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## **VITAL BATTERY METALS INC.**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

# Independent Auditor's Report

To the Shareholders of Vital Battery Metals Inc.

## Opinion

We have audited the financial statements of Vital Battery Metals Inc (the "Company"), which comprise the statements of financial position as at February 29, 2024 and February 28, 2023, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2024 and February 28, 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

### Vancouver

1500 - 1140 West Pender St.  
Vancouver, BC V6E 4G1  
604.687.4747

### Surrey

200 - 1688 152 St.  
Surrey, BC V4A 4N2  
604.531.1154

### Tri-Cities

700 - 2755 Lougheed Hwy  
Port Coquitlam, BC V3B 5Y9  
604.941.8266

### Victoria

320 - 730 View St.  
Victoria, BC V8W 3Y7  
250.800.4694

## Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, BC

June 26, 2024

**Vital Battery Metals Inc.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	<b>As at February 29, 2024</b>	<b>As at February 28, 2023</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,810,515	\$ 2,376,697
Amounts receivable (Note 3)	40,845	5,482
Prepaid expenses	59,533	148,054
<b>Total current assets</b>	<b>1,910,893</b>	<b>2,530,233</b>
Computer (Note 4)	3,348	-
Exploration and evaluation properties (Note 5)	3,074,792	1,533,048
<b>TOTAL ASSETS</b>	<b>\$ 4,989,033</b>	<b>\$ 4,063,281</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable (Note 7)	\$ 42,783	\$ 67,030
Accrued liabilities	30,000	30,766
<b>TOTAL LIABILITIES</b>	<b>72,783</b>	<b>97,796</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	6,288,651	4,435,405
Subscriptions received in advance	-	600
Contributed surplus (Note 6)	1,186,622	1,159,205
Deficit	(2,559,023)	(1,629,725)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4,916,250</b>	<b>3,965,485</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 4,989,033</b>	<b>\$ 4,063,281</b>

Nature and Continuance of Operations and Going Concern (Note 1)  
Subsequent event (Note 12)

Approved on behalf of the Board on June 26, 2024:

"Adrian Lamoureux"

Adrian Lamoureux, Director

"Todd Hanas"

Todd Hanas, Director

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

**Vital Battery Metals Inc.**  
**Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

	<b>February 29, 2024</b>	<b>February 28, 2023</b>
<b>Expenses</b>		
Advertising and promotion	\$ 1,958	\$ -
Bank charges	805	226
Consulting fees (Note 7)	148,250	79,997
Depreciation (Note 4)	1,326	-
Insurance	765	-
Investor relations	494,708	123,993
Management fees (Note 7)	144,000	89,700
Office and miscellaneous	1,484	10,870
Professional fees (Note 7)	107,304	123,758
Regulatory fees	40,216	66,349
Rent (Note 7)	8,000	-
Share-based payments (Notes 6 and 7)	-	1,090,839
Transfer agent and filing fees	11,515	11,581
	<b>960,331</b>	<b>1,597,313</b>
<b>Loss before other items</b>	<b>(960,331)</b>	<b>(1,597,313)</b>
<b>Other items</b>		
Interest income	37,049	-
Loss on foreign exchange	(6,016)	(1,626)
	<b>31,033</b>	<b>(1,626)</b>
<b>Net and comprehensive loss</b>	<b>\$ (929,298)</b>	<b>\$ (1,598,939)</b>
<b>Loss per common share – basic and diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding</b>	<b>41,601,054</b>	<b>29,274,696</b>

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

**Vital Battery Metals Inc.**  
**Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian Dollars)**

	<b>Share Capital</b>		<b>Subscriptions Received</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
	<b>Number</b>	<b>Amount</b>				
<b>Balance, February 28, 2022</b>	<b>22,900,000</b>	<b>\$ 579,500</b>	<b>\$ 339,845</b>	<b>\$ -</b>	<b>\$ (30,786)</b>	<b>\$ 888,559</b>
Shares issued for warrants exercised (Note 6)	80,000	16,000	-	-	-	16,000
Shares issued for exploration and evaluation properties (Notes 5 and 6)	4,000,000	1,327,500	-	-	-	1,327,500
Shares issued for special warrants converted (Note 6)	3,397,450	339,745	(339,745)	-	-	-
Shares issued for private placement (Note 6)	9,200,000	2,300,000	-	-	-	2,300,000
Share-based compensation (Notes 6 and 7)	-	-	-	1,090,839	-	1,090,839
Share issuance costs (Note 6)	-	(127,340)	-	68,366	-	(58,974)
Subscriptions refunded for special warrants (Note 6)	-	-	(100)	-	-	(100)
Subscriptions received in advance	-	-	600	-	-	600
Net loss	-	-	-	-	(1,598,939)	(1,598,939)
<b>Balance, February 28, 2023</b>	<b>39,577,450</b>	<b>4,435,405</b>	<b>600</b>	<b>1,159,205</b>	<b>(1,629,725)</b>	<b>3,965,485</b>
Shares issued for warrants exercised (Note 6)	839,000	182,800	-	-	-	182,800
Shares issued for exploration and evaluation properties (Notes 5 and 6)	4,000,000	980,000	-	-	-	980,000
Shares issued for flow through private placement (Note 6)	1,673,000	752,850	-	-	-	752,850
Share issuance costs (Note 6)	-	(62,404)	-	27,417	-	(34,987)
Subscriptions received in advance	-	-	(600)	-	-	(600)
Net loss	-	-	-	-	(929,298)	(929,298)
<b>Balance, February 29, 2024</b>	<b>46,089,450</b>	<b>\$ 6,288,651</b>	<b>\$ -</b>	<b>\$ 1,186,622</b>	<b>\$(2,559,023)</b>	<b>\$ 4,916,250</b>

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

**Vital Battery Metals Inc.**  
**Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

	<b>For the year ended February 29, 2024</b>	<b>For the year ended February 28, 2023</b>
<b>Operating activities</b>		
Net loss for the year	\$ (929,298)	\$ (1,598,939)
Non-cash items:		
Depreciation	1,326	-
Share-based payments	-	1,090,839
Changes in working capital related to operating activities:		
Amounts receivable	(35,963)	(5,482)
Prepaid expenses	88,521	(148,054)
Accounts payable and accrued liabilities	1,198	27,576
<b>Cash used in operating activities</b>	<b>(874,216)</b>	<b>(634,060)</b>
<b>Investing activities</b>		
Purchase of computer equipment	(4,674)	-
Exploration and evaluation expenditures	(587,955)	(114,498)
<b>Cash used in investing activities</b>	<b>(592,629)</b>	<b>(114,498)</b>
<b>Financing activities</b>		
Net proceeds from issuance of common shares	-	2,241,026
Proceeds received from warrants exercised	182,800	16,000
Proceeds received from flow through private placement	752,850	-
Share issuance costs	(34,987)	-
Subscriptions refunded	-	(11,300)
Deferred financing costs	-	1,459
<b>Cash from financing activities</b>	<b>900,663</b>	<b>2,247,185</b>
Change in cash and cash equivalents	(566,182)	1,498,627
Cash and cash equivalents, beginning of the year	2,376,697	878,070
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 1,810,515</b>	<b>\$ 2,376,697</b>
<b>Supplemental cash flows information:</b>		
Shares issued for exploration and evaluation properties	\$ 980,000	\$ 1,327,500
Conversion of special warrants	-	339,745
Fair value of finders' warrants	27,417	68,366
Exploration and evaluation assets included in accounts payable	14,839	41,050
<b>Cash and cash equivalents is comprised of:</b>		
Cash at the bank	910,515	2,376,697
Cashable GIC's, bearing 4.55%-5.15% interest per annum	900,000	-

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



## **Vital Battery Metals Inc.**

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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### **1. Nature and Continuance of Operations and Going Concern**

Vital Battery Metals Inc. (the “Company”) was incorporated in the Province of British Columbia on October 4, 2021. The Company changed its name from 1326985 B.C. Ltd. to Infinity West Capital Corp. on November 3, 2021 and further changed its name to Vital Battery Metals Inc. on January 7, 2022. The Company’s shares are listed for trading on the Canadian Securities Exchange (“CSE”) under the symbol “VBAM”, the Frankfurt Stock Exchange under the symbol CO0 and in the US on the OTC market, under the symbol VBAMF. The Company’s principal business activity is the acquisition and exploration of mineral property assets in Canada. The Company’s registered and records office are located at Suite 700, 838 West Hastings Street, Vancouver, BC.

As at February 29, 2024, the Company had a deficit of \$2,559,023 (2023 - \$1,629,725), which has been funded by the issuance of equity. These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. 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. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and/or private placements of common share. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

### **2. Material Accounting Policy Information**

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from March 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand the financial statements.

#### *(a) Statement of Compliance to International Financial Reporting Standards*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on June 26, 2024.

#### *(b) Basis of preparation*

The financial statements have been prepared on an accrual basis except for cash flow information and are based on historical costs modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted. The policies set out below were consistently applied to all years presented unless otherwise noted.

## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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### 2. Material Accounting Policy Information (continued)

#### (c) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- The assessment for indicators of impairment, which includes assessing whether facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount; and
- The classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

#### (d) Use of estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

#### (e) Accounting standards issued but not yet effective

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

#### (f) Cash equivalents

Cash equivalents in the statements of financial position is comprised of short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

#### (g) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development.

## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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### 2. Material Accounting Policy Information (continued)

#### (g) *Exploration and evaluation assets (continued)*

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

#### (h) *Property, plant and equipment*

Property, plant and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the assets to a working condition for their intended use, the initial estimate of the rehabilitation provisions, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Where an item of property, plant and equipment or mine properties comprises significant components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset.

#### (i) *Share-based payments*

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed from contributed surplus.

The fair value of warrants issued to agents in connection with private placements (“Agent Warrants”) is recognized on the date of issue as a share issue cost. The Company uses the Black Scholes Option Pricing Model to estimate the fair value of Agent Warrants issued.

## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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### 2. Material Accounting Policy Information (continued)

#### (j) *Flow-through shares*

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

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.

#### (k) *Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

#### (l) *Share issuance costs*

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed if the completion of the transaction is considered likely; otherwise, they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

#### (m) *Share capital*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to the capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock and the related residual value is transferred from warrant reserve to capital stock.

#### (n) *Income taxes*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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### 2. Material Accounting Policy Information (continued)

#### (n) Income taxes (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### (o) Financial instruments

Financial assets

##### i. Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial instruments under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Classification</b>
Cash	FVTPL
Accounts payable	Amortized cost

##### ii. Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income in the period in which they arise.

## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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### 2. Material Accounting Policy Information (continued)

#### (o) Financial instruments (continued)

##### iii. Derecognition

###### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

###### Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in profit or loss.

#### (p) Foreign currency transactions

The functional currency of the Company is the Canadian dollar. The financial statements are presented in Canadian dollars which is the Company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

### 3. Amounts Receivable

Amounts receivable includes interest receivable of \$32,305 (February 28, 2023 - \$Nil) from interest-bearing term deposits and goods and services tax receivable of \$8,540 (February 28, 2023 - \$5,482).

### 4. Computer

	Cost	Accumulated Depreciation	2024 Net Book Value	2023 Net Book Value
	\$	\$	\$	\$
Computer hardware	4,674	1,326	3,348	-
<b>Balance, February 29, 2024</b>	<b>4,674</b>	<b>1,326</b>	<b>3,348</b>	<b>-</b>

Computer hardware is recorded at cost. Annual rates of depreciation are as follows:

Computer hardware – 20% declining balance

## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

### 5. Exploration and Evaluation Property

	Vent Copper	Sting Copper	Schofield Lithium	Dickson Lake	Total
	\$	\$	\$	\$	\$
<b>Acquisition costs</b>					
Balance, February 28, 2022	50,000	-	-	-	50,000
Additions	112,500	1,330,000	-	-	1,442,500
Balance, February 28, 2023	162,500	1,330,000	-	-	1,492,500
Additions	91,250	968,750	20,900	23,200	1,104,100
Balance, February 29, 2024	253,750	2,298,750	20,900	23,200	2,596,600
<b>Exploration and evaluation costs</b>					
Balance, February 28, 2022	-	-	-	-	-
Additions	-	40,548	-	-	40,548
Balance, February 28, 2023	-	40,548	-	-	40,548
Additions	90,447	209,588	68,745	68,864	437,644
Balance, February 29, 2024	90,447	250,136	68,745	68,864	478,192
<b>Balance, February 28, 2023</b>	<b>162,500</b>	<b>1,370,548</b>	<b>-</b>	<b>-</b>	<b>1,533,048</b>
<b>Balance, February 29, 2024</b>	<b>344,197</b>	<b>2,548,886</b>	<b>89,645</b>	<b>92,064</b>	<b>3,074,792</b>

#### Vent Copper Property

On December 14, 2021, the Company entered into a property option agreement (“Option Agreement”) to acquire the right to earn up to 100% interest in two contiguous mineral claims located on Vancouver Island, B.C. known as the Vent Copper Property (the “Property”). Pursuant to the Option Agreement, the Company must satisfy the following:

- (a) Paying an aggregate of \$165,000 in cash as follows:
  - a. \$50,000 on or before the date that is ten calendar days after December 14, 2021 (“Effective Date”) (paid);
  - b. \$35,000 on or before the date that is eight months after the Effective Date, or before the date that is ten calendar days after the date that the Company is publicly listed on an exchange (the “Listing Date”), whichever is earlier (paid on the listing date July 22, 2022);
  - c. \$30,000 on or before the date that is one calendar year after the Listing Date (paid); and
  - d. \$50,000 on or before the date that is two calendar years after the Listing Date;
- (b) Issuing an aggregate of 800,000 common shares of the Company as follows:
  - a. 250,000 common shares on or before the date that is ten calendar days after the Listing Date (issued with a fair value of \$77,500) (Note 6);
  - b. 250,000 common shares on or before the date that is one calendar year after the Listing Date (issued with a fair value of \$61,250) (Note 6); and
  - c. 300,000 common shares on or before the date that is two calendar years after the Listing Date.

## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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### 5. Exploration and Evaluation Property (continued)

- (c) Incurring an aggregate expenditure of \$340,000 as follows:
  - a. \$90,000 on or before the date that is one calendar year after the Listing Date; and
  - b. \$250,000 on or before the date that is two calendar years after the Listing Date.

The Property is subject to 3% Net Smelter Returns royalty. The Company retains the right to purchase one-third of the 3% Net Smelter Returns royalty in consideration of the payment of \$1,000,000 thereby leaving the Optionor with a 2% Net Smelter Returns Royalty.

On May 15, 2023, the Company entered into an amending option agreement with respect to the Vent Copper Property to reduce the expenditures required to incur by or before the one calendar year after the Listing Date from \$110,000 to \$90,000.

#### Sting Copper Property

On August 22, 2022, the Company entered into a property option agreement (“Option Agreement”) to acquire the right to earn up to 100% interest in Sting Copper Property located south of the town of Trout River in Newfoundland. Pursuant to the Option Agreement, the Company must satisfy the following:

- (a) Paying an aggregate of \$90,000 in cash as follows:
  - a. \$40,000 upon signing of the agreement (paid); and
  - b. \$50,000 on or before the one-year anniversary of the signing of the agreement (paid).
- (b) Issuing an aggregate of 5,000,000 common shares of the Company as follows:
  - a. 2,500,000 common shares upon signing of the agreement (issued with a fair value of \$750,000) (Note 6); and
  - b. 2,500,000 common shares on or before the one-year anniversary of the signing of the agreement (issued with a fair market value of \$612,500) (Note 6).
- (c) Incurring an aggregate expenditure of \$625,000 as follows:
  - a. \$250,000 on or before the one-year anniversary of the signing of the agreement; and
  - b. Additional expenditures of \$375,000 on or before the two-year anniversary of the signing of the agreement.

The optionee retains the right at any time to purchase one-half (1/2) of the 2% Net Smelter Returns royalty, in consideration of the payment of \$1,500,000, thereby leaving the optioner with a one percent (1%) Net Smelter Return royalty.

On February 7, 2023, the Company entered into an option agreement (“New Tenure Option Agreement”) to acquire a 100% interest in three additional mineral claims at the Sting Copper Property located south of the town of Trout River in the Province of Newfoundland (the “New Claims”). Pursuant to the New Tenure Option Agreement, the Company must satisfy the following:

- (a) Cash payment of \$40,000 within five days of signing of the agreement (paid).
- (b) Issuing an aggregate of 2,500,000 common shares of the Company as follows:
  - a. 1,250,000 common shares within five days of signing of the agreement (issued with a fair value of \$500,000) (Note 6); and
  - b. 1,250,000 common shares on or before the one-year anniversary of the signing of the agreement (issued with a fair value of \$306,250) (Note 6).



## **Vital Battery Metals Inc.**

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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### **5. Exploration and Evaluation Property (continued)**

- (c) Incurring a minimum of \$100,000 in Exploration Expenditures on the Property on or before the first anniversary of the signing of this Agreement.

Upon the Company earning in under the Agreement, the Optionors will retain a 2% net smelter returns royalty on the New Claims, of which the Company may purchase at any time one-half, being 1%, for a price of \$1,500,000.

As of February 13, 2024, the Company completed its earn-in on the New Tenure Option Agreement.

#### Schofield Lithium Project

On March 7, 2023, the Company acquired, for the cost of staking, the Schofield Lithium Project (“Schofield” or the “Project”). The Project consists of 418 mining claims located in Ontario.

#### Dickson Lake Lithium Project

On March 8, 2023, the Company acquired, for the cost of staking, the Dickson Lake Lithium Project (“Dickson” or the “Project”). The Project consists of 446 mining claims in Ontario.

### **6. Share Capital**

- (a) Authorized:

The Company has authorized an unlimited number of common shares with no par value.

- (b) Escrow Shares:

The Company entered into an escrow agreement, whereby 4,070,000 common shares are to be held in escrow. During the year ended February 28, 2024, 1,661,000 (February 28, 2023 - 1,567,500 shares) were released in accordance with the terms of the escrow agreement. As at February 29, 2024, the Company has 841,500 (February 28, 2023 - 2,502,500) shares held in escrow.

- (c) Issued and Outstanding as at February 29, 2024 – 46,089,450 (February 28, 2023 – 39,577,450) common shares

For the year ended February 29, 2024, the Company had the following share capital transactions:

- i. On March 31, 2023, the Company issued 3,000 common shares pursuant to the exercise of 3,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$600.
- ii. On July 19, 2023, the Company issued 250,000 common shares valued at \$61,250 pursuant to the Vent Copper Property (Note 5).
- iii. On August 22, 2023, the Company issued 2,500,000 common shares valued at \$612,500 pursuant to the Sting Copper Property (Note 5).
- iv. On November 16, 2023, the Company issued 225,000 common shares pursuant to the exercise of 225,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$45,000.

## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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### 6. Share Capital (continued)

- v. On November 23, 2023, the Company issued 225,000 common shares pursuant to the exercise of 225,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$45,000.
- vi. On November 27, 2023, the Company issued 25,000 common shares pursuant to the exercise of 25,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$5,000.
- vii. On December 6, 2023, the Company issued 100,000 common shares pursuant to the exercise of 100,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$20,000.
- viii. On December 12, 2023, the Company issued 4,000 common shares pursuant to the exercise of 4,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$800.
- ix. On December 19, 2023, the Company issued 102,000 common shares pursuant to the exercise of 102,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$20,400.
- x. On December 28, 2023, the Company issued 50,000 common shares pursuant to the exercise of 50,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$10,000.
- xi. On December 28, 2023, the Company issued 50,000 common shares pursuant to the exercise of 50,000 share purchase warrants at an exercise price of \$0.35 per share for proceeds of \$17,500.
- xii. On December 28, 2023, the Company closed a non-brokered private placement for total gross proceeds of \$752,850. The Company has allotted and issued 1,673,000 flow-through units (each, a "FT Unit") at a subscription price of \$0.45 per FT Unit. Each FT Unit consists of one common share and one-half of one transferable common share purchase warrant (each whole, a "Warrant"). Each Warrant entitles the holder to acquire one additional common share at an exercise price of \$0.60 for a period of 24 months from the closing date. The Company paid finder's fees of \$34,987 and issued 77,750 finder's warrants, entitling the holder to acquire one share at a price of \$0.45 per share for a period of 24 months. All securities issued pursuant to the Private Placement will be subject to a hold period expiring April 29, 2024. As the flow-through shares were recognized at the same amount as the common shares, no flow-through share premium was recorded.

Pursuant to the private placement, the Company paid share issuance costs of \$34,987 and issued 77,750 finder warrants. The fair value of the finder warrants was \$27,417 and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Share price	\$0.45
Risk free interest rate	3.92%
Expected life	2 years
Expected volatility	184%
Expected forfeiture rate	Nil
Expected dividends	Nil

## Vital Battery Metals Inc.

### Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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#### 6. Share Capital (continued)

- xiii. On January 4, 2024, the Company issued 3,000 common shares pursuant to the exercise of 3,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$600.
- xiv. On January 15, 2024, the Company issued 50,000 common shares pursuant to the exercise of 50,000 share purchase warrants at an exercise price of \$0.35 per share for proceeds of \$17,500.
- xv. On January 19, 2024, the Company issued 2,000 common shares pursuant to the exercise of 2,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$400.
- xvi. On February 7, 2024, the Company issued 1,250,000 common shares valued at \$306,250 pursuant to the New Tenure Option Agreement (Note 5).

For the year ended February 28, 2023, the Company had the following share capital transactions:

- xvii. On July 21, 2022, 3,397,450 special warrants of the Company were converted into one unit of the Company, without additional payment, pursuant to the Company's shares trading on the CSE. Each unit consist of one common share of the Company and one share purchase warrant exercisable at an exercise price of \$0.20 for two years.
- xviii. On July 28, 2022, the Company issued 250,000 common shares valued at \$77,500 pursuant to the Vent Copper Property (Note 5).
- xix. On August 25, 2022, the Company issued 3,000 common shares pursuant to the exercise of 3,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$600.
- xx. On August 30, 2022, the Company issued 2,500,000 common shares valued at \$750,000 pursuant to the Sting Property (Note 5).
- xxi. On September 27, 2022, the Company issued 3,000 common shares pursuant to the exercise of 3,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$600.
- xxii. On October 12, 2022, the Company issued 10,000 common shares pursuant to the exercise of 10,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$2,000.
- xxiii. On October 14, 2022, the Company issued 3,000 common shares pursuant to the exercise of 3,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$600.
- xxiv. On November 9, 2022, the Company issued 9,200,000 units at \$0.25 per share for total proceeds of \$2,300,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$0.35 per share for a period of 24 months following the issuance date.

Pursuant to the private placement, the Company paid share issuance costs of \$58,974 and issued 235,900 broker warrants. The fair value of the broker warrants was \$68,366 and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

### 6. Share Capital (continued)

Share price	\$0.38
Risk free interest rate	4.15%
Expected life	2 years
Expected volatility	160%
Expected forfeiture rate	Nil
Expected dividends	Nil

- xxv. On November 15, 2022, the Company issued 3,000 common shares pursuant to the exercise of 3,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$600.
- xxvi. On December 12, 2022, the Company issued 25,000 common shares pursuant to the exercise of 25,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$5,000.
- xxvii. On December 15, 2022, the Company issued 25,000 common shares pursuant to the exercise of 25,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$5,000.
- xxviii. On January 12, 2023 the Company issued 3,000 common shares pursuant to the exercise of 3,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$600.
- xxix. On February 7, 2023, the Company issued 1,250,000 common shares valued at \$500,000 pursuant to the New Tenure Option Agreement (Note 5).
- xxx. On February 23, 2023, the Company issued 5,000 common shares pursuant to the exercise of 5,000 share purchase warrants at an exercise price of \$0.20 per share for proceeds of \$1,000.

#### (d) Stock options

The Company has a Stock Option Plan (the “Plan”) for directors, officers, employees and consultants of the Company. Options are exercisable for periods of up to ten years, as determined by the Board of Directors of the Company, to purchase common shares of the Company at a price not less than the discounted market price on the date of the grant. The maximum number of shares which may be issuable under the Plan cannot exceed 10% of the total number of issued and outstanding common shares on a non-diluted basis.

A summary of the Company’s stock options is presented below:

	February 29, 2024		February 28, 2023	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Outstanding, beginning of the year	3,185,000	\$0.42	-	-
Granted	-	-	3,185,000	\$0.42
Outstanding, end of the year	3,185,000	\$0.42	3,185,000	\$0.42

## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

### 6. Share Capital (continued)

The Company had the following stock option transactions during the year ended February 28, 2023:

The weighted average fair value at grant date of 3,185,000 options granted during the year ended February 28, 2023 was \$0.34 per option. The fair value of the stock options was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Share price	\$0.41
Risk free interest rate	3.49%
Expected life	3 years
Expected volatility	158%
Expected forfeiture rate	Nil
Expected dividends	Nil

Details of stock options outstanding and exercisable as at February 29, 2024 are as follows:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Outstanding</b>	<b>Exercisable</b>
January 31, 2026	\$0.42	3,185,000	3,185,000
		3,185,000	3,185,000

The weighted average remaining contractual life of stock options outstanding at February 29, 2024 was 1.92 years.

During the year ended February 29, 2024, the Company recognized \$Nil (February 28 2023 - \$1,090,839) in share-based compensation expense related to these stock options.

#### (e) Share Purchase Warrants

A summary of the Company's warrants is presented below:

	<b>February 29, 2024</b>		<b>February 28, 2023</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of the year	12,753,350	\$ 0.31	6,300,000	\$ 0.10
Issued	914,250	0.60	12,833,350	0.31
Exercised	(839,000)	0.22	(80,000)	0.20
Cancelled	-	-	(6,300,000)	0.10
Outstanding, end of the year	12,828,600	\$ 0.34	12,753,350	\$ 0.31

On June 27, 2022, 6,300,000 warrants with an exercise price of \$0.10 per share expiring on January 7, 2025 were transferred to the Company for nominal consideration and subsequently cancelled.

## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

### 6. Share Capital (continued)

Details of warrants outstanding and exercisable at February 28, 2024 are as follows:

<b>Date of expiry</b>	<b>Exercise price</b>	<b>Number of warrants</b>	<b>Weighted average remaining contractual life, years</b>
July 21, 2024	\$0.20	2,578,450	0.39
November 8, 2024	\$0.35	9,335,900	0.69
December 28, 2025	\$0.60	914,250	1.83
		12,828,600	0.71

#### (f) Special Warrants

On February 23, 2022, the Company received a total of \$339,845 related to 3,398,450 special warrants of the Company priced at \$0.10 per special warrant (the "Offering"). On March 24, 2022, the Company repurchased 1,000 special warrants by paying \$100 back to a certain investor. Each special warrant will be converted into one unit of the Company on the date that is the earlier of (i) the third business day after the date on which a receipt for a final prospectus, and (ii) the date that is one year following closing of the Offering. Each unit will consist of one common share of the Company and one share purchase warrant exercisable at an exercise price of \$0.20 for two years from the date the Company's shares commence trading on an exchange. On July 21, 2022, 3,397,450 special warrants were converted into one unit of the Company.

#### (g) Contributed Surplus

The contributed surplus records items recognized as stock-based compensation expense and other share-based payments.

### 7. 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.

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

During the year ended February 29, 2024, the Company paid or accrued management fees of \$120,000 (February 28, 2023 - \$70,000) and incurred share-based compensation of \$Nil (February 28, 2023 - \$171,246) to a company controlled by a director and CEO of the Company. During the year ended February 29, 2024, the Company reimbursed costs incurred on behalf of the Company of \$2,564 (February 28, 2023 - \$Nil) to a company controlled by a director and CEO of the Company.

During the year end February 29, 2024, the Company paid or accrued professional fees of \$49,400 (February 28, 2023 - \$8,000) and incurred share-based compensation of \$Nil (February 28, 2023 - \$102,748) to a company controlled by the CFO of the Company.

## Vital Battery Metals Inc.

### Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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#### 7. Related Party Transactions (continued)

During the year ended February 29, 2024, the Company paid or accrued consulting fees of \$74,000 (February 28, 2023 - \$12,000), rental costs of \$8,000 (February 28, 2023 - \$Nil), and incurred share-based compensation of \$Nil (February 28, 2023 - \$171,246) to a company controlled by a director and Vice President (“VP”) of Corporate Development of the Company. As at February 29, 2024, an amount of \$8,400 (February 28, 2023 - \$12,600) included in accounts payable was due to a company controlled by the director and VP of Corporate Development. The amounts due are unsecured, bear no interest and are due on demand.

During the year ended February 29, 2024, the Company paid or accrued professional fees of \$24,000 (February 28, 2023 - \$4,000), incurred share-based compensation of \$Nil (February 28, 2023 - \$102,748), and capitalized fees of \$3,000 as exploration and evaluation expenditures to a company controlled by a director of the Company.

During the year ended February 29, 2024, the Company incurred share-based compensation of \$Nil (February 28, 2023 - \$102,748) to a company controlled by a director of the Company.

During the year ended February 29, 2024, the Company paid or accrued consulting fees of \$36,000 (February 28, 2023 - \$21,677) and incurred share-based compensation of \$Nil (February 28, 2023 - \$102,748) to a company controlled by the corporate secretary of the Company. As at February 29, 2024, an amount of \$3,740 (February 28, 2023 - \$3,150) included in accounts payable was due to a company controlled by the corporate secretary of the Company. The amounts due are unsecured, bear no interest and are due on demand. During the year ended February 29, 2024, the Company reimbursed costs incurred on behalf of the Company of \$5,302 (February 28, 2023 - \$Nil) to a company controlled by the corporate secretary of the Company.

During the year ended February 29, 2024, the Company paid or accrued management fees of \$Nil (February 28, 2023 - \$15,700), professional fees of \$Nil (February 28, 2023 - \$15,700) and incurred share-based compensation of \$Nil (February 28, 2023 - \$34,249) to the former CFO of the Company.

#### 8. Financial Instruments

##### *(a) Categories of Financial Instruments and Fair Value Measurements*

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 fair value of the Company’s financial instruments, approximates their carrying amount due to their short-term maturities.

## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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### 8. Financial Instruments (continued)

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at February 29, 2024 and February 28, 2023 as follows:

<b>February 29, 2024</b>	Level 1	Level 2	Level 3	Total
<b>Financial Instrument</b>				
Cash and cash equivalents	\$ 1,810,515	-	-	\$ 1,810,515

  

<b>February 28, 2023</b>	Level 1	Level 2	Level 3	Total
<b>Financial Instrument</b>				
Cash	\$ 2,376,697	-	-	\$ 2,376,697

#### (b) Management of Financial Risks

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

##### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has exposure to credit risk as the Company maintains all of its cash in a major bank. Accordingly, the Company has assessed credit risk as low.

##### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to the capital markets is hindered. The Company has no source of revenue and has obligations to meet its administrative overheads and to settle amounts payable to its creditors. At February 29, 2024, the Company had \$1,810,515 (February 28, 2023 - \$2,376,697) in cash to settle current liabilities of \$72,783 (February 28, 2023 - \$97,796) and, as such, assessed liquidity risk as low.

##### Foreign Exchange Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The main currency to which the Company has exposure is the US dollar. The Company is exposed to currency risk to the extent of its accounts payable and accrued liabilities that are denominated in US dollars. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates. The Company's exposure to currency risk is currently considered insignificant.

##### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as it has \$900,000 in interest-bearing term deposits.



## Vital Battery Metals Inc.

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

### 8. Financial Instruments (continued)

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company has no variable interest-bearing debt. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in battery metal prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

### 9. Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	February 29, 2024	February 28, 2023
	\$	\$
Net loss	(929,298)	(1,598,939)
Statutory income tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	(250,910)	(431,714)
Non-deductible items and other	(288,157)	294,526
Share issuance costs	(9,447)	(15,923)
Change in valuation allowance	548,514	153,111
Income tax recovery	-	-

The Company has the following tax effected deduction temporary differences for which no deferred tax asset has been recognized:

	February 29, 2024	February 28, 2023
	\$	\$
Non-capital loss carry forward	692,825	148,684
Shares issuance cost	17,111	12,739
Unrecognized deferred tax assets	(709,936)	(161,423)
Net deferred tax assets	-	-

The Company has non-capital losses carried forward of approximately \$2,566,000 - (February 28, 2023 - \$550,600) available to reduce income taxes in future years which expire between 2042 and 2044. These losses expire as follows:

	\$
2042	30,786
2043	1,587,144
2044	948,091
	2,566,021

## **Vital Battery Metals Inc.**

Notes to the Financial Statements

For the Year Ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

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### **9. Income Taxes (continued)**

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

### **10. Commitments**

On December 28, 2023, the Company completed a Flow-Through Offering for \$752,850 (Note 6), thus committing to spending this amount by December 31, 2024 on “Canadian Exploration Expenses” which qualify as “Flow-Through Mining Expenditures”, as these terms are defined in the Income Tax Act (Canada) (“Resource Expenditures”). As at February 29, 2024, the Company has incurred approximately \$50,000 of the 2023 FT Private Placement amount of \$752,850 on Resource Expenditures.

The Company is also committed to certain cash payments, common share issuances and exploration expenditures as described in Note 5.

### **11. Capital Management**

The Company defines its capital as working capital and shareholders’ equity. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. 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 is dependent upon external financing. In order to carry future activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. 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. The Company did not institute any changes to its capital management strategy since inception.

### **12. Subsequent Event**

On April 23, 2024, the Company became provincially registered in the province of Newfoundland and Labrador.