

LANCASTER RESOURCES INC.

(formerly Lancaster Lithium Inc.)

Condensed Interim Consolidated Financial Statements

For the Three Months Ended June 30, 2024 and 2023

(Expressed in Canadian Dollar)

(Unaudited)

NOTICE TO READER

The accompanying condensed interim consolidated financial statements of Lancaster Resources Inc. (“the Company”) have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”). Management acknowledges responsibility for the preparation and presentation of the condensed interim consolidated financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances. These condensed interim consolidated financial statements have not been reviewed by the Company’s independent auditor.

Lancaster Resources Inc.
(formerly Lancaster Lithium Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		June 30, 2024 (Unaudited)	March 31, 2024
	Notes	\$	\$
Current assets:			
Cash and cash equivalents		69	52,219
Marketable securities	5	145,828	83,183
Amounts receivable		5,842	38,546
Prepayments and deposits		37,540	104,592
Total current assets		<u>189,279</u>	<u>278,540</u>
Non-current assets:			
Exploration and evaluation assets	6	443,572	440,785
Total assets		<u>632,851</u>	<u>719,325</u>
Current liabilities:			
Accounts payable and accrued liabilities	7	262,761	216,113
Due to related parties	7	7,694	3,954
Flow-through premium		75,000	75,000
Convertible debentures	3,8	1,083,072	1,037,150
Total liabilities		<u>1,428,527</u>	<u>1,332,217</u>
Shareholders' equity:			
Share capital	9	4,600,287	4,480,736
Subscriptions received	9	-	30,000
Share-based equity reserves	11, 12	2,221,129	2,204,932
Deficit		(7,625,499)	(7,328,560)
Equity attributable to the Company's shareholders		<u>(804,083)</u>	<u>(612,892)</u>
Equity attributable to non-controlling interests	4, 15	8,407	-
Total equity		<u>(795,676)</u>	<u>(612,892)</u>
Total liabilities and shareholder equity		<u>632,851</u>	<u>719,325</u>

Nature of operations and continuance of business (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on August 19, 2024:

/s/ "Daniel Kang"
Director

/s/ "Penny White"
Director

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

Lancaster Resources Inc.
(formerly Lancaster Lithium Inc.)
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

		June 30,	
	Notes	2024 \$	2023 \$
Expenses:			
Consulting	7	95,925	128,775
Investor relations		12,000	21,850
Marketing, publicity and digital media		94,523	81,493
Office and administrative		7,394	18,160
Professional fees		6,560	28,146
Research and development		327	16,708
Share-based compensation	11, 12	60,997	385,413
Transfer agent and filing fees		19,884	30,845
Travel and entertainment		1,719	16,189
Wages	7	-	28,088
Total expenses		<u>299,329</u>	<u>755,668</u>
Income before other items		(299,329)	(755,668)
Other items:			
Accretion of discounts on convertible debentures	8	(21,063)	(9,951)
Excess of consideration paid on acquisition	3	-	(1,491,870)
Foreign exchange		(81)	(499)
Other income (expense)		(5,954)	(6,223)
Unrealized gain (loss) on marketable securities	5	37,894	(14,610)
Write off of amounts receivable		-	(28,069)
Total other items		<u>10,796</u>	<u>(1,551,223)</u>
Net and comprehensive loss		<u>(288,533)</u>	<u>(2,306,891)</u>
Net and comprehensive loss attributable to shareholders		(276,015)	(2,306,891)
Net and comprehensive loss attributable to non-controlling interests	15	<u>(12,518)</u>	-
Loss per share, basic and diluted		<u>(0.01)</u>	<u>(0.06)</u>
Loss per share attributable to shareholders, basic and diluted		<u>(0.01)</u>	<u>(0.06)</u>
Weighted average of shares outstanding, basic and diluted		54,633,323	40,194,622

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

Lancaster Resources Inc.
(formerly Lancaster Lithium Inc.)
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital				Deficit	Non-controlling Interest	Total
	Number of shares	Amount	Shares issuable	Equity Reserves			
		\$	\$	\$			
Unit issued for cash	64,824,872	462,923	(70,000)	19,283	-	-	412,206
Shares issued for RTO transaction	3,036,011	379,501	-	-	-	-	379,501
Warrants issued and options granted for RTO transaction	-	160,564	-	169,987	-	-	330,551
Shares to settle accounts payable	545,000	27,250	-	-	-	-	27,250
Shares issued for services	280,000	14,000	-	-	-	-	14,000
Shares issued to acquire options to a mineral property	135,000	20,250	-	-	-	-	20,250
Warrants exercised	300,000	45,000	-	-	-	-	45,000
Transfer of reserves for warrants exercised	-	66,688	-	(66,688)	-	-	-
Options exercised	100,000	15,000	-	-	-	-	15,000
Transfer of reserves for options exercised	-	13,679	-	(13,679)	-	-	-
Subscriptions received	-	-	30,000	-	-	-	30,000
Fair value of stock options vested	-	-	-	636,820	-	-	636,820
Net loss	-	-	-	-	(3,608,456)	-	(3,608,456)
Loss from dissolving subsidiaries	-	-	-	-	31,602	-	31,602
Balance at March 31, 2024	52,313,872	4,480,737	30,000	2,204,932	(7,328,560)	-	(612,892)
Unit issued for cash	600,000	30,000	(30,000)	-	-	-	-
Shares to settle accounts payable	400,000	20,000	-	-	-	-	20,000
Share issued through plan of arrangement	550,000	24,750	-	-	-	-	24,750
RSUs granted	1,840,000	44,800	-	1,329	-	-	46,129
Shared based compensation	-	-	-	14,868	-	-	14,868
Net loss	-	-	-	-	(288,533)	-	(288,533)
Net loss allocated to non-controlling interest	-	-	-	-	12,519	(12,519)	-
Dividends declared	-	-	-	-	(20,925)	20,925	-
Balance at June 30, 2024	55,703,872	4,600,287	-	2,221,129	(7,625,498)	8,406	(795,676)

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

Lancaster Resources Inc.
(formerly Lancaster Lithium Inc.)
Consolidated Statements of Cashflows
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended June 30,	
	2024	2023
	\$	\$
OPERATING ACTIVITIES		
Net Loss from continuing operations	(288,533)	(2,306,891)
Items not involving cash:		
Amortization of prepaid amounts	67,052	-
Share-based compensation	60,997	385,413
Accretion an interest accrued	45,922	15,752
Disposition of exploration and evaluation asset	(14,435)	-
Excess of consideration paid on acquisition	-	1,491,870
Unrealized (gain) loss on marketable securities	(37,895)	14,610
Changes in non-cash operating working capital:		
Amounts receivable	32,706	(9,505)
Prepaid expenses & other assets	-	80,969
Due to related parties	3,740	(38,152)
Accounts payable and accrued liabilities	66,648	(96,075)
Net cash used in operating activities	<u>(63,798)</u>	<u>(462,008)</u>
INVESTING ACTIVITIES		
Acquisition of marketable securities by a subsidiary	(24,750)	-
Loans to related party	-	
Acquisition of exploration and evaluation asset	(3,352)	(19,489)
Disposition of exploration and evaluation asset	15,000	-
Net assets acquired from RTO transaction	-	138,255
Net cash provided by (used in) investing activities	<u>(13,102)</u>	<u>118,766</u>
FINANCING ACTIVITIES		
Proceeds from issuance of units	-	66,000
Proceeds from issuance of shares	24,750	-
Proceeds from warrants exercise	-	45,000
Proceeds from stock options exercise	-	15,000
Net cash provided by financing activities	<u>24,750</u>	<u>126,000</u>
CHANGE IN CASH	(52,150)	(217,242)
Cash, beginning of period	52,219	591,599
CASH, END OF PERIOD	<u>69</u>	<u>374,357</u>

Supplement cash flow disclosure (Note 13)

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

Lancaster Resources Inc.

(formerly Lancaster Lithium Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Operations and Continuance of Business

Lancaster Resources Inc. (the “Company”) was incorporated under the laws of the province of British Columbia on September 18, 2019. On April 9, 2020, the Company changed its name to NeonMind Biosciences Inc. The Company was previously engaged in drug development research into potential therapeutic uses of psychedelic compounds. On December 30, 2020, the Company completed an initial public offering and the Company’s common shares were listed on the Canadian Securities Exchange (the “Exchange”). On June 7, 2023, the Company changed its name to Lancaster Resources Inc. On June 9, 2023, the Company completed a reverse takeover (“RTO”) transaction with Lancaster Lithium Inc. (“Lancaster Lithium”) (Note 3), whereby the former shareholders of Lancaster Lithium became the controlling shareholders of the Company and Lancaster Lithium became a wholly-owned subsidiary of the Company, and the Company changed its business from drug development to exploration of energy transition metals. On June 14, 2023, the Company’s common shares resumed trading on the Exchange under the ticker symbol “LCR”.

These consolidated interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. During the three months ended June 30, 2024, the Company had no revenues, incurred a net loss of \$288,533, and used cash of \$63,798 for continuing operations. As at June 30, 2024, the Company has a working capital deficit of \$1,239,248, and an accumulated deficit of \$7,625,499. The continued operations of the Company are dependent on future profitable operations, management’s ability to manage costs, and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption be inappropriate. The impact of those adjustments to the consolidated financial statements could be material.

2. Material Accounting Policy Information

Statement of Compliance

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information. The presentation and functional currency of the Company is the Canadian dollar. In the opinion of the Company’s management, all adjustments considered necessary for a fair presentation have been included.

Basis of Presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Lancaster Lithium Inc. and 1466777 B.C. Ltd., and 40% owned subsidiary Nelson Lake Copper Corp., and 1371432 B.C. Ltd. and 1385122 B.C. Ltd. up to their date of dissolution on May 8, 2023. All intercompany balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information. The presentation and functional currency of the Company is the Canadian dollar. In the opinion of the Company’s management, all adjustments considered necessary for a fair presentation have been included.

2. Material Accounting Policy Information (continued)

Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include the carrying value of marketable securities, fair value of convertible debentures and share-based compensation, and measurement of unrecognized deferred income tax assets. Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements include:

- the application of the going concern assumption, which requires management to consider all available information about the future, which is at least but not limited to 12 months from the end of the reporting period;
- the determination of whether a set of assets acquired and liabilities assumed in an acquisition constitutes a business may require the Company to make certain judgments, considering all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or economic benefits; and
- judgment in determining whether it is likely that the future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

Future Accounting Pronouncements

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are not mandatory for the current period and have not been early adopted. Management has assessed that there are no future accounting pronouncements that are expected to have a material impact on the Company in the current or future reporting periods.

Lancaster Resources Inc.

(formerly Lancaster Lithium Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

3. Acquisitions

Acquisition of Lancaster Lithium Inc.

On June 9, 2023, the Company completed a reverse takeover transaction (the "Transaction") pursuant to which it acquired all of the issued and outstanding common shares of Lancaster Lithium, a company incorporated in the province of British Columbia. Under the terms of the Transaction, the Company issued 39,476,861 common shares, 17,735,594 share purchase warrants, and 3,276,000 stock options in exchange for 100% of the issued and outstanding common shares, warrants, and options of Lancaster Lithium.

As a result of the completion of the Transaction, the former shareholders of Lancaster Lithium acquired 93% of the outstanding common shares of the Company, and, for accounting purposes, are considered to have acquired control of the Company. Accordingly, the Transaction constitutes a reverse acquisition of the Company by Lancaster Lithium and has been accounted for as a reverse acquisition transaction as there was a change of control. As the Company did not qualify as a business prior to the closing of the transaction according to the definition in IFRS 3, Business Combinations, this acquisition did not constitute a business combination; rather, it was treated as an issuance of shares by Lancaster Lithium for the net assets of the Company. Accordingly, no goodwill was recorded with respect to the Transaction. The Transaction was measured at the fair value of the common shares that Lancaster Lithium would have had to issue to the shareholders of the Company, being 3,036,011 common shares with a fair value of \$607,202, 2,060,110 warrants with a fair value of \$11,146 and 47,209 stock options with a fair value of \$7,166, to give the shareholders of the Company the same percentage of equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of Lancaster Lithium acquiring the Company. The fair value of common shares, warrants and stock options issued were estimated based on the Company's financing event, which took place concurrently with the reverse takeover transaction at the price of \$0.20 per common share. These consolidated financial statements include the accounts of the Company as at June 9, 2023, and the historical accounts of the business of Lancaster Lithium since its incorporation on July 12, 2019.

The total consideration of the common shares, stock options, and share purchase warrants have been allocated to the fair value of the net assets acquired and liabilities assumed, as follows:

	\$
Fair value of 3,036,011 common shares	607,202
Fair value of 2,060,110 share purchase warrants	11,146
Fair value of 47,209 stock options	7,166
Total consideration	<u>625,514</u>
Net assets and liabilities acquired:	
Cash	138,255
Marketable securities (Note 4)	13,636
Amounts receivable	65,267
Prepaid expenses	4,288
Accounts payable and accrued liabilities	(123,676)
Convertible debt (Note 9)	(846,660)
Due to related parties	(101,966)
Net liabilities assumed	<u>(850,856)</u>
Excess of consideration paid on acquisition	<u>1,476,370</u>

The fair value of warrants and stock options of the Company was calculated using the Black-Scholes option pricing model with the following assumptions in weighted average: volatility of 163%, expected life of 2 years, no dividends, no forfeitures, and a risk-free rate of 4.5%.

Lancaster Resources Inc.

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Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

4. Spin-off

On January 29, 2024, the Company entered into a plan of arrangement with its wholly-owned subsidiary Nelson Lake Copper Corp. ("Nelson Lake") (the "Plan of Arrangement"). The Plan of Arrangement was approved by the Company's shareholders by special resolutions at a special meeting of the shareholders on March 15, 2024 and was approved by the British Columbia Supreme Court in a final order on March 25, 2024. On April 2, 2024, The Company subscribed for 1,650,000 common shares of Nelson Lake at a price of \$0.02 per common share with a payment of \$33,000. On the same date, the Company issued 550,000 fully paid and non-assessable shares to Nelson Lake for a payment of \$33,000.

On April 2, 2024, the Company declared a dividend of 1,046,269 Nelson Lake shares on the basis of 0.02 common shares in Nelson Lake issued for each of the Company's common shares held by a shareholder of the Company as of the record date of February 5, 2024 (the "Spin-Off"). Following the Spin-Off transaction, the Company owns 703,731 common shares of Nelson Lake, representing 40% of Nelson Lake's total issued and outstanding shares. Nelson Lake continues to meet the criteria for consolidation based on IFRS 10 and the Company continues to present Nelson Lake's financial results on a consolidated basis in its condensed interim consolidated financial statements for the period ended June 30, 2024.

5. Marketable Securities

As at March 31, 2024, the Company owns the following marketable securities: 240,257 (2023 – 142,758) common shares of Komo Plant Based Foods Inc., 550,000 (2023 – nil) of the Company's shares held by its subsidiary Nelson Lake Copper Corp., 125,000 (2023 – nil) stock option of Greenridge Exploration Inc.

The fair values and adjustments to the marketable securities are shown below:

	March 31, 2023		Unrealized	March 31, 2024		Unrealized	June 30, 2024	
	fair value	Additions	loss	fair value	Additions	loss	fair value	
	\$	\$	\$	\$	\$	\$	\$	
Common shares	25,000	13,636	(33,831)	4,805	24,750	(12,549)	17,006	
Stock options	-	63,556	14,822	78,378	-	50,444	128,822	
Total	25,000	77,192	(19,009)	83,183	24,750	37,895	145,828	

6. Exploration and Evaluation Assets

	Alkali Flat Lithium \$	Tran Taiga Lithium \$	Nelson Lake Copper \$	Other Claimes \$	Total \$
<u>Acquisition costs:</u>					
Balance, March 31, 2024	137,030	30,250	3,447	4,870	175,597
Additions	-	-	-	3,351	3,351
Disposition	-	-	-	(565)	(565)
Balance, June 30, 2024	137,030	30,250	3,447	7,656	178,384
<u>Exploration costs:</u>					
Balance, March 31, 2024	237,423	-	27,765	-	265,188
Balance, June 30, 2024	237,423	-	27,765	-	265,188
<u>Carrying values:</u>					
March 31, 2024	374,453	30,250	31,212	4,870	440,785
June 30, 2024	374,453	30,250	31,212	7,656	443,572

Lancaster Resources Inc.

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Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

6. Exploration and Evaluation Assets (continued)

Alkali Flat Lithium Project

On November 17, 2022, the Company entered into an option purchase agreement with Majuba Mining Ltd. ("Majuba"), pursuant to which the Company was granted the exclusive right and option to acquire, subject to the reservation of 1.5% net production royalty, a 100% interest in the Alkali Flat Lithium Project located near Lordsburg in Hidalgo County, New Mexico.

To earn its 100% interest, the Company must pay an aggregate of US\$2,975,000 to Majuba as follows:

- US\$25,000 within 18 business days of acquisition (paid);
- US\$50,000 within 90 calendar days of acquisition (paid);
- US\$150,000 on or before the second anniversary of acquisition;
- US\$1,000,000 on or before the third anniversary of acquisition; and
- US\$1,750,000 on or before the fourth anniversary of acquisition.

Trans Taiga Lithium Project

On August 29, 2023, the Company entered into an option purchase agreement for the full acquisition of the Trans Taiga Lithium Project (the "Trans Taiga") situated in the James Bay region of Quebec. The agreement grants the Company an exclusive option to acquire 100% ownership of the Project from a group that includes Bounty Gold Corp. and Last Resort Resources. A total purchase price of \$115,000 is payable to as follows:

- \$37,000 due within 10 days of entering into the long form agreement, paid through \$10,000 cash plus \$27,000 via the issuance of 135,000 common shares in Lancaster's stock at a deemed price of \$0.20 per share;
- \$26,000 due on the first anniversary date of the option agreement;
- \$26,000 due on the second anniversary date; and
- \$26,000 due on the third anniversary date.

The Company may, at its discretion, make 50% of each payment in common stock. The agreement includes a 2% net smelter returns ("NSR") royalty, of which one-half of the NSR (or 1%) can be purchased by the Optionors for \$1,000,000.

The Company also agreed to make the following additional payments:

- A \$50,000 fee is payable if exploration results yield a minimum of 10 contiguous meters of lithium with values of 1% or more; and
- A payment of \$1,000,000 is due if the Company publishes a 43-101 technical report for a resource of not less than 5 million tons with 1% lithium concentration.

Nelson Lake Copper Project

On December 18, 2023, the Company directly staked 1 mining claim covering a contiguous block of 5,746 hectares in Saskatchewan (the "Nelson Lake Copper Property") for \$3,447, which was paid to the Government of Saskatchewan, as administered through the Mineral Administration Registry Saskatchewan (MARS). Subsequent to March 31, 2024, the Nelson Lake Copper Project was spun off (Note 4).

Other claims

The Company owns various mineral property claims pending further development including an Athabasca Basin uranium claim, a Piney Lake gold claim and a Charlot Lake uranium claim with an aggregated cost of \$7,656.

On June 14, 2024, the Company disposed of its Robinson Lake gold claim for proceeds of \$15,000 in cash resulting a gain of \$14,435.

7. Related Party Transactions

During the three months ended June 30, 2024 and 2023, compensation of key management personnel were as follows:

	Three months ended June 30,	
	2024	2023
	\$	\$
Consulting fees	51,000	92,000
Development costs	23,325	-
Share-based compensation	42,822	77,669
Wages and benefits	-	28,088
	117,147	197,757

As at March 31, 2024, the Company owed \$18,160 (2023 – \$6,261) to officers and directors, which is included in due to related parties which is recorded in accounts payable and due to related parties. These amounts are unsecured and non-interest-bearing.

8. Convertible debentures

The Company assumed the following convertible debentures on acquisition on June 9, 2023 (refer to Note 3):

November 29, 2021 issuance (the “2021 Debentures”)

On November 29, 2021, 750 convertible debenture units were issued at a price of \$1,000 per unit for gross proceeds of \$750,000. Each unit consisted of a repayable note with a face value of \$1,000 (the “Debentures”) and 66 warrants to purchase common shares of the Company. The Debentures bear interest at a rate of 10% per annum on an accrual basis from issuance, calculated and payable semi-annually in arrears on May 31 and November 30 of each year. The Company issued an aggregate of 50,000 warrants to the debenture holders.

The Debentures have a redemption date that is 24 months from the date of issuance and are convertible in full or in part, at the holders’ option, into common shares of the Company at a price of \$14.40 per common share, at any time prior to their redemption. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of \$16.80 per share for a period of 36 months from the date of issue.

November 29, 2021 issuance (the “2021 Debentures”) (continued)

In connection with the issuance of the 2021 Debentures, 5,208 agent’s options (the “Agent’s Options”) were granted with a fair value of \$61,993, entitling the holder to purchase a unit of the Company (the “Agent’s Option Unit”) at \$14.40 per Agent’s Option until November 29, 2023. Each Agent’s Option Unit consists of one common share of the Company (each, an “Agent’s Option Share”) and one share purchase warrant (each, an “Agent’s Option Warrant”). Each Agent’s Option Warrant further entitles the holder to purchase one additional common share of the Company at a price of \$16.80 for a period of 36 months from the Agent’s Options issue date of November 29, 2021. The estimated fair value associated with the Agent’s Options granted was determined using the Black-Scholes Pricing model with the following assumptions: stock price at grant date of \$16.92; annualized volatility of 132%; expected life of 2 years; dividend yield of 0%; expected forfeiture rate of 0%; and risk-free rate of 1.08%.

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Three Months Ended June 30, 2024 and 2023

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8. Convertible debentures (continued)April 8, 2022 issuance (the “2022 Debentures”)

On April 8, 2022, 285 convertible debenture units were issued at a price of \$1,000 per unit for gross proceeds of \$285,000, and 109 convertible debenture units at a price of \$1,000 per unit to settle accounts payable of \$109,000. Each unit consisted of a repayable note with a face value of \$1,000 (the “Debentures”) and 79 warrants to purchase common shares of the Company. The Debentures bear interest at a rate of 10% per annum on an accrual basis from issuance, calculated and payable semi-annually in arrears on May 31 and November 30 of each year. The Company issued an aggregate of 31,192 warrants to the debenture holders. The Debentures have a redemption date that is 24 months from the date of issuance and are convertible in full or in part, at the holders’ option, into common shares of the Company at a price of \$9.00 per common share, at any time prior to their redemption. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of \$9.60 per share for a period of 36 months from the date of issue.

In connection with the issuance of the Debentures, 1,108 agent’s options (the “Agent’s Options”) were granted with a fair value of \$3,809, entitling the holder to purchase a unit of the Company (the “Agent’s Option Unit”) at \$9.00 per Agent’s Option until April 8, 2024. Each Agent’s Option Unit consists of one common share of the Company (each, an “Agent’s Option Share”) and one share purchase warrant (each, an “Agent’s Option Warrant”). Each Agent’s Option Warrant further entitles the holder to purchase one additional common share of the Company at a price of \$9.60 for a period of 36 months from the Agent’s Options issue date of April 8, 2022. The estimated fair value associated with the Agent’s Options granted was determined using the Black-Scholes Pricing model with the following assumptions: stock price at grant date of \$6.00; annualized volatility of 129%; expected life of 2 years; dividend yield of 0%; expected forfeiture rate of 0%; and risk-free rate of 2.42%.

Extension of maturity:

During the year ended March 31, 2024, the Company reached agreements with the registered holders of the 2021 Debentures and the 2022 Debentures. The maturity date of the remaining principal balance of the 2021 Debentures and 2022 Debentures in the total amount of \$994,400 was extended to December 2, 2024. Interest will continue to accrue at 10% per annum and will be payable on the maturity date. All other terms of the convertible debentures remain unchanged.

Accretion and accrued interest

During the three months ended June 30, 2024, accretion and accrued interest for the debentures are as follows:

	November 29, 2021 issuance	April 8, 2022 issuance	Total
	\$	\$	\$
Balance, March 31, 2023	-	-	-
Acquired through RTO transaction	605,513	244,637	850,150
Accretion	4,346	1,455	5,801
Accrued interest	8,438	1,513	9,951
Balance, June 30, 2023	<u>618,297</u>	<u>247,605</u>	<u>865,902</u>
Balance, March 31, 2024	777,733	259,417	1,037,150
Accretion	15,459	5,604	21,063
Accrued interest	18,625	6,234	24,859
Carrying amount of liability at June 30, 2024	<u>811,817</u>	<u>271,255</u>	<u>1,083,072</u>

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9. Share Capital

Authorized: unlimited number of common shares without par value.

Three months ended June 30, 2024

On April 2, 2024, the Company completed a transaction of Arrangement (Note 4). The Company issued 550,000 fully paid and non-assessable shares to Nelson Lake for a payment of \$33,000.

On April 10, 2024, the Company closed a non-brokered private placement of 1,000,000 units of the Company at a price of \$0.05 per unit for proceeds of \$30,000 and a conversion of debt of \$20,000, which includes \$2,560 owed to a director of the Company. Each unit consisted of one common share and one share purchase warrant; Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.08 per share until April 10, 2027. Subscriptions received in the amount of \$30,000 were transferred to share capital.

During the three months ended June 30, 2024, the Company issued an aggregate of 1,840,000 shares for vested RSUs granted to its directors, officers, advisors and consultants.

Year ended March 31, 2024

On February 2, 2024, the Company issued 2,125,000 units at a price of \$0.05 per unit for gross proceeds of \$106,250. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at an exercise price of \$0.08 per share expiring on February 2, 2027. In connection with the private placement, the Company paid finder's fees of \$2,000 and issued 40,000 finder's warrants with fair value of \$2,177, where each finder's warrant is exercisable at \$0.08 per share until February 2, 2027. The fair value of the finders' warrants was determined using the Black-Scholes option pricing model with the following assumptions: volatility of 300%; expected life of 3 years; no expected dividends; and a risk-free rate of 3.84%.

On November 28, 2023, the Company issued 4,641,000 units at a price of \$0.05 per unit for gross proceeds of \$232,050. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at an exercise price of \$0.07 per share until November 28, 2028. In connection with the private placement, the Company paid finder's fees of \$5,120 and issued 102,400 finder's warrants with fair value of \$5,116, where each finder's warrant is exercisable at \$0.07 per share until November 28, 2028. The fair value of the finders' warrants was determined using the Black-Scholes option pricing model with the following assumptions: volatility of 300%; expected life of 3 years; no expected dividends; and a risk-free rate of 3.67%.

On November 28, 2023, the Company issued 2,500,000 flow-through common shares at a price of \$0.08 per share for gross proceeds of \$200,000. In connection with the private placement, the Company paid \$18,000 of finder's fees and issued 240,000 finder's warrants with fair value of \$11,990, where each finder's warrant is exercisable at \$0.07 per share until November 28, 2028. As part of the issuance, the Company recorded a flow-through share premium liability of \$75,000 with a corresponding entry to share capital. The fair value of the finders' warrants was determined using the Black-Scholes option pricing model with the following assumptions: volatility of 300%; expected life of 3 years; no expected dividends; and a risk-free rate of 3.67%.

On August 31, 2023, the Company issued 135,000 common shares with a fair value of \$20,250 to acquire option rights to the Tran Taiga Lithium project.

9. Share Capital (continued)

Year ended March 31, 2024 (continued)

On June 27, 2023, the Company issued 100,000 common shares for the exercise of stock options at an exercise price of \$0.15 per share for total proceeds of \$15,000. Equity reverses in the amount of \$13,679 was reclassified to share capital.

On June 16, 2023, the Company issued 300,000 common shares for the exercise of broker warrants at an exercise price of \$0.15 per common share for total proceeds of \$45,000. Equity reserves in the amount of \$66,688 were reclassified to share capital.

On June 9, 2023, the Company issued 3,036,011 common shares in an RTO transaction (Note 3).

On April 3, 2023, the Company completed a non-brokered private placement offering of 680,000 share units at a price of \$0.20 per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant, with each warrant entitling the holder to acquire an additional common share at an exercise price of \$0.40 per share expiring on April 3, 2026. Subscriptions of \$70,000 received during a previous period were applied to this offering.

10. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weight average exercise price \$
Balance, March 31, 2023	17,055,593	0.39
Issued	9,888,510	0.29
Exercised	(300,000)	0.15
Balance, March 31, 2024	26,644,103	0.35
Issued	1,000,000	0.08
Balance, June 30, 2024	27,644,103	0.34

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10. Share Purchase Warrants (continued)

As at June 30, 2024, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
50,004	16.80	November 29, 2024
32,305	9.60	April 8, 2025
5,209	16.80	March 31, 2026
6,000,000	0.30	March 31, 2026
122,000	0.20	March 31, 2026
1,975,000	0.40	March 31, 2026
897,668	0.18	March 31, 2026
300,000	0.15	March 31, 2026
7,460,925	0.50	March 31, 2026
1,972,592	0.40	June 9, 2026
680,000	0.40	April 3, 2027
2,165,000	0.08	February 2, 2027
1,000,000	0.08	April 10, 2027
4,983,400	0.07	November 28, 2028
<u>27,644,103</u>		

11. Stock Options

On October 16, 2021, the Company adopted an incentive stock option plan. Pursuant to the Company's stock option plan, directors may, from time to time, authorize the issuance of options to directors, officers, employees, and consultants of the Company. The terms of the granted stock options as well as the vesting conditions, are at the sole discretion of the directors.

The following table summarizes the continuity of the Company's stock options:

Expiry date	Exercise price \$	Outstanding	Exercisable
October 26, 2026	0.15	960,000	960,000
February 4, 2027	0.15	100,000	100,000
September 13, 2027	0.20	800,000	800,000
March 17, 2028	0.20	240,000	240,000
December 8, 2027	0.20	1,050,000	1,050,000
June 9, 2028	0.20	1,000,000	1,000,000
June 27, 2028	0.23	600,000	600,000
September 25, 2028	0.12	1,718,750	1,406,250
January 18, 2029	0.20	300,000	300,000
February 1, 2029	0.10	850,000	850,000
February 7, 2029	0.10	500,000	500,000
May 21, 2029	0.10	800,000	160,000
		<u>8,918,750</u>	<u>7,966,250</u>

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11. Stock Options (continued)

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, March 31, 2024	8,150,000	0.16
Exercisable, March 31, 2024	7,737,500	0.16
Granted	800,000	0.10
Cancelled	(31,250)	0.12
Outstanding, June 30, 2024	8,918,750	0.16
Exercisable, June 31, 2024	7,966,250	0.16

Additional Information regarding stock options outstanding and exercisable as at June 30, 2024 is as follows:

Exercise price \$	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
0.10	2,150,000	1,510,000	0.02
0.12	1,718,750	1,406,250	0.02
0.15	1,060,000	1,060,000	0.02
0.20	3,390,000	3,390,000	0.09
0.23	600,000	600,000	0.02
	8,918,750	7,966,250	0.16

Share-based compensation expense related to stock options was determined using the Black-Scholes option pricing model. Weighted average assumptions used in calculating the fair value of share-based compensation expense, including no expected dividends or forfeitures, are as follows:

	2025	2024
Risk-free interest rate	3.63%	3.57%
Dividend yield	0%	0%
Expected volatility	300%	300%
Expected life (years)	4.96	4.04

As at June 30, 2024, the weighted average fair value of stock options granted was \$0.12 (2023 - \$0.13) per share.

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12. Restricted Share Units

On May 8, 2024, the Company adopted a restricted share unit ("RSU") plan. Pursuant to the Company's restricted share unit plan, directors may, from time to time, authorize the issuance of restricted share units to directors, officers, employees, and consultants of the Company. The terms of the granted restricted share units as well as the vesting conditions are at the sole discretion of the directors.

Below are number of RSU's outstanding as at June 30, 2024:

	Number of RSUs
Outstanding, March 31, 2022	-
Outstanding, March 31, 2023	-
Granted	2,140,000
Converted	(1,840,000)
Outstanding, June 30, 2024	<u>300,000</u>

Share-based compensation expense relating to restricted share units was determined using the fair value of common shares of the Company on the date of grant, which was determined using the market price of the Company's common shares.

During the three months ended June 30, 2024, the Company granted RSUs with a fair value of \$50,800 (2023 - \$nil). The Company recognized share-based compensation expense relating to RSUs of \$46,129 (2023 - \$nil) in equity reserves, \$30,000 (2023 - \$nil) of which pertains to directors and officers of the Company.

The weighted average fair value of restricted share units granted during the year ended November 30, 2022, was \$0.02 (2023 - \$nil) per share.

As at June 30, 2024, there was \$4,671 (2021 - \$nil) of unrecognized share-based compensation related to unvested restricted share units.

13. Supplemental Cash Flow Disclosures

	June 30, 2024 \$	March 31, 2024 \$
<hr/>		
Cash and cash equivalents is comprised of:		
Cash in bank	69	44,578
Cash held in legal trust	-	7,641
Total cash and cash equivalents	69	52,219
<hr/>		
	Three months ended June 30, 2024	2023
<hr/>		
Non-cash investing and financing activities		
Dividends in kind declared	(129)	-
Assets acquired and liabilities assume through RTO	-	(830,549)
Share issuance for RTO transaction	-	968,504
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13. Capital Management

The Company manages its capital structure and makes adjustments, based on the funds available to the Company, to support the general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position and share capital.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

14. Financial Instruments and Risk ManagementFair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the consolidated statement of financial position as at June 30 and March 31, 2024, as follows:

	Fair Value Measurements Using			Balance, March 31, 2024 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Marketable securities:				
June 30, 2024	17,006	128,822	-	145,828
March 31, 2024	4,805	78,378	-	83,183

The fair values of other financial instruments, including cash and cash equivalents, accounts payable and accrued liabilities, amounts due from and to related parties, and convertible debentures approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligation. The Company's credit risk is primarily attributable to cash and cash equivalents. The Company minimizes its credit risk associated with its cash and cash equivalents balance by dealing with major financial institutions in Canada and has no other significant concentration of credit risk arising from operations. The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

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14. Financial Instruments and Risk Management (continued)Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to a shortage of funds. All of the Company's obligations are due within one year. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there are sufficient funds to meet short-term and specific obligations.

Price Risk

The Company is exposed to price risk with respect to commodity prices and publicly traded market prices for marketable securities. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

15. Non-controlling Interest

On April 2, 2024, the Company declared a dividend of 1,046,269 Nelson Lake shares ("Dividend Shares") on a basis of 0.02 common shares in Nelson Lake issued for each of the Company's shares held by the Company's shareholders as of the record date of February 5, 2024. The Dividend Shares represented 59.8% of the total issued and outstanding shares of Nelson Lake. However, based on IFRS 10, the Company presented Nelson Lake's financial information through consolidation non-controlling interest in the amount of \$20,925 was recognized for the period ended June 30, 2024.

The following table presents the summarized financial information Nelson Lake. This information represents amounts before intercompany eliminations.

Summarized statement of financial position:

	June 30, 2024	March 31, 2024
	\$	\$
Current assets	14,211	2,531
Current liabilities	58,382	57,105
Current net assets (liabilities)	(44,171)	(54,574)
Non-current assets	32,638	31,212
Non-current liabilities	-	-
Non-current net assets (liabilities)	32,638	31,212
Net assets (liabilities)	(11,533)	(23,362)
Accumulated non-controlling interests		
Recognized during the period	20,925	-
Allocation of net loss during the period	(12,518)	-
	8,407	-

15. Non-controlling Interest (continued)

Summarized statement of comprehensive loss:

	Three months ended June 30,	
	2024	2023
	\$	\$
Net loss	(21,171)	-
Net loss allocated to non-controlling interests	(12,518)	-

Summarized statement of cash flows:

	Three months ended June 30,	
	2024	2023
	\$	\$
Cash flows from operating activities	(24,009)	-
Cash flows from Investing activities	(19,991)	-
Net change in cash	(44,000)	-