

QUEST CRITICAL METALS INC.
(Formerly Canadian Palladium Resources Inc.)

Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

Six Months Ended
March 31, 2024

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements. The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Quest Critical Metals Inc.
(Formerly Canadian Palladium Resources Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	March 31, 2024	September 30, 2023
	(\$)	(\$)
ASSETS		
Current assets		
Cash	115,368	182,352
Receivables (Note 5)	110,035	120,131
	225,403	302,483
Restricted deposits (Note 7)	15,000	15,000
Exploration and evaluation assets (Note 8)	3,959,559	1,084,148
	4,199,962	1,401,631
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 9 and 13)	808,785	688,673
Notes payable (Note 10 and 13)	520,624	204,343
Grant liability (Note 11)	188,412	231,104
	1,517,821	1,124,120
Shareholders' equity (deficiency)		
Share capital (Note 12)	41,039,841	37,259,841
Share-based payments reserve (Note 12)	5,208,122	4,186,818
Accumulated other comprehensive income	23,127	11,546
Deficit	(43,588,949)	(41,180,694)
	2,682,141	277,511
	4,199,962	1,401,631

Nature of operations and going concern (Note 1)

Commitments (Note 17)

These consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2024. They are signed on behalf of the Board of Directors by:

"James Newall"
Director

"Robert Meister"
Director

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

Quest Critical Metals Inc.

(Formerly Canadian Palladium Resources Inc.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Month Period Ended March 31, 2024	Three Month Period Ended March 31, 2023	Six Month Period Ended March 31, 2024	Six Month Period Ended March 31, 2023
	(\$)	(\$)	(\$)	(\$)
EXPENSES				
Consulting fees (Note 13)	49,355	32,940	84,839	80,623
Exploration and evaluation (Note 8)	8,737	15,851	37,672	267,768
Foreign exchange (gain) loss	6,699	21,769	(7,827)	(74,116)
Insurance	3,633	3,557	8,550	8,458
Investor relations	-	21,980	31,967	31,071
Management fees (Note 13)	-	52,500	-	105,000
Office and miscellaneous	37,643	39,009	81,767	72,663
Professional fees	600	-	10,542	-
Share-based compensation (Note 12 and 13)	1,021,304	-	1,021,304	-
Transfer agent and filing fees	7,367	11,186	49,435	42,480
Travel	5,859	11,932	5,859	11,932
Loss from operations	(1,141,197)	(210,724)	(1,324,108)	(545,879)
Impairment of exploration & evaluation assets (Note 8)	(1,084,148)	-	(1,084,148)	-
Other income (Note 12)	-	-	-	36,779
	(1,084,148)	-	(1,084,148)	36,779
Net loss	(2,225,345)	(210,724)	(2,408,255)	(509,100)
Other Comprehensive Income				
Foreign currency translation differences	9,540	382	11,581	(42,975)
Total Comprehensive Loss	(2,215,805)	(210,342)	(2,396,674)	(552,075)
Basic and diluted loss per common share	(0.08)	(0.01)	(0.09)	(0.04)
Weighted average common shares outstanding:	29,584,357	14,441,173	25,584,357	14,423,762

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

Quest Critical Metals Inc.

(Formerly Canadian Palladium Resources Inc.)

Consolidated Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Shares ¹	Amount (\$)	Share-based Payments Reserve (\$)	Foreign Currency Translation (\$)	Deficit (\$)	Total (\$)
Balance at September 30, 2022	14,406,717	35,983,790	4,186,818	4,420	(40,540,441)	(365,413)
Shares issued for exploration and evaluation assets	1,000,000	90,000	-	-	-	90,000
Share-based compensation	-	-	8,240	-	-	8,240
Foreign currency translation	-	-	-	6,547	-	6,547
Loss and comprehensive loss for the period	-	-	-	-	(509,100)	(509,100)
Balance at March 31, 2023	15,406,717	36,073,790	4,195,058	10,967	(41,049,541)	(769,726)
Balance at September 30, 2023	17,584,345	37,259,841	4,186,818	11,546	(41,180,694)	277,511
Shares issued for exploration and evaluation assets	12,000,000	3,780,000	-	-	-	3,780,000
Share-based compensation	-	-	1,021,304	-	-	1,021,304
Foreign currency translation	-	-	-	11,581	-	11,581
Loss and comprehensive loss for the period	-	-	-	-	(2,408,255)	(2,408,255)
Balance at March 31, 2024	29,584,345	41,039,841	5,208,122	23,127	(43,588,949)	2,682,141

¹ On October 25, 2023, the Company completed a 1:10 share consolidation. The number of shares reflected in the table above are post-consolidation.

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

Quest Critical Metals Inc.
(Formerly Canadian Palladium Resources Inc.)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Six Month Period Ended March 31, 2024	Six Month Period Ended March 31, 2023
	(\$)	(\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the period	(2,408,255)	(509,100)
Items not affecting cash:		
Share-based compensation	1,021,304	-
Unrealized foreign exchange	11,581	(42,975)
Impairment of exploration & evaluation assets	1,084,148	-
Flow-through share premium	-	(36,779)
Changes in non-cash working capital items:		
Receivables	10,097	(11,663)
Prepaid expenses	-	10,000
Grant liability	(42,692)	-
Accounts payable and accrued liabilities	120,112	378,283
CASH USED IN OPERATING ACTIVITIES	(203,706)	(212,234)
FINANCING ACTIVITIES		
Repayment of notes payable	(10,000)	-
Proceeds from notes payable	326,281	322,598
CASH PROVIDED BY FINANCING ACTIVITIES	316,281	322,598
INVESTING ACTIVITIES		
Exploration and evaluation assets	(179,560)	-
CASH USED IN INVESTING ACTIVITIES	(179,560)	-
CHANGE IN CASH DURING THE PERIOD	(66,985)	110,364
CASH - BEGINNING OF PERIOD	182,352	21,751
CASH - END OF PERIOD	115,368	132,115

Supplemental Cash Flow Information (Note 18)

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

QUEST CRITICAL METALS INC.

(Formerly Canadian Palladium Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Six Months Ended March 31, 2024

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Quest Critical Metals Inc. (formerly Canadian Palladium Resources Inc.) (the "Company") was incorporated on August 25, 2005 under the laws of British Columbia. The Company's head office and registered and records office is located at 1558 West Hastings Street, Vancouver, BC, V6G 3J4, Canada. The Company is traded on the Canadian Securities Exchange ("CSE") under the symbol 'BULL'. On December 8, 2023, the Company changed its name from Canadian Palladium Resources Inc. to Quest Critical Metals Inc. The Company is a mineral exploration company focused on acquiring and exploring exploration and evaluation assets in Europe, North America, and South America.

At the date of these consolidated financial statements, the Company has not identified a known body of commercial grade mineral on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on exploration and evaluation assets is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors the commodity prices and other developments in the natural resources market, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

Based on its working capital deficiency of \$1,292,418 as at March 31, 2024, the Company estimates that it will need additional capital to operate for the next 12 months. As of March 31, 2024, the Company had an accumulated deficit of \$43,588,949. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing or maintaining continued support from its shareholders and creditors. While the Company has been successful in obtaining financing in the past, there is no assurance that such financing will continue to be available or be available on favorable terms in the future. An inability to raise additional financing may impact the future assessment of the Company as a going concern. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company's assets may be adversely affected. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2023, prepared in accordance with IFRS as issued by the IASB. The consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2024.

2. BASIS OF PRESENTATION (continued)

Basis of Measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as held for trading that have been measured at fair value. Cost is the fair value of consideration given in exchange for net assets.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent company and its subsidiaries, with the exception of the Company's wholly-owned subsidiary, Tisová Pty. Ltd., whose functional currency is the Czech Koruna.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Declan Resources (Wyoming) LLC	U.S.A.	100%	Dormant
1439266 BC Ltd.	Canada	100%	Exploration
East Bull Resources Inc.	Canada	100%	Exploration
Tisová Pty. Ltd.	Australia	100%	Exploration
TGER Pty. Ltd.	Australia	100%	Exploration
Golden Pet S.R.O.	Czech Republic	100%	Exploration
5498 Nunavut Inc.	Nunavut	100%	Dormant

Significant Accounting Judgments, Estimates and Assumptions

In the application of the Company's accounting policies which are described in Note 3, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses and are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and management's assessment of current events and other factors that are considered to be relevant. 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 revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in these consolidated financial statements include:

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments

Estimates:

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model, which incorporates market data and involves uncertainty in estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, and, as a result, changes in subjective input assumptions can materially affect the fair value estimate.

Judgements:

Determination of functional currency

The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar with the exception of the Company's wholly-owned subsidiary, Tisová Pty. Ltd., whose functional currency is the Czech Koruna. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

The carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operation expenditures and to meet its liabilities for the ensuing year, involves significant judgement based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments (continued)

Judgements: (continued)

Deferred income tax

The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

3. SIGNIFICANT ACCOUNTING POLICIES

Exploration and Evaluation Assets

Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Costs incurred before the Company has obtained the legal rights to explore an area are recognized through profit or loss.

Costs related to exploration costs of exploration and evaluation assets, incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to operations as incurred. Development expenditures incurred subsequent to a development decision and impairment test, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves upon commencement of commercial production.

If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit-of-production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

Any option payments received by the Company from third parties are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Flow-Through Shares

Current Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. The issue of flow-through shares is in substance an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as deferred flow-through liability in the consolidated statements of financial position to recognize the obligation to incur and renounce eligible resource exploration and evaluation expenditures. The tax deduction is measured as the difference between the current market price of the Company's common shares and the issue price of the flow-through share.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-Through Shares (continued)

Upon incurring and renouncing eligible resource exploration and evaluation expenditures, the Company recognizes the sale of tax deductions as a recovery on the statement of comprehensive loss and reduces the deferred flow-through liability.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

Deferred Acquisition Costs

Costs related to the acquisition of other companies are deferred until such time that the Company obtains control to these entities.

Foreign Currency Translation

The Company's reporting currency is the Canadian dollar.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated.

Equipment

Equipment is recorded at cost less accumulated depreciation. Equipment is depreciated on a straight line basis over a five-year life.

Financial Instruments

Financial Assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") are initially recognized at fair value with changes in fair value recorded in profit or loss. The Company records its cash and short-term investments at FVTPL.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as at fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's restricted deposits and receivables are recorded at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income as a component of equity. This election is available for each separate investment. Under this new FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and notes payable.

Impairment

At the end of each reporting period, the carrying value of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The grant relates to an expense item, it is recognized as deduction on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Further the Company initially recognizes funding received through government grants related to exploration and evaluation of mineral properties on the balance sheet as a grant liability, which includes conditions on specified expenditures. Any amounts of government grants that remain receivable are included on the balance sheet in accounts receivable. Upon disbursement of qualified expenditures utilizing the government grant, the grant liability is reduced.

Provision for Environmental Rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for Environmental Rehabilitation (continued)

The net present value of future rehabilitation 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 rehabilitation 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 rehabilitation asset is depreciated on the same basis as related assets.

The Company's estimates of reclamation 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 rehabilitation 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 reclamation costs, are charged to profit or loss.

Share-based Payment Transactions

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants pursuant to a stock option plan. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model. It is recognized over the vesting period, using the graded vesting method, as an expense, with a corresponding increase to reserves in shareholders' equity. Expected volatility is based on historical volatility (based on the expected life of the options), adjusted for any expected changes due to publicly available information. No expense is recognized for awards that ultimately do not vest. If and when stock options are ultimately exercised, the amount of cash received as well as the applicable amount of the associated reserve is transferred to share capital.

Share-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of equity instruments issued, whichever is more reliably measurable. The fair value of stock-based payments to nonemployees is periodically re-measured until counterparty performance is complete and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of share-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

Share Capital

The Company records proceeds from share issuances, net of commissions and issuance costs, as share capital. The Company engages in equity financing transactions to obtain the funds necessary to continue operations. The equity financings may involve the issuance of common shares or units. Warrants that are a part of units are assigned a value based on the residual value, if any, and included in reserves.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting periods. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the period ended March 31, 2024 this calculation proved to be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity.

Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred Income Tax

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Related Party Transactions

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. 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.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The Company has not adopted any new or revised standards, along with any consequential amendments for the period ended March 31, 2024.

QUEST CRITICAL METALS INC.
(Formerly Canadian Palladium Resources Inc.)
Notes to the Condensed Interim Consolidated Financial Statements
Six Months Ended March 31, 2024
(Expressed in Canadian dollars)

5. RECEIVABLES

As at March 31, 2024 and September 30, 2023, receivables consist of the following:

	March 31, 2024	September 30, 2023
	(\$)	(\$)
GST receivable	39,140	45,690
Other receivables (Note 11)	70,895	74,441
	<u>110,035</u>	<u>120,131</u>

6. SHORT-TERM INVESTMENTS

Short-term investments are investments in quoted equity shares. The fair value of the quoted equity shares has been directly determined by reference to published price quotations in an active market. The Company has classified its short-term investments as fair value changes through profit or loss. During the year ended September 30, 2022, the Company sold all of its short-term investments. As at September 30, 2023 and March 31, 2024, the Company held Nil short term investments.

7. RESTRICTED DEPOSITS

As at March 31, 2024, restricted deposits consisted of \$15,000 (September 30, 2023 - \$15,000) held in a guaranteed investment certificate as collateral for a corporate credit card.

8. EXPLORATION AND EVALUATION ASSETS

Tisová/TGER European Copper-Cobalt Properties

On July 6, 2018 the Company entered into an arm's length share purchase agreement to purchase 100% of the shares of Tisová Pty. Ltd. ("Tisová") And TGER Pty. Ltd. ("TGER"). Tisová and TGER are private companies which have been granted 100% interest in and to certain mineral concessions located in the Czech Republic and Germany.

Pursuant to the agreement, and in exchange for the Tisová and TGER shares, the Company is committed to issue, in aggregate, to the shareholders of Tisová and TGER the following:

- \$60,000 cash to the vendors upon execution of the agreement (paid);
- Upon satisfaction of certain conditions precedent, issue 150,000 common shares of the Company to the vendors on the closing date (issued);
- Spend \$1,000,000 on the properties by July 1, 2019, and issue an aggregate of 250,000 common shares of the Company to the vendors at such time (issued);
- Spend an additional \$1,000,000 on the properties each year for the next three years and no later than July 1, 2022 and issue an additional 400,000 common shares of the Company to the vendors.

If the Company fails to satisfy any of the above requirements, the shares of Tisová and TGER will be returned to the original vendors. On October 23, 2018, the Company issued 150,000 common shares with fair value of \$450,000 in exchange for 100% ownership of Tisová and TGER, subject to the above terms, and their respective mineral concessions. A finder's fee was issued in connection with this closing through the issuance of 46,875 common shares with a fair value of \$14,063. The related mineral concessions are subject to a 1.5% NSR of which one-half can be purchased for \$750,000.

8. EXPLORATION AND EVALUATION ASSETS (continued)

Tisová/TGER European Copper-Cobalt Properties (continued)

The Company incurred the minimum exploration expenditures on the properties by June 1, 2019 and issued an aggregate of 250,000 common shares with a fair value of \$525,000 pursuant to the terms of the agreement. The Company paid a finder's fee by way of the issuance of 7,812 common shares with a fair value of \$16,406.

Effective February 1, 2021, the Company agreed to amend the terms of its previously entered into share purchase agreements dated July 6, 2018, pursuant to which the Company agreed to acquire both Tisová Pty. Ltd. and TGER Pty. Ltd., being the owners of certain mineral concessions located in the Czech Republic and Germany.

Under the terms of the purchase agreements, the Company still had the obligation to incur an aggregate \$3-million in exploration expenditures on the properties over a three-year period ending July 1, 2022, and issue an aggregate of 400,000 common shares of the Company to the vendors immediately upon incurring such exploration expenditures.

The Company has agreed with the vendors that, notwithstanding the provisions of the purchase agreements, upon the Company immediately issuing an aggregate of 300,000 common shares to the vendors (issued February 2, 2021 with a fair value of \$390,000), the purchaser shall own all of the shares of Tisová and TGER (and indirectly, the properties) unconditionally and absolutely and shall have no further obligations to the vendors under the purchase agreements.

The Company and the vendors have also agreed that one-third of the common shares being issued to the vendors shall be restricted from being traded before August 1, 2021, another one-third of the common shares shall be restricted from being traded before November 1, 2021, and the final one-third of the common shares shall be restricted from being traded before February 1, 2022.

During the year ended September 30, 2022, the Company impaired the Tisova, TGER, and Agnew Lake properties, recognizing \$1,557,185 in property impairment. While additional exploration is planned, there were several factors of impairment including a delay and decrease in exploration expenditures, a decrease in the Company's share price, and lack of availability of equity financing.

Agnew Lake Property

During the year ended September 30, 2019, the Company acquired a palladium project in Ontario through staking. The Agnew Lake property comprises over 260 claims (about 6,000 hectares) and is part of the larger East Bull Lake-Agnew Lake mafic-ultramafic complex.

East Bull Palladium Property

On February 26, 2019, and as amended August 10, 2022, March 1, 2023, September 7, 2023, and December 30, 2023, the Company entered into an option agreement through its newly incorporated and wholly-owned subsidiary, East Bull Resources Inc. with Pavey Ark Minerals Inc. ("Pavey Ark") to acquire a 100% interest in the East Bull palladium property in the Sudbury mining division, Ontario (the "Agreement").

Pursuant to the Agreement, and over a period of four years (should the Company elect to continue), the Company is obliged to incur \$1,750,000 in exploration expenditures, issue \$1,120,000 in cash payments, and issue an aggregate of 750,000 common shares of the Company to Pavey Ark in accordance with the following schedule:

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8. EXPLORATION AND EVALUATION ASSETS (continued)East Bull Palladium Property (continued)

Minimum Exploration Expenditures	Common Shares Issued	Cash Issued	Due Date
-	-	\$25,000	On Term Sheet signing (paid)
-	75,000	\$75,000	Within 5 days of signing (paid and issued)
\$250,000	75,000	\$150,000	On or before March 1, 2020 (met, paid and issued)
\$500,000	100,000	\$200,000	On or before March 1, 2021 (met, paid and issued)
\$500,000	100,000	\$50,000	On or before March 1, 2022 (met, paid and issued)
\$500,000	100,000	-	On or before March 1, 2023 (met and issued)
-	50,000	-	Consideration for September 2023 amendment (issued)
-	-	\$250,000	On or before March 8, 2024
-	250,000	-	On or before March 29, 2024
-	-	\$370,000	On or before December 31, 2024
<u>\$1,750,000</u>	<u>750,000</u>	<u>\$1,120,000</u>	

As of September 30, 2021, the Company had exceeded the minimum exploration expenditures of \$1,750,000 required under the option agreement. During the year ended September 30, 2022, the Company issued 100,000 common shares and made a cash payment of \$50,000 pursuant to the terms of the East Bull property option agreement.

During the year ended September 30, 2023, the Company issued 150,000 common shares, with a fair value of \$65,000, pursuant to the terms of the East Bull property option agreement. During the period ended March 31, 2024, the Company relinquished its option to acquire 100% interest in the East Bull property, resulting in an impairment of \$1,084,148.

During the period ended March 31, 2024, the Company incurred \$37,672 in exploration expenses on its mineral properties (2023 - \$267,768).

1439266 BC Ltd.

On December 4, 2023, the Company announced the closing of the acquisition of a BC private company, 1439266 BC Ltd., which is the legal and beneficial owner of a 100-per-cent interest in and to 15 mineral tenements totaling 24,427.28 hectares located in the Lithium Valley in Minas Gerais state, Brazil. Pursuant to the arm's length acquisition, the Company issued 12 million common shares to the shareholders of 1439266 B.C. Ltd. Pursuant to the terms of the acquisition, the shareholders of 1439266 BC Ltd. will also receive, on a pro rata basis, an aggregate cash payment of \$200,000, which is to be paid on or before closing of a financing. In addition, 1439266 B.C. carries indebtedness of \$100,000 in relation to a loan received by it for purposes of making a \$100,000 payment to the original property vendor. The Company will indirectly assume this obligation to pay this loan, with payment due within three months.

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8. EXPLORATION AND EVALUATION ASSETS (continued)

1439266 BC Ltd. (continued)

The acquisition of 1439266 BC Ltd. has been recorded as an asset purchase of exploration and evaluation assets with costs of the acquisition as follows:

Acquisition of 1439266 BC Ltd.

Purchase Price:

Common shares issues	\$ 3,780,000
Cash issued	200,000
	<u>\$ 3,980,000</u>

Net assets acquired:

Other receivables	\$ 52
Other receivables	10
Exploration and evaluation assets	4,092,998
Accounts payable and accrued liabilities	(12,958)
Note payable	<u>(100,100)</u>
	<u>\$ 3,980,000</u>

A schedule of exploration and evaluation assets as at March 31, 2024 and September 30, 2023 is as follows:

	East Bull	1439266 BC	Total
	(\$)	(\$)	(\$)
At September 30, 2022	1,019,148	-	1,019,148
Common shares	65,000	-	65,000
At September 30, 2023	1,084,148	-	1,084,148
Acquisition costs	-	12,996	12,996
Common shares	-	3,780,002	3,780,002
Cash	-	150,000	150,000
Legal costs	-	16,561	16,561
Impairment	(1,084,148)	-	(1,084,148)
At March 31, 2024	-	3,959,559	3,959,559

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at March 31, 2024 and September 30, 2023, the Company's accounts payable and accrued liabilities is comprised of the following:

	March 31, 2024	September 30, 2023
	(\$)	(\$)
Accounts payable	340,215	259,858
Related party payable (Note 12)	441,073	366,773
Accrued liabilities	10,000	50,000
Interest payable (Note 12)	17,497	12,042
	808,785	688,673

During the year ended September 30, 2023, a total of \$860,624 in trade payables was settled through the issuance of 1,721,248 common shares at \$0.50. The fair value of the issued common shares was \$688,499 which resulted in a gain amounting to \$172,125 on the settlement of the accounts payable.

10. NOTES PAYABLE

During the period ended March 31, 2024, the Company issued notes payable for proceeds of \$326,281, of which \$267,281 was issued to related parties (September 30, 2023 - \$404,298), which are unsecured, non-interest bearing and repayable upon demand. During the year ended September 30, 2023, a total of \$653,190 was settled through the issuance of 1,306,380 common shares at \$0.50, and \$Nil was repaid in cash. The fair value of the issued common shares was \$522,552 which resulted in a gain amounting to \$130,638 on the settlement of the notes payable.

As at March 31, 2024, a total of \$520,624 (September 30, 2023 - \$204,343) of loan principal remains outstanding.

11. GRANT LIABILITY

The Company was selected as a project partner in an EU €7.4m grant funded Exploration Information Systems (EIS) project, with the Company's Tisová and TGER properties being used as a test site for the EIS project. Under the EIS grant, the Company was issued a total grant of €198,000 to spend on eligible exploration expenditures on its European properties, which may be increased in the future. As of March 31, 2024, \$70,895 (September 30, 2023 - \$72,170) of the EIS grant remains receivable and is included in other receivables. As of March 31, 2024, there is still \$188,412 obligation to incur eligible expenditures on the Tisová and TGER properties.

12. SHARE CAPITAL AND RESERVES

a) Authorized share capital

An unlimited number of common shares without par value.

12. SHARE CAPITAL AND RESERVES (continued)

b) Issued share capital

During the period ended March 31, 2024, the following transactions took place:

On October 25, 2023, the Company completed a share consolidation on the basis of 1 post-consolidation share for every 10 pre-consolidation shares.

On December 1, 2023, the Company issued 12,000,000 common shares with an estimated fair value of \$0.315 per share, pursuant to the share purchase agreement to acquire 100% of 1439266 BC Ltd. (Note 8).

During the year ended September 30, 2023, the following transactions took place:

On March 1, 2023, the Company issued 100,000 common shares in exchange for another milestone payment towards the ownership of the East Bull palladium property with an estimated fair value of \$0.45 per share, being the market price on the date of issuance (Note 8).

On September 15, 2023, the Company issued 50,000 common shares in exchange for another milestone payment towards the ownership of the East Bull palladium property with an estimated fair value of \$0.40 per share, being the market price on the date of issuance (Note 8).

On September 15, 2023, the Company issued 3,027,628 common shares at \$0.50 to settle debt in the amount of \$1,513,814.

c) Stock options

The Company may grant incentive stock options to its officers, directors, employees and consultants. The Company has a fixed Stock Option Plan (the "Plan") whereby the Company has reserved 10% of the issued shares for issuance under the Plan. Options have a maximum term of ten years and terminate after a certain number of days following the termination of the optionee's term/employment, except in the case of death, in which case they terminate one year after the event. Vesting is determined by the Board of Directors.

A continuity schedule of outstanding stock options is as follows:

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance – September 30, 2022	1,295,500	0.23
Expired	(342,000)	0.33
Balance – September 30, 2023	953,500	0.19
Expired	(434,000)	0.19
Granted	2,415,000	0.45
Balance – March 31, 2024	2,934,500	0.67

During the period ended March 31, 2024, the Company recognized \$1,021,304 (2023 - \$Nil) in share-based compensation relating to options vesting during the period.

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12. SHARE CAPITAL AND RESERVES (continued)

As at March 31, 2024, the Company had incentive stock options enabling the holders to acquire further common shares as follows:

Expiry Date	Options Outstanding	Options Exercisable	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life (years)
June 4, 2024	167,000	167,000	0.54	0.18
February 11, 2025	95,000	95,000	0.63	0.87
May 6, 2024	7,500	7,500	0.01	0.10
October 28, 2025	250,000	250,000	0.40	1.58
December 15, 2028	2,415,000	2,415,000	0.45	4.71
	2,934,500	2,934,500	0.67	4.05

d) Share purchase warrants

A continuity schedule of outstanding share purchase warrants is as follows:

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance – September 30, 2022	1,755,698	1.72
Expired	(490,998)	1.52
Balance – September 30, 2023	1,264,700	1.80
Expired	(1,264,700)	1.80
Balance – March 31, 2024	-	-

During the period ended March 31, 2024, 1,264,700 warrants expired unexercised. During the year ended September 30, 2023, 490,998 warrants expired unexercised.

13. RELATED PARTY TRANSACTIONS

The Company's key management personnel consist of directors, officers and companies owned or controlled in whole or in part by officers and directors. Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed by the related parties). The following summarizes the Company's related party transactions during the period ended March 31, 2024 and 2023:

Key Management Compensation

	2024 (\$)	2023 (\$)
Consulting fees (b)	60,000	60,000
Management fees (c and d)	-	105,000
Share-based payments	750,647	-
	810,647	165,000

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13. RELATED PARTY TRANSACTIONS (continued)

- a) As at March 31, 2024, included in accounts payable and accrued liabilities was \$441,073 (September 30, 2023 - \$366,773) owing to current and former officers and directors and companies.
- b) During the period ended March 31, 2024, \$60,000 (2023 - \$60,000) was paid or accrued to the CFO and Corporate Secretary for services rendered and included in Consulting Fees.
- c) During the period ended March 31, 2024, \$Nil (2023 - \$60,000) was paid or accrued to the former CEO for services rendered, and included in Management Fees.
- d) During the period ended March 31, 2024, \$Nil (2023 - \$45,000) was paid or accrued to the former Chair of the Board of Directors for services rendered, and included in Management Fees.
- e) As of March 31, 2024, \$361,524 (September 30, 2023 - \$169,343) in notes payable was payable to corporations controlled by the former CEO of the Company. The notes payable are unsecured, interest free and repayable on demand.
- f) Accounts payable as of March 31, 2024 includes \$12,042 (September 30, 2023 - \$12,042) in accrued interest payable to corporations controlled by the former CEO of the Company in relation to notes payable that have been repaid.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT*Financial 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 Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, short-term investments, receivables, restricted deposits, accounts payable and notes payable.

The Company classified its cash and short-term investments as fair value through profit or loss; receivables and restricted deposits as amortized cost; and accounts payable and notes payable as amortized cost. The fair values of cash and short-term investments are measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, restricted deposits, accounts payable and notes payable approximate their book values because of the short-term nature of these instruments.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board approves and monitors the risk management processes.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of goods and services tax due from the government and other receivables; the balances are in good standing as at March 31, 2024. The Company does not believe it has a material exposure to credit risk.

Liquidity risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements.

The Company's ongoing liquidity is impacted by various external events and conditions. The Company expects to repay its financial liabilities, consisting of accounts payable and notes payable, in the normal course of operations and to fund future operational and capital requirements future equity and debt financing.

To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will seek to secure additional funds through long-term debt and equity transactions.

Interest rate risk

The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. Interest rate risk is minimal as the Company does not have significant interest-bearing assets or any variable interest-bearing liabilities that are tied into market rates.

Foreign exchange risk

The Company is not exposed to any significant foreign currency risk.

Commodity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

15. MANAGEMENT OF CAPITAL

The Company all components of shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

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 shares, issue debt or acquire or dispose of assets.

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.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. There have been no changes to the Company's approach to capital management during the period ended March 31, 2024.

16. SEGMENTED INFORMATION

The Company operates in one industry segment being the acquisition and exploration of mineral exploration and evaluation assets. The non-current assets attributable to the geographical locations relate primarily to exploration and evaluation assets and all the non-current assets are domiciled in Canada as at March 31, 2024 and September 30, 2023.

17. COMMITMENTS

As of March 31, 2024, the Company did not have any commitments.

18. SUPPLEMENTAL CASH FLOW INFORMATION

	2024	2023
	(\$)	(\$)
Interest paid during the period	-	-
Income taxes paid during the period	-	-
Supplemental Disclosure of Cash Flow Information:		
Shares issued for exploration and evaluation assets	3,780,000	-