

AMERICAN CRITICAL ELEMENTS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIOD ENDED OCTOBER 31, 2023
(expressed in Cdn \$)

UNAUDITED

Notice of disclosure of non-auditor review of consolidated interim financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying condensed consolidated interim financial statements of the Company for the three and six months ended October 31, 2023 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards and are the responsibility of the Company's management.

The Company's auditors have not performed an audit or a review of these interim financial statements.

AMERICAN CRITICAL ELEMENTS INC.
(Incorporated under the Laws of the Province of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

UNAUDITED
(Expressed in Canadian Dollars)

	Oct 31, 2023	April 30, 2023
ASSETS		
Current:		
Cash	\$ 159,475	\$ 207,907
H.S.T. receivable	<u>6,372</u>	<u>4,798</u>
	<u>165,847</u>	<u>212,705</u>
Non-current assets:		
Exploration and evaluation assets (Note 5)	104,682	104,682
Investment (Note 4)	901	1,081
Short term loan receivable (Note 9)	<u>21,421</u>	<u>-</u>
	<u>\$ 292,851</u>	<u>\$ 318,468</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 7)	\$ 46,845	\$ 45,510
Short-term loans payable (Note 9)	<u>-</u>	<u>12,935</u>
	<u>46,845</u>	<u>58,445</u>
SHAREHOLDERS' EQUITY		
Common Shares (Note 6)	1,943,719	1,943,719
Contributed Surplus	138,250	138,250
Deficit	(1,869,601)	(1,855,764)
Accumulated other comprehensive loss	<u>(26,101)</u>	<u>(25,921)</u>
Equity attributable to owners of the Company	186,267	200,284
Non-controlling interest	<u>59,739</u>	<u>59,739</u>
Total Equity	<u>246,006</u>	<u>260,023</u>
	<u>\$ 292,851</u>	<u>\$ 318,468</u>

Approved on behalf of the board on December 28, 2023:

"William R. Johnstone"
William R. Johnstone, director

"Ken Ralfs"
Ken Ralfs, director

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

AMERICAN CRITICAL ELEMENTS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE THREE AND SIX MONTH PERIOD ENDED OCTOBER 31, 2023

UNAUDITED
(Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	October 31		October 31	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Expenses:				
General administration	\$ 4,506	\$ 9,574	\$ 6,848	\$ 11,872
Interest on short term loans	78	720	404	1,199
Professional fees <i>(Note 7)</i>	<u>4,285</u>	<u>8,535</u>	<u>6,585</u>	<u>10,035</u>
Net loss for the period before undernoted items	<u>(8,869)</u>	<u>(18,829)</u>	<u>(13,837)</u>	<u>(23,106)</u>
Other comprehensive income, net of tax:				
Change in unrealized gains and losses on available-for-sale financial assets	<u>(180)</u>	<u>(899)</u>	<u>(180)</u>	<u>(1,620)</u>
Comprehensive loss for the period	<u>\$ (9,049)</u>	<u>\$ (19,728)</u>	<u>\$ (14,017)</u>	<u>\$ (24,726)</u>
Net loss per share - basic and diluted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Weighted average number of shares outstanding - basic and diluted	<u>10,999,254</u>	<u>7,820,247</u>	<u>10,999,254</u>	<u>7,820,247</u>

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

AMERICAN CRITICAL ELEMENTS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGE IN SHAREHOLDERS EQUITY

FOR THE THREE AND SIX MONTH PERIOD ENDED OCTOBER 31, 2023

UNAUDITED
(Expressed in Canadian Dollars)

	Common Shares		Warrants	Equity component of		Deficit	Total Shareholders Equity (Deficiency)
	# Shares	\$ Amount		Share-based payments	Accumulated Comp. loss		
Balance April 30, 2022	7,811,754	\$ 1,688,969	\$ -	\$ 138,250	\$ (23,221)	\$ (1,801,681)	\$ 2,317
Issuance of shares for property	50,000	\$ 3,750	\$ -	\$ -	\$ -	\$ -	\$ 3,750
Net loss and comprehensive loss for the period	-	-	-	-	(1,620)	(23,106)	(24,726)
Balance October 31, 2022	7,861,754	1,692,719	-	138,250	(24,841)	(1,824,787)	(18,659)
Issuance of shares for cash - warrants exercised	3,137,500	251,000					251,000
Net loss and comprehensive loss for the period	-	-	-	-	(1,080)	(30,977)	(32,057)
Balance April 30, 2023	10,999,254	1,943,719	-	138,250	(25,921)	(1,855,764)	200,284
Issuance of shares for property							
Net loss and comprehensive loss for the period	-	-	-	-	(180)	(13,837)	(14,017)
Balance October 31, 2023	10,999,254	\$ 1,943,719	\$ -	\$ 138,250	\$ (26,101)	\$ (1,869,601)	\$ 186,267

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

AMERICAN CRITICAL ELEMENTS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2023

UNAUDITED
(Expressed in Canadian Dollars)

	Six months ended October 31	
	<u>2023</u>	<u>2022</u>
Cash was provided by (used in) the following activities:		
Operations:		
Net loss for the period	\$ (13,837)	\$ (23,106)
Net change in non-cash working capital balances related to operations <i>(Note 8)</i>	<u>(239)</u>	<u>10,773</u>
	<u>(14,076)</u>	<u>(12,333)</u>
Investments:		
Acquisition of mining claims <i>(Note 5)</i>	<u>-</u>	<u>(3,750)</u>
Financing		
Short-term loans (repayment) <i>(Note 9)</i>	(12,935)	15,435
Short term loan receivable <i>(Note 9)</i>	(21,421)	-
Issuance of shares for property <i>(Note 5)</i>	<u>-</u>	<u>3,750</u>
	<u>(34,356)</u>	<u>19,185</u>
Net change in cash during the period	(48,432)	3,102
Cash, beginning of period	<u>207,907</u>	<u>4,371</u>
Cash, end of period	<u>\$ 159,475</u>	<u>\$ 7,473</u>

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

AMERICAN CRITICAL ELEMENTS INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2023

UNAUDITED

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern:

American Critical Elements Inc. is a public company incorporated under the laws of the Province of Ontario and its principal business activity is the exploration of its mineral properties. During the last fiscal year ended April 30, 2023 the Company filed articles of amendment to change its name from Razore Rock Resources Inc. to American Critical Elements Inc. The Company is considered to be in the development stage, is in the process of exploring mineral properties in Canada and has not yet determined whether these properties contain economic reserves. As at October 31, 2023 the Company had working capital in the amount of \$119,002 (April 30, 2023 - \$154,260).

These unaudited condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of operations, adverse conditions could cast doubt upon the validity of this assumption. In order to meet its corporate and administrative obligations for the coming year the Company will be required to raise funds through debt or equity financing's. Although the Company has been successful in raising funds in prior years through debt and equity financing's, there is no certainty that the Company will be successful in the future.

If the going concern assumption was not appropriate for these financial statements, then adjustments might be necessary to the carrying values of assets and liabilities, the reported loss and the balance sheet classifications used. These adjustments could be material.

2. Significant accounting policies:

(a) Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared for the six months ended October 31, 2023, including comparative figures, in accordance with International Financial Reporting Standards ("IFRS"), and in particular in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). They have been prepared using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the financial year ending April 30, 2024.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's April 30, 2023 year end audited consolidated financial statements as prepared in accordance with IFRS.

(b) Future Accounting Pronouncements

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after April 30, 2023. The more significant changes are noted below:

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2023, with early application permitted. This amendment is not expected to have a material impact on the Company's consolidated financial statements.

AMERICAN CRITICAL ELEMENTS INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2023

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Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

3. Capital Management:

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risks characteristic of the underlying resource assets. As a junior resource exploration company, the Company considers its capital structure to comprise only working capital.. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected expenditure levels.

The Company has not paid or declared any dividends since the date of its incorporation, nor are any dividends contemplated in the foreseeable future.

The Company does not have any externally imposed capital requirements.

There were no changes in the Company’s approach to capital management during the period.

4. Investment:

The Company has investments in Big Tree Carbon Inc. (formerly Aurcrest Gold Inc.) as follows:

	October 31,	April 30,
	<u>2023</u>	<u>2023</u>
18,000 shares of Big Tree Carbon Inc.	\$ <u>901</u>	\$ <u>1,081</u>

The fair market value of its investment as at October 31, 2023 is approximately \$901. These fair value through other comprehensive income ("FVTOCI") financial instruments have been adjusted to fair market value.

AMERICAN CRITICAL ELEMENTS INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2023

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5. Exploration and evaluation assets

On October 9, 2019 the Company entered into an option agreement with True North Gems Inc. ("True North") to earn up to 70% working interest in the True Blue Property ("Property") in the Yukon Territory. The True Blue Property consists of 68 mining claims in the Ketzia-Seagull district of the Southern Yukon in the Watson Lake Mining District comprising 13.3 square kilometres. The Company can earn a 70% interest in the Property by incurring expenditures in the aggregate amount of \$300,000 over three years and issuing an aggregate of 600,000 common shares with 200,000 shares to be issued on closing (issued), a further 200,000 shares on or before November 30, 2020 (issued) and a further 200,000 shares on or before November 30, 2021 (issued). The exploration expenditure component was subsequently amended to extend the expenditure of the remaining \$250,000 to \$100,000 to be spent by the end of the 4th anniversary of the agreement with the balance to be spent by the 5th anniversary date. Consideration for the extension is 50,000 common shares (issued) of the Company.

If the Company earn its 70% interest, the parties will form a joint venture and contribute pro-rata to the further exploration and development of the Property. If a party is reduced to a 10% or less interest in the Property, that party's interest will be reduced to a 2% net smelter returns royalty with the right of the remaining party to acquire a 1% net smelter returns royalty at any time for the payment of \$1,000,000

6. Capital Stock:

Authorized :

Unlimited common shares

Issued:

10,999,254 common shares

Share based payments:

The Company has a common share purchase option plan (the "Plan") for directors, officers, employees, and consultants. Options granted under the Plan generally have a five-year term. Options are granted at a price no lower than the market price of the common shares at the time of the grant.

No share based payments were made in the current quarter and no options are outstanding at the end of the quarter.

Warrants:

	Number of warrants	Exer price
Outstanding at October 31, 2022	5,000,000	0.15
Exercised for cash	(3,137,500)	0.08
Expired	<u>(1,862,500)</u>	<u>0.08</u>
Outstanding as at April 30, 2023 and October 31, 2023	<u>-</u>	<u>-</u>

The expiry date for the warrants outstanding as at October 31, 2022 is December 8, 2022. Subsequent to the quarter ended October 31, 2022 the exercise price was amended from \$0.15 per share to \$0.08 per share. On December 8, 2022 3,137,500 of the warrants were exercised for total proceeds of \$251,000. The balance of the warrants expired unexercised.

AMERICAN CRITICAL ELEMENTS INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2023

UNAUDITED

(Expressed in Canadian Dollars)

7. Related party transactions and balances:

The Company's related parties consist of executive officers and directors

Related Party	Item	Six months ended	
		October 31	
		2023	2022
Director	Professional fees charged to statement of loss	\$ 3,585	\$ 7,035
	Amounts included in accounts payable related to above noted fees	\$ 26,805	\$ 28,339
Key Management Personnel			
	Salaries and fees charged to statement of loss	\$ -	\$ -
	Share-based payments charged to statement of loss	\$ -	\$ -

The above transactions were in the normal course of operations and were measured at the exchange amount, which are the amounts agreed to by the related parties.

8. Supplemental cash flow information:

Net change in non-cash working capital:

	Oct 31	Oct 31
	<u>2023</u>	<u>2022</u>
H.S.T receivable	\$ (1,574)	\$ 838
Accounts payable and accrued liabilities	<u>1,335</u>	<u>9,935</u>
	<u>\$ (239)</u>	<u>\$ 10,773</u>

9. Short-term loans payable and receivable:

As at the end of the last quarter ended July 31, 2023 the Company had short term loans totaling \$12,935 from an arm's length party. These loans were due on demand, interest bearing at 10% per annum and are unsecured. These loans was fully repaid on August 22, 2023. During the current quarter funds was advanced to the same arm's length party in the amount of \$21,421. Interest expense in the amount of \$78 is recorded in the current quarter (2022 - \$720). Interest payable of \$4,020 (April 30, 2023 - \$3,616) is recorded and included in Accounts payable and accrued liabilities.