation is determined using the Black-Scholes option pricing model based on the estimated fair value of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

ii) Economic recoverability and probability of future benefits of exploration and evaluation costs

The carrying value of exploration and evaluation assets and the likelihood of future economic recoverability of these carrying values is subject to significant management estimates. The application of the Company's accounting policy for and determination of recoverability of capitalized assets is based on assumptions about future events or circumstances. New information may change estimates and assumptions made. If information becomes available indicating that recovery of expenditures is unlikely, the amounts capitalized are impaired and recognized as a loss in the period that the new information becomes available. A change in estimate could result in the carrying amount of capitalized assets being materially different from their presented carrying costs.

iii) Recognition of deferred income tax assets

Management is required to assess the recoverability of deferred income tax assets, which arise from the differences between the carrying amount of assets and liabilities and their tax bases in accordance with IAS 12 Income Taxes, to the extent that it is probable future taxable profits will be available against which the temporary differences can be utilized.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The policies applied in these condensed interim consolidated financial statements are consistent with policies disclosed in Note 4 of the financial statements for the year ended January 31, 2024 and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended January 31, 2024.

DISCOVERY LITHIUM INC. (formerly ISM RESOURCES CORP.)**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED APRIL 30, 2024**

Expressed in Canadian Dollars

(Unaudited – prepared by management)

5. EXPLORATION AND EVALUATION ASSETS

| | Vaubert Lake and Serindac Lake Claims, Canada | Route du Nord, Lac Belanger, Lac Ferland and Lac Robertson Claims, Canada | ESN, USA | Koster Dam, Canada | Total |
|-----------------------------------|--|--|---------------------|-------------------------------|---------------------|
| Balance – January 31, 2023 | - | - | 2,569,771 | 197,688 | 2,767,459 |
| Acquisition costs: | | | | | |
| Cash | 495,000 | 25,000 | - | - | 520,000 |
| Shares | 3,525,000 | 232,000 | - | - | 3,757,000 |
| Staking, claim renewal | - | 3,386 | 38,250 | 191 | 41,837 |
| Finder's fees paid | 273,000 | - | - | - | 273,000 |
| Exploration costs: | | | | | |
| Assays and analysis | 13,112 | - | - | - | 13,112 |
| Fieldwork | 652,418 | - | - | 16,504 | 668,922 |
| Field supplies and rentals | 6,184 | - | - | - | 6,184 |
| Geological services | 63,679 | 97,409 | 110,241 | - | 271,329 |
| Reports and administration | - | - | - | 4,797 | 4,797 |
| Travel and accommodation | 188,072 | 27,177 | - | - | 215,249 |
| Balance – January 31, 2024 | \$ 5,216,465 | \$ 384,972 | \$ 2,718,272 | \$ 219,180 | \$ 8,538,889 |
| Fieldwork | - | - | - | 2,295 | 2,295 |
| Geological services | 6,500 | 3,500 | - | - | 10,000 |
| Balance – April 30, 2024 | \$ 5,222,966 | \$ 388,472 | \$ 2,718,272 | \$ 221,475 | \$ 8,551,184 |

The exploration and evaluation assets acquired from Ameriwest were measured at fair value. As the fair value of the Company's equity ultimately issued in connection with the Arrangement Agreement was not readily determinable, and given that there had been no substantive change in the ownership of the assets on their acquisition, fair value was based on their current carrying amounts in the accounts of Ameriwest.

DISCOVERY LITHIUM INC. (formerly ISM RESOURCES CORP.)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited – prepared by management)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Serindac Lake and Vaubert Lake Claims

On May 29, 2023, the Company entered into a definitive agreement (the “Agreement”) with various sellers (the “Sellers”) pursuant to which, it has acquired, through its wholly-owned subsidiary, Discovery Lithium Holdings Inc., a 100% undivided legal and beneficial interest in and to each of those certain Serindac Lake Claims (comprising 1,649 mineral claims) and Vaubert Lake Claims (comprising 2,113 mineral claims) located in the Nunavik region of Northern Quebec.

In accordance with the terms and conditions of the Agreement, the Company acquired the claims from a group of Sellers in consideration of: (i) a cash payment of \$990,000 (\$495,000 paid at closing with the balance being due and payable on or before November 15, 2024) to one of the Sellers; (ii) the issuance to the Sellers of an aggregate of 7,500,000 common shares of the Company (issued with a fair value of \$3,525,000); and (iii) the granting of a 1% net smelter return royalty to one of the Sellers. The common shares issued are subject to a voluntary pooling arrangement whereby one-third of the common shares will be released from escrow every six months after the closing of the acquisition.

Route du Nord, Lac Belanger, Lac Ferland and Lac Robertson Claims

On September 19, 2023, the Company entered into a definitive agreement (the “Agreement”) with certain arm’s-length vendors (the “Sellers”) to acquire a 100% undivided legal and beneficial interest in 303 mineral claims comprising approximately 16,404 hectares located in the northern and eastern regions of Québec (the “Claims”), identified as the Route Du Nord, Lac Belanger, Lac Ferland and Lack Robertson properties. Pursuant to the Agreement, the Company has agreed to make a cash payment of \$25,000 (paid) and issue an aggregate of 400,000 common shares (issued with a fair value of \$232,000). The common shares are subject to a 10-month lock-up and the Sellers have agreed not to sell, dispose of or otherwise transfer the common shares until released from lock-up, with 100,000 common shares released four months from the closing date of the acquisition and an additional 100,000 common shares released every two months thereafter. The common shares will also be subject to a statutory hold period in accordance with applicable securities laws.

Koster Dam Property, Canada

On June 30, 2017, and later amended on October 26, 2018 and June 29, 2020, Ameriwest entered into an option and joint venture agreement, later replaced by an amended and restated option and joint venture agreement (the “Amended Agreement”), whereby Ameriwest was granted the option to acquire up to a 50% interest in 10 mineral claims in the Clinton Mining Division of British Columbia (the “Property”). Pursuant to the Amended Agreement, Ameriwest was granted the sole and exclusive right and option (the “Initial Option”) to acquire a 45% right, title and interest in the Property by incurring a total of \$110,495 of expenditures on the Property by October 1, 2020 and the sole and exclusive right and option (the “Second Option”) to acquire an additional 5% right, title and interest in the Property by paying \$50,000 in cash within 30 days of exercising the Initial Option.

If, during the term of the Amended Agreement and so long as the joint venture agreement is still in force, either party or any of its affiliates stakes any interest in mineral claims or any other form of mineral tenure (the “AOI Tenure”) within two kilometers around the perimeter boundaries of the Property or any part thereof (the Area of Interest or “AOI”) located wholly or partly within the AOI, the acquiring party must give notice to the other party of such staking. If staking occurs prior to the formation of the joint venture, the non-acquiring party may elect to require that such AOI Tenure be included in and thereafter form part of the Property. If a non-acquiring party so elects and if the AOI Tenure was staked by Ameriwest or any of its affiliates, the staking or acquisition costs shall constitute expenditures. If a non-acquiring party so elects and if the AOI Tenure was staked by the third party or any of its affiliates, Ameriwest shall reimburse the third party for the staking or acquisition costs and these costs will also constitute expenditures. If such staking occurs after formation of the joint venture, the non-acquiring party may elect to require that such AOI Tenure be included in and thereafter form part of the Property provided that it then holds a participating interest, excluding any interest in any royalty, in the Property. If the AOI Tenure becomes part of the Property, the acquiring party shall be reimbursed its staking costs in proportion to its participating interest and such reimbursement shall be deemed a cost of the joint venture.

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5. EXPLORATION AND EVALUATION ASSETS (continued)

Koster Dam Property, Canada (continued)

On September 30, 2020, Ameriwest notified the third party that it had completed the minimum expenditure required to exercise the Initial Option and thereby acquired a 45% interest in the Koster Dam property.

On December 28, 2021, Discovery, as transferee, entered into an Assignment and Novation Agreement (the “Koster Dam ANA”) with Ameriwest, the transferor, and the third party, the Obligee. Pursuant to the Koster Dam ANA, Ameriwest assigned, transferred, set over and conveyed all of its right, title, estate and interest in and to the Amended Agreement and all rights, benefits, privileges and advantages of Ameriwest to be derived therefrom, to have and to hold the same unto Discovery for its sole use and benefit in the same manner and to the same extent as if Discovery had been originally named as a party thereto instead of Ameriwest.

On December 29, 2021, the third party and Discovery (the “Participants”) entered into a Joint Venture Agreement (the “JV Agreement”). Pursuant to the terms of the JV Agreement, each of the Participants will be liable for their share of costs associated with the exploration, development or operation of the property, with each Participant’s share of costs being equal to their interest in the property. At inception of the JV Agreement, Discovery has a 45% interest in the joint venture.

Each Participant’s respective interest will not change so long as each Participant contributes its respective share of costs. At any time after a Participant has elected not to contribute its share of costs, or loses its right to contribute its share of costs, then that Participant’s interest will be reduced in accordance with the terms of the JV Agreement. If the interest of one of the Participants is reduced to 10% or less, their remaining interest will be transferred to the other Participant, and the diluted Participant’s interest will be converted to a royalty interest, being 3.0% of net profits.

Per the terms of the JV Agreement, the Participants will establish a Management Committee consisting of two members, and two alternate members, representing each Participant. One member of the two members appointed by each Participant will be appointed as a voting member, with their number of votes being equal to the interest held by that Participant.

Pursuant to the JV Agreement, the third party will act as the initial managing operator of the joint venture.

ESN Property, USA

On February 18, 2022, Ameriwest and Discovery entered into an Asset Transfer Agreement whereby Discovery purchased from Ameriwest a 100% interest in certain claims comprising the ESN Property for a nominal amount.

The claims making up the ESN Property are subject to an underlying production royalty based on the Net Smelter Returns (“NSR”) from the production or sale of minerals from the property, at the rate of 2% of the NSR, with the Company having the right to repurchase each 1% of the royalty at the rate of US\$1,000,000 for each 1% within five years after the date of the acquisition of the property.

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6. RIGHT OF USE ASSET / LEASE LIABILITY

Right of use asset

The right of use asset is depreciated on a straight-line basis over the term of the lease. For the three months ending April 30, 2024, the depreciation of the right of use assets was \$nil (April 30, 2023 - \$8,796).

| | |
|---|----------|
| Right of use asset, January 31, 2023 | 21,590 |
| Depreciation of right of use asset | (21,590) |
| Right of use asset, April 30, 2024 and January 31, 2024 | \$ - |

Lease liability

Effective October 1, 2022, the Company entered into an office and services rental agreement. The Company paid \$3,000 per month for a twelve-month period with the lease expiring on September 30, 2023.

The weighted average incremental borrowing rate applied when calculating the present value of the lease liability was 20%. For the three months ending April 30, 2024, interest on the lease liabilities was \$nil (April 30, 2023 - \$982).

The continuity of the Company's lease liability is as follows:

| | |
|--|----------|
| Lease liability, January 31, 2023 | 22,296 |
| Accretion of interest | 1,704 |
| Payment of lease liability | (24,000) |
| Lease liability, April 30, 2024 and January 31, 2024 | \$ - |

7. SHARE CAPITAL

The Company has authorized an unlimited number of common shares without par value.

For the three months ended April 30, 2024

During the three months ended April 30, 2024, the Company issued 1,453,500 common shares pursuant to the exercise of share purchase warrants priced at \$0.025 and 525,000 finder's warrants priced at \$0.32 for total gross proceeds of \$458,700.

For the year ended January 31, 2024

On March 7, 2023, the Company completed a non-brokered private placement of 10,000,000 units at a price of \$0.15 per unit for gross proceeds of \$1,500,000. Each unit consists of one share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.20 for a period of 24 months from the date of issuance.

On March 8, 2023, the Company issued 50,000 common shares pursuant to an exercise of options at a price of \$0.20 for total proceeds of \$10,000, and accordingly, the Company reallocated \$8,478 of reserve to share capital.

On June 26, 2023, the Company issued 150,000 common shares pursuant to an exercise of options at a price of \$0.20 for total proceeds of \$30,000, and accordingly, the Company reallocated \$25,433 of reserve to share capital.

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7. SHARE CAPITAL (continued)

For the year ended January 31, 2024 (continued)

On July 31, 2023, the Company completed a non-brokered private placement of 3,333,365 units at a price of \$0.30 per unit for gross proceeds of \$1,000,010. Each unit consists of one share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.60 for a period of 24 months from the date of issuance.

On August 7, 2023, the Company completed the acquisition of the Serindac Lake Claims and Vaubert Lake Claims by issuing 7,500,000 shares with a fair value of \$3,525,000.

On August 14, 2023, the Company closed a non-brokered private placement of flow-through units of the Company (“FT Units”). The Company issued 5,714,285 FT units at a price of \$0.35 per FT Unit for gross proceeds of \$2,000,000, with each FT Unit comprising one common share of the Company issued on a flow-through basis and one share purchase warrant (a “Warrant”). Each Warrant is exercisable to acquire one non-flow-through common share of the Company at a price of \$0.70 per share for a period of 24 months from the date of issuance. In connection with closing of the non-brokered private placement, the Company paid a cash finder’s fee of \$60,588 to arm’s length finders and issued 173,109 finder’s warrants, with each such warrant exercisable to acquire one non-flow-through common share of the Company at a price of \$0.70 per share for a period of 24 months from the closing date. The gross proceeds received by the Company from the sale of the FT Units will be used to incur “Canadian exploration expenses” that are “flow-through critical mineral mining expenditures” (as such terms are defined in the Income Tax Act (Canada)) on the Company’s properties located in Québec. All securities issued in connection with the private placement are subject to a hold period of four months and one day pursuant to applicable securities laws. Subsequent to closing, 18,140 units were returned to treasury.

On August 24, 2023, the Company issued 525,000 finder’s units to certain finders in connection with the acquisition of the Serindac Lake Claims and Vaubert Lake Claims. The finder’s units are comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.60 per warrant share for a period of two years. The finder’s units were had a fair value of \$273,000.

On September 26, 2023, the Company issued 400,000 shares with a fair value of \$232,000 in connection with the closing of the acquisition of the Route du Nord, Lac Belanger, Lac Ferland, and Lac Robertson Claims. See Note 5.

On November 7, 2023, the Company closed the first tranche of its non-brokered private placement of flow-through units of the Company (“FT Units”). The Company issued 1,538,461 flow-through units at a price of \$0.65 per FT Unit for gross proceeds of \$1,000,000 (the “First Tranche”), with each FT Unit comprising one common share of the Company issued on a flow-through basis and one-half of one share purchase warrant (each whole warrant, a “Warrant”). Each Warrant is exercisable to acquire one non-flow-through common share of the Company at a price of \$0.75 per share for a period of 24 months from the date of issuance. In connection with closing of the First Tranche, the Company paid a cash finder’s fee of \$70,000 and issued 107,692 finder’s warrants, with each such warrant exercisable to acquire one non-flow-through common share of the Company at a price of \$0.75 per share for a period of 24 months from the closing date of the First Tranche. The gross proceeds received by the Company from the sale of the FT Units will be used to incur “Canadian exploration expenses” that are “flow-through critical mineral mining expenditures” (as such terms are defined in the Income Tax Act (Canada)) on the Company’s properties located in Québec. All securities issued in connection with the First Tranche are subject to a hold period of four months and one day pursuant to applicable securities laws.

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7. SHARE CAPITAL (continued)

For the year ended January 31, 2024 (continued)

On November 27, 2023, the Company closed the second and final tranche of its non- brokered private placement of flow-through units of the Company (“FT Units”). The Company issued 1,400,000 flow-through units at a price of \$0.65 per FT Unit for gross proceeds of \$910,000 (the “Closing”), with each FT Unit comprising one common share of the Company issued on a flow-through basis and one-half of one share purchase warrant (each whole warrant, a “Warrant”). Each Warrant is exercisable to acquire one non-flow-through common share of the Company at a price of \$0.75 per share for a period of 24 months from the date of issuance. In connection with the Closing, the Company paid a cash finder’s fee of \$63,700 and issued 98,000 finder’s warrants, with each finder’s warrant exercisable to acquire one non-flow-through common share of the Company at a price of \$0.75 per share for a period of 24 months from the date of the Closing. The gross proceeds received by the Company from the sale of the FT Units will be used to incur “Canadian exploration expenses” that are “flow-through critical mineral mining expenditures” (as such terms are defined in the Income Tax Act (Canada)) on the Company’s properties located in Québec. All securities issued in connection with the private placement are subject to a hold period of four months and one day pursuant to applicable securities laws.

During the year ended January 31, 2024, 47,000 share purchase warrants priced at \$0.20 were exercised for gross proceeds of \$9,400.

The Company incurred \$490,244 of share issue costs during the year ended January 31, 2024. These costs related to the share issuances completed during the period.

Stock options

Under the Company’s stock option plan, the maximum number of shares that may be reserved for issuance is limited to 10% of the issued and outstanding common shares of the Company at any time. Under the plan, the exercise price of an option may not be less than the discounted market price. The options may have a maximum term of 5 years and be vested at the discretion of the board of directors.

| | Number of Options | Weighted Average Exercise Price (\$) |
|---|----------------------|---|
| Outstanding at January 31, 2023 | 768,750 | 0.26 |
| Granted | 2,400,000 | 0.43 |
| Expired | (25,000) | 0.35 |
| Exercised | (200,000) | 0.20 |
| Outstanding at April 30, 2024 and January 31, 2024 | 2,943,750 | 0.40 |

The weighted-average remaining contractual life of the options at April 30, 2024 was 3.81 years (April 30, 2023 – 2.76 years).

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7. SHARE CAPITAL (continued)

Stock options (continued)

Stock options outstanding as at April 30, 2024 is as follows:

| Exercise price (\$) | Number of options | Exercisable | Expiry Date |
|------------------------|-------------------|-------------|--------------------|
| 0.20 | 250,000 | 250,000 | September 23, 2025 |
| 0.35 | 106,250 | 106,250 | April 30, 2026 |
| 0.35 | 25,000 | 25,000 | August 16, 2026 |
| 0.35 | 162,500 | 162,500 | February 9, 2027 |
| 0.40 | 1,850,000 | 1,850,000 | June 27, 2028 |
| 0.51 | 550,000 | 550,000 | October 16, 2028 |
| | 2,943,750 | 2,943,750 | |

During the year ended January 31, 2024, 25,000 stock options priced at \$0.35 expired unexercised.

On June 27, 2023, the Company granted 1,850,000 stock options to a director, officer, and consultants of the Company. These options have a value of \$720,200, exercisable at a price of \$0.40, expiring June 27, 2028.

On October 16, 2023, the Company granted 550,000 stock options to 2 directors of the Company. These options have a value of \$282,100, exercisable at a price of \$0.51, expiring October 16, 2028.

The fair value of the stock options recorded during the three months ended April 30, 2024 was calculated using the Black Scholes option pricing model for total share-based compensation of \$nil (April 30, 2023 - \$9,427).

The fair value of the stock options recorded during the three months ended April 30, 2024 and 2023 were calculated using the Black Scholes option pricing model based on the following assumptions with no expected dividends or forfeitures:

| | Year ended January 31, 2024 | Year ended January 31, 2023 |
|-------------------------|--------------------------------|--------------------------------|
| Exercise price | \$0.40-0.51 | \$0.20 – \$0.35 |
| Expected life | 5 years | 0.74 – 4.38 years |
| Expected volatility | 180.18-195.05% | 139.26% – 165.59% |
| Risk-free interest rate | 3.40-4.27% | 3.38% – 3.74% |

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7. SHARE CAPITAL (continued)**Warrants**

| | Number of Warrants | Weighted Average Exercise Price (\$) |
|------------------------------------|-----------------------|---|
| Outstanding, January 31, 2023 | 5,655,652 | 0.40 |
| Exercised | (47,000) | 0.20 |
| Issued | 21,402,541 | 0.45 |
| Outstanding, January 31, 2024 | 27,011,193 | 0.44 |
| Exercised | (1,978,500) | 0.23 |
| Outstanding, April 30, 2024 | 25,032,693 | 0.45 |

The weighted-average remaining contractual life of warrants at January 31, 2024 was 1.01 years (April 30, 2023 – 1.80 years).

Warrants outstanding as at April 30, 2024 is as follows:

| Exercise price (\$) | Number of warrants | Expiry Date |
|------------------------|--------------------|--------------------|
| 0.35 | 380,652 | September 23, 2024 |
| 0.40 | 5,275,000 | September 23, 2024 |
| 0.20 | 8,499,500 | May 7, 2025 |
| 0.60 | 3,333,365 | July 31, 2025 |
| 0.70 | 5,696,145 | August 14, 2025 |
| 0.70 | 173,109* | August 14, 2025 |
| 0.75 | 769,230 | November 7, 2025 |
| 0.75 | 107,692* | November 7, 2025 |
| 0.75 | 700,000 | November 27, 2025 |
| 0.75 | 98,000* | November 27, 2025 |
| | 25,032,693 | |

*Broker's warrants

The fair value of the warrants recorded during the year ended January 31, 2024 was calculated using the Black Scholes option pricing model. This was based on the following assumptions with no expected dividends or forfeitures:

| | Year ended January 31, 2024 |
|-------------------------|--------------------------------|
| Exercise price | \$0.75 |
| Expected life | 2.00 years |
| Expected volatility | 203.31-219.86% |
| Risk-free interest rate | 4.40-4.72% |

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8. RELATED PARTY TRANSACTIONS

Key management personnel are the individuals responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

During the three months ended April 30, 2024, the Company had the following transactions with related parties:

| | Three months ended April 30, | |
|-------------------------------------|-------------------------------------|-------------|
| | 2024 | 2023 |
| Key management compensation* | \$ | \$ |
| Accounting services | - | 2,000 |
| Administrative/management fees | - | 9,375 |
| Consulting fees and salaries | 63,000 | 26,500 |
| Property exploration costs | 15,000 | - |
| Total | 78,000 | 37,875 |

All transactions with related parties have occurred in the normal course of operations and have been measured at the exchange amount, which is the amount agreed by the related parties.

Included in accounts payable and accrued liabilities at April 30, 2024 is \$67,974 (January 31, 2024 - \$Nil) owing to officers of the Company for unpaid remuneration.

All amounts owing to related parties are unsecured, non-interest bearing and due on demand.

9. CAPITAL MANAGEMENT

The Company defines its capital as all components of shareholder's equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern.

In order to maintain its capital structure, the Company is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, primarily comprised of common shares. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

10. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited the cash with its bank from which management believes the risk of loss is remote.

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10. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. There can be no assurance of continued access to significant equity funding. As at April 30, 2024, the Company had cash of \$3,096,688 (January 31, 2024 - \$3,000,012).

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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. The Company considers this risk to be minimal.

(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions.

(e) Commodity Price Risk

The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is directly related to the market price of the primary minerals identified in its mineral properties. Mineral prices fluctuate on a daily basis and are affected by a number of factors beyond the Company's control. A sustained, significant decline in the prices of the primary minerals or in the share prices of junior mineral exploration companies in general, could have a negative impact on the Company's ability to raise additional capital. Sensitivity to commodity price risk is remote since the Company has not established any reserves or production.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions during the year ended January 31, 2024 included:

- \$nil (April 30, 2023 - \$8,478) in reserves to share capital pursuant to the exercise of options;
- \$nil (April 30, 2023 - \$9,427) in reserves for share-based compensation; and
- \$18,122 (April 30, 2023 - \$nil) included in accounts payable and accrued liabilities related to exploration and evaluation assets.

12. COMMITMENTS

On June 1, 2023, the Company entered into a management services agreement with Zimtu Capital Corp. ("Zimtu"), whereby Zimtu will provide all administrative and managerial services, including corporate maintenance, continuous disclosure and corporate compliance services, to the Company at a rate of \$12,500 per month. The initial term of the Services Agreement is for 12 months and will renew for an additional 12 month provided that neither party has given 30 day's prior written notice of termination thereof.

On June 1, 2023, the Company entered into a marketing agreement with Zimtu, whereby Zimtu will provide a cooperative marketing program for the Company which will include investor presentations, Zimtu's weekly newsletter, investor lead generation, social media, Rockstone Research, influencer marketing and video news releases at a rate of \$12,500 per month. The initial term of the Marketing Agreement is for 12 months and will renew for an additional 12 month provided that neither party has given 30 day's prior written notice of termination thereof.

On June 1, 2023, the Company engaged Rumble Strip Media Inc. ("Rumble") to provide services to the Company for an initial term of six months, in consideration for the Company making aggregate cash payments of US\$250,000 to Rumble, with an option to extend monthly upon mutual agreement and term completion. Subsequent to the year ended January 31, 2024, the Company extended this agreement on a month-to-month basis for a monthly cash payment of US\$250,000.

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13. LIABILITY AND INCOME TAX EFFECT ON FLOW-THROUGH SHARES

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent.

On August 14, 2023, the Company issued 5,696,145 common shares on a “flow-through” basis at a price of \$0.35 per share for gross proceeds of \$1,993,650. A flow-through share liability of \$nil was recognized at the date of issuance because the share issue price was less than the market price of the flow-through share at the time of issuance. At April 30, 2024, the Company had incurred \$496,620 in qualified expenditures. The flow-through expenditures were renounced on December 31, 2023.

On November 7, 2023, the Company issued 1,538,461 common shares on a “flow-through” basis at a price of \$0.65 per share for gross proceeds of \$1,000,000. A flow-through share liability of \$92,308 was recognized at the date of issuance based on the premium value of the flow-through share at the time of issuance. At April 30, 2024, the Company had incurred \$nil in qualified expenditures. The flow-through expenditures were renounced on December 31, 2023.

On November 27, 2023, the Company issued 1,400,000 common shares on a “flow-through” basis at a price of \$0.65 per share for gross proceeds of \$910,000. A flow-through share liability of \$252,000 was recognized at the date of issuance based on the premium value of the flow-through share at the time of issuance. At April 30, the Company had incurred \$nil in qualified expenditures. The flow-through expenditures were renounced on December 31, 2023.

13. LIABILITY AND INCOME TAX EFFECT ON FLOW-THROUGH SHARES (continued)

| | Issued on August 14, 2023 | Issued on November 7, 2023 | Issued on November 27, 2023 | Total |
|---|---------------------------------|----------------------------------|-----------------------------------|------------|
| Balance, January 31, 2023 | \$ - | \$ - | \$ - | \$ - |
| Liability incurred on flow-through shares issued | - | 92,308 | 252,000 | 344,308 |
| Balance, April 30, 2024 and January 31, 2024 | \$ - | \$ 92,308 | \$ 252,000 | \$ 344,308 |

14. SUBSEQUENT EVENTS

- i. On May 24, 2024, the Company announced a non-brokered private placement of up to 6,666,667 units of the Company (“Units”) at a price of \$0.15 per Unit for gross proceeds of up to \$1,000,000 (the “Offering”). Each Unit will be comprised of one common share of the Company and one-share purchase warrant, with each warrant exercisable to acquire one common share of the Company at a price of \$0.20 per share for a period of 24 months from the date of issuance. The gross proceeds from the Offering are expected to be used for general corporate purposes and working capital. The closing of the Offering is subject to certain conditions including, but not limited to, receipt of all necessary regulatory approvals. The Company may pay finder’s fees in connection with the Offering. All securities issued in connection with the Offering will be subject to a statutory hold period of four months and one day pursuant to applicable securities law.

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14. SUBSEQUENT EVENTS (continued)

- ii. On June 6, 2024, the Company announced it has entered into an Earn-In Option Agreement (“the Agreement”) with Apex Critical Metals Corp. (“Apex”) and DG Resource Management Ltd. (“DGRM”) to acquire an 80% interest on the West James Bay property portfolio. The portfolio includes the Mantle, Cirrus East, Cirrus West, Neptune, Alto, Opus and Bruce Lake projects located within the James Bay Region. DGRM is a private, Edmonton based, specialty metals exploration company that has notably generated several significant discoveries, including Patriot Battery Metals Corvette QC, Hidden Lake, NWT and Pontax QC project(s). Upon and subject to the terms of this Agreement, Apex and DGRM will grant the Company the sole and exclusive right and option to acquire, as to 40% from DGRM and as to 40% from Apex, an undivided 80% Earned Interest in the Mantle, Cirrus East, Cirrus West, Neptune, Alto, Opus and Bruce Lake projects, free and clear of any Encumbrance, subject only to the Royalty. To maintain the Option in good standing, the Company will make a share issuance within 5 days of signing the agreement of 5,000,000 (issued) shares and incur a minimum expenditure of \$1,000,000 on or before the date that is six (6) months from the effective date.