

**HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)**

CONSOLIDATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED OCTOBER 31, 2024 AND 2023 (UNAUDITED)

(Expressed in Canadian Dollars)

**Notice of No Auditor Review of Condensed Interim Consolidated  
Financial Statements**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Professional Chartered Accountants for a review of interim financial statements by an entity's auditor.

December 23, 2024

**HERTZ ENERGY INC (FORMERLY HERTZ LITHIUM INC.)**  
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(Unaudited - Expressed in Canadian Dollars)

	Note	As at	
		October 31, 2024	July 31, 2024
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	\$ 1,024,342	\$ 1,255,435
Prepaid expenses and deposits	6	33,914	42,771
Tax receivables		144,869	101,257
Due from related party	9	1,536	1,536
<b>Total current assets</b>		<b>1,204,661</b>	<b>1,400,999</b>
<b>Non-current assets</b>			
Exploration and evaluation properties	7	6,635,598	6,966,136
<b>Total assets</b>		<b>\$ 7,840,259</b>	<b>\$ 8,367,135</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 341,468	\$ 509,355
Due to related parties	9	627,937	452,424
Flow-through premium liability	11	277,652	462,230
		<b>1,247,057</b>	<b>1,424,009</b>
<b>Non-current liabilities</b>			
Due to related party	9	109,743	108,900
<b>Total liabilities</b>		<b>1,356,800</b>	<b>1,532,909</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	10,679,072	10,679,072
Reserves	8	357,220	297,505
Accumulated other comprehensive loss		(540)	285
Deficit		(4,552,293)	(4,142,636)
<b>Total shareholders' equity</b>		<b>6,483,459</b>	<b>6,834,226</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 7,840,259</b>	<b>\$ 8,367,135</b>

Going concern (*Note 1*)  
Subsequent events (*Note 17*)

APPROVED BY THE BOARD OF DIRECTORS ON December 23, 2024

ON BEHALF OF THE BOARD

/s/ Kulwant Malhi

Kulwant Malhi, Director

/s/ Jamie L. Hogue

Jamie L. Hogue, Director

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

**HERTZ ENERGY INC (FORMERLY HERTZ LITHIUM INC.)****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended	
		October 31, 2024	October 31, 2023
<b>Expenses:</b>			
Loss on Impairment of mineral property	7	<b>314,986</b>	-
Management fees	9	<b>82,500</b>	85,500
Stock based payments	8,10	<b>59,716</b>	5,011
Advertisement and marketing		<b>59,839</b>	199,567
Accounting fees	9	<b>19,500</b>	35,944
Property investigation		<b>12,553</b>	-
Consulting fees	9	<b>15,500</b>	48,420
Insurance		<b>7,885</b>	-
Transfer agent and filing fees		<b>7,685</b>	12,356
Interest on loan		<b>7,180</b>	-
Director fees	9	<b>6,500</b>	11,252
Office expenses		<b>6,838</b>	5,120
Legal fees		<b>5,839</b>	109,770
Total expenses		<b>(606,521)</b>	(512,940)
Other income (expenses):			
Flow-through premium income	11	<b>184,578</b>	-
Interest income		<b>16,326</b>	-
Foreign exchange loss		<b>(4,040)</b>	(19,830)
Net loss		<b>(409,657)</b>	(532,770)
Other comprehensive income (loss)			
Exchange difference on translating foreign operations		<b>(825)</b>	32,236
Comprehensive loss		<b>(410,482)</b>	(500,534)
Net loss per share, basic and diluted		<b>(0.02)</b>	(0.06)
Weighted average number of shares outstanding, basic and diluted		<b>1,6511,678</b>	8,518,022

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

**HERTZ ENERGY INC (FORMERLY HERTZ LITHIUM INC.)**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited - Expressed in Canadian Dollars)

	Share capital		Shares to be issued \$	Reserves		Accumulated other comprehensive loss \$	Deficit \$	Total \$
	Number of shares (Note 8)	Amount \$		Share-based payment reserve \$	Warrants reserve \$			
<b>Balance, July 31, 2023</b>	<b>7,657,295</b>	<b>2,114,142</b>	-	<b>217,681</b>	<b>64,174</b>	<b>(20,628)</b>	<b>(1,462,421)</b>	<b>912,948</b>
Shares issued for warrants exercise	536,050	535,825	-	-	(300)	-	-	535,525
Shares issued for acquisition of Canuck	5,787,500	6,019,000	-	-	-	-	-	6,019,000
Share-based compensation	-	-	-	5,011	-	-	-	5,011
Net and comprehensive income (loss)	-	-	-	-	-	32,236	(532,770)	(500,534)
<b>Balance, October 31, 2023</b>	<b>13,980,846</b>	<b>8,668,967</b>	-	<b>222,692</b>	<b>63,874</b>	<b>11,608</b>	<b>(1,995,191)</b>	<b>6,971,950</b>
<b>Balance, July 31, 2024</b>	<b>16,511,678</b>	<b>10,679,072</b>	-	<b>233,631</b>	<b>63,874</b>	<b>285</b>	<b>(4,142,636)</b>	<b>6,834,226</b>
Fair value of stock options vested	-	-	-	59,715	-	-	-	59,715
Net and comprehensive income (loss)	-	-	-	-	-	(825)	(409,657)	(410,482)
<b>Balance, October 31, 2024</b>	<b>16,511,678</b>	<b>10,679,072</b>	-	<b>293,346</b>	<b>63,874</b>	<b>(540)</b>	<b>(4,552,293)</b>	<b>6,483,459</b>

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

**HERTZ ENERGY INC (FORMERLY HERTZ LITHIUM INC.)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited - Expressed in Canadian Dollars)

	Three months ended	
	October 31, 2024	October 31, 2023
Cash Provided By (Used In)		
<b>Operating Activities</b>		
Net loss	\$ (409,657)	\$(532,770)
Adjustments for non-cash items:		
Share-based payments	59,716	5,011
Loss on Impairment of Mineral Property	314,986	-
Flow-through premium income	(184,578)	-
Changes in working capital:		
Prepaid expenses	8,857	(470,765)
Tax receivable	(43,612)	(20,560)
Deferred financing costs	-	(4,749)
Due from related party	-	(4,840)
Due to related parties	175,513	217,253
Accounts payable and accrued liabilities	(167,888)	135,193
<b>Net cash used in operating activities</b>	<b>(246,663)</b>	<b>(676,227)</b>
<b>Investing Activities</b>		
Exploration and evaluation expenditures	15,552	(239,663)
<b>Net cash used in investing activities</b>	<b>15,552</b>	<b>(239,663)</b>
<b>Financing Activities</b>		
Proceeds from exercise of share warrants	-	535,525
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>535,525</b>
Increase (decrease) in cash and cash equivalents	(231,111)	(380,365)
Effect of exchange rate changes on cash and cash equivalents	18	22,461
Cash and cash equivalents, beginning of the year	1,255,435	580,065
Cash and cash equivalents, end of the year	\$ 1,024,342	\$ 222,161

Supplemental cash flow information (Note 10)

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

## **HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended October 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN**

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Hertz Energy Inc. (formerly Hertz Lithium Inc.) (the “Company” or “Hertz”) was incorporated February 15, 2019, in the province of British Columbia, Canada as Hybrid Ventures Inc., and on January 24, 2022, the Company changed its name from Hybrid Ventures Inc. to Hertz Lithium Inc. The Company’s head office and registered address is located at 1055 West Georgia Street, 1500 Royal Centre, Vancouver, British Columbia, V6E 4N7, Canada. On February 9, 2024, the Company changed its name from Hertz Lithium Inc. to Hertz Energy Inc. to include other energy metals in its portfolio in addition to lithium.

The Company is engaged in the exploration and development of mineral resources, currently focusing on projects in Quebec and New Brunswick, Canada. Currently, the Company does not own any operating mines and has no operating income from mineral production. Funding for operations is raised primarily through public and private share offerings. It is not known whether the Company’s mineral properties contain reserves that are economically recoverable. The recoverability of amounts recorded by the Company for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability to raise funding for continued exploration and development, the completion of property option expenditures and acquisition requirements, or from proceeds from disposition.

On February 9, 2022, the Company incorporated its wholly owned subsidiary, Hertz Lithium USA LLC. (“Hertz US”) in the state of Utah to undertake exploration activities in the USA.

On September 15, 2023, the Company entered into a share exchange agreement to acquire 100% ownership of Canuck Lithium Corp. (“Canuck”), a private corporation registered in the province of Quebec. Canuck holds the options to acquire 100% interest in certain lithium mineral claims situated in the James Bay region of Quebec (referred as the “AC/DC and La Fleur Project”) (See Note 4).

These condensed interim consolidated financial statements for the three months ended October 31, 2024, and 2023 (the “Financial Statements”) have been prepared with the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to meet its obligations and maintain its current operations through the ensuing twelve-month period and thereafter is contingent upon successful completion of additional financing arrangements and ultimately upon the discovery of proven reserves and generating profitable operations.

Management expects to be successful in arranging sufficient funding to meet operating commitments for the ensuing year. However, the Company’s future capital requirements will depend on many factors, including the costs of exploring and developing its resource properties, operating costs, the current capital market environment and global market conditions. As at October 31, 2024, the Company has not generated any operating income and has a cumulative deficit of \$4,552,293 (July 31, 2024 - \$4,142,636). Consequently, there is a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. For significant expenditures and resource property development, the Company will depend almost exclusively on outside capital. Such outside capital will include the issuance of additional equity shares. There can be no assurance that capital will be available, as necessary, to meet the Company’s operating commitments and further exploration and development plans.

The Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## **HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended October 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

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## **2. BASIS OF PRESENTATION**

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### **Statement of compliance**

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports including International Accounting Standards ("IAS") 34 Interim Financial Reporting.

These Financial Statements have been prepared based on accounting principles and methods consistent with those used in the preparation of the audited consolidated financial statements for the year ended July 31, 2024. The accompanying Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2024. The Company's interim results are not necessarily indicative of its results for a full year.

### **Basis of consolidation**

These Financial Statements include the accounts of the Company and its subsidiaries, Hertz US and Canuck (see Note 4). Subsidiaries are all entities over which the Company has control. The Company controls an entity where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Subsidiaries are deconsolidated from the date that control ceases. All intercompany balances and transactions have been eliminated upon consolidation.

### **Judgments and estimates**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### **Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below:**

#### *Going concern of operations*

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing the Financial Statements. Management prepares its financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

#### *Business combination and asset acquisition*

Judgement is required to determine whether the Company's acquisitions represented a business combination or an asset purchase. More specifically, management concluded that the Canuck acquisition (Note 4) does not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. An allocation of the purchase price to the individual identifiable assets acquired, including tangible assets and liabilities assumed based on their relative fair values at the date of purchase was required based on management estimates.

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**HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended October 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

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**3. MATERIAL ACCOUNTING POLICY INFORMATION**

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**Cash and cash equivalents**

The Company considers deposits with banks or highly liquid short-term interest-bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents. (See Note 4)

**Exploration and evaluation assets**

Once the legal right to explore a property has been acquired, all expenditures related to acquisition, exploration and evaluation of the properties ("E&E assets") (including option payments and annual fees to maintain the property in good standing) are capitalized and deferred by property until the project to which they relate is sold, abandoned, impaired or placed into production. Costs not directly attributable to exploration and evaluation activities are expensed in the period in which they occur. 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 assesses carrying values of properties for which events and circumstances may indicate possible impairment on an annual basis. Impairment of a property is generally considered to have occurred if (1) the period for which the entity has the right to explore the area has expired or is not expected to be renewed; (2) substantive expenditures on further exploration is neither budgeted nor planned; (3) exploration has not led to discovery of commercially viable quantities; or (4) the carrying amount is unlikely to be recovered in full from successful development or sale. When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written down to profit or loss.

**Share capital**

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates the value to the more easily measurable component based on fair value and then the residual value, if any, to the less measurable component. Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issuance costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise, they are expensed as incurred. Share issuance costs are charged to share capital when the related shares are issued. Deferred share issuance costs related to financing transactions that are not completed are charged to expenses.

**Share-based payments**

The Company records all share-based payments at their fair value. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of 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 corresponding amount is charged to reserves. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

The share-based payments costs are charged to operations over the stock option vesting period. Agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to reserves.

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**HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended October 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)****Earnings (loss) per share**

The Company uses the treasury stock method in computing earnings (loss) per share. Under this method, basic earnings (loss) per share is computed by dividing earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of in-the-money stock options and warrants. Diluted loss per share excludes all dilutive potential equity instruments if their effect is anti-dilutive.

**Accounting standards issued but not yet effective**

A number of new standards, amendments to standards and interpretations are not yet effective for the three months ended October 31, 2024, and have not been applied in preparing these financial statements. None of these pronouncements are expected to have a material impact on the financial statements.

**4. ACQUISITION OF CANUCK LITHIUM CORP.**

On September 15, 2023, the Company entered into a share exchange agreement (the "Share Exchange Agreement") with Canuck Lithium Corp. ("Canuck") and common shareholders of Canuck, pursuant to which the Company acquired 100% of the issued and outstanding common shares in the capital of Canuck in exchange of 5,787,500 common shares of the Company. The sole director and officer of Canuck is a close relative of a director and officer of the Company (Note 9).

On October 23, 2023 (the "Completion Date"), the Company completed the acquisition pursuant to the terms and conditions of the Share Exchange Agreement and issued 5,787,500 common shares of the Company valued at a \$6,019,000 based on the Company's stock trading price at the Completion Date.

Canuck is a junior mining company registered in the province of Quebec, Canada. It has rights to explore certain lithium properties (named as "AC/DC and La Fleur Project") located in the emerging hard rock lithium district in James Bay, Quebec (Note 7). The Canuck acquisition was accounted for as an asset acquisition.

The purchase price is allocated to the assets received and the liabilities assumed at the Completion Date as follows:

<b>Assets</b>	
Cash	\$ 186,831
Due from a related party	30,000
Exploration and evaluation properties	6,127,791
	<b>6,344,622</b>
<b>Liabilities</b>	
Due to a related party	294,442
Accounts payable and accrued liabilities	31,180
	<b>325,622</b>
<b>Consideration paid</b>	<b>\$ 6,019,000</b>

**HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended October 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

**5. CASH AND CASH EQUIVALENTS**

As at October 31, 2024 and July 31, 2024, cash and cash equivalents in the Company consists of the following:

	<b>October 31, 2024</b>	July 31, 2024
Cash held at bank	<b>\$ 231,889</b>	\$ 273,564
GIC deposits	<b>792,453</b>	981,871
	<b>\$ 1,024,342</b>	\$ 1,255,435

GIC deposits bear an interest rate of 5.20% per annum, cashable having a maturity date of January 20, 2025.

**6. PREPAID EXPENSES AND DEPOSITS**

The Company's prepaid expenses for the three-month period ended October 31, 2024, and July 31, 2024, are composed of the following:

	<b>October 31, 2024</b>	July 31, 2024
Advertising and marketing	<b>\$ 5,000</b>	\$ 12,633
Transfer agent and filing fees	<b>14,276</b>	19,630
Others	<b>14,638</b>	10,508
	<b>\$ 33,914</b>	\$ 42,771

**HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

**7. EXPLORATION AND EVALUATION ASSETS**

As at October 31, 2024 and July 31, 2024, the Company's exploration and evaluation properties are as follows:

	AC/DC and La Fleur Project, Quebec	Maskwa Property, Quebec	Harriman Property QC	Lake George NB	Lucky Mica Project, Arizona	Patriota Lithium Project, Brazil	Pomie and Yon Project, Nunavut	Total
<b>Balance July 31, 2023</b>	\$ -	\$ -	\$ -	\$ -	\$ 542,901	\$ -	\$ -	\$ 542,901
<b>Acquisition Cost:</b>								
Shares issued	6,127,791	-	-	-	-	-	-	6,127,791
Cash payment	-	100,000	-	-	-	198,300	2,500	300,800
Foreign exchange translation	-	-	-	-	12,376	-	-	12,376
Impairment	-	-	-	-	(261,492)	(198,300)	(2,500)	(462,292)
	6,127,791	100,000	-	-	(249,116)	-	-	5,978,675
<b>Exploration and evaluation expenditures:</b>								
Staking and claim maintenance	-	-	-	-	28,984	-	-	28,984
Geological exploration	411,433	179,912	-	-	35,266	14,879	1,152	642,642
Prepayments	107,000	40,000	-	-	-	-	2,000	149,000
Foreign exchange translation	-	-	-	-	21,875	-	-	21,875
Impairment	-	-	-	-	(379,910)	(14,879)	(3,152)	(397,941)
	518,433	219,912	-	-	(293,785)	-	-	444,561
<b>Balance July 31, 2024</b>	<b>\$ 6,646,224</b>	<b>\$ 319,912</b>	-	-	<b>\$ Nil</b>	<b>\$ Nil</b>	<b>\$ Nil</b>	<b>\$ 6,966,136</b>
<b>Acquisition Cost:</b>								
Impairment	-	(100,000)	-	-	-	-	-	(100,000)
	-	(100,000)	-	-	-	-	-	(100,000)
<b>Exploration and evaluation expenditures:</b>								
Staking and claim maintenance	-	-	-	4,438	-	-	-	4,438
Geological exploration	16,811	35,074	51,600	6,526	-	-	-	110,011
Prepayment	(90,000)	(40,000)	-	-	-	-	-	(130,000)
Impairment	-	(214,986)	-	-	-	-	-	(214,986)
	(73,189)	(219,913)	51,600	10,964	-	-	-	(230,538)
<b>Balance October 31, 2024</b>	<b>\$6,573,036</b>	<b>\$ Nil</b>	<b>\$ 51,600</b>	<b>\$ 10,964</b>	<b>\$ Nil</b>	<b>\$ Nil</b>	<b>\$ Nil</b>	<b>\$6,635,598</b>

**HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended October 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

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**7. EXPLORATION AND EVALUATION ASSETS (continued)**

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**CURRENT AND ACTIVE MINERAL PROJECTS:**

**AC/DC and La Fleur Project, Quebec:**

AC/DC and La Fleur Project consisting certain Lithium properties located in Quebec and was acquired pursuant to the acquisition of Canuck (Note 4).

On January 31, 2023, Canuck entered into a property purchase agreement (the "Glenn Purchase Agreement") with Glenn Griesbach ("Glenn"), to acquire 100% beneficial interest in certain Lithium mineral tenements located in Quebec, Canada. Pursuant to the Glenn Purchase Agreement, Canuck agreed to make the following payments:

- a) Cash payment of \$15,000 to Glenn (paid on January 31, 2023);
- b) Issue 37,500 common shares of Canuck with 7 days of execution of this agreement (issued on August 16, 2023)
- c) Issue 62,500 common shares of the Company upon surface samples results returning samples on the 58 claims returning in excess of 1% lithium.
- d) Issue 62,500 common shares of the Company upon drill results returning minimum of 25 meters with assays of 1% lithium or greater.

Canuck agreed to pay Glenn the NSR Royalty of 2% upon commencement of commercial production from these claims. The NSR Royalty may be reduced by 1% at any time by paying Glenn \$500,000.

On March 31, 2023, Canuck entered into a property purchase agreement with Prospectus Capital Inc. ("Prospectus"), to acquire 100% beneficial interest in certain mineral tenements located in Quebec, Canada, resulting in additions to the ACDC property and the La Fleur property, in exchange for following considerations:

- a) Cash payment of \$100,000 on or before thirty days after obtaining a public stock market listing on a recognized stock exchange; (vendor agreed not to claim until July 31, 2025) and
- b) Issue 3,050,000 shares of the Company to Prospectus or other persons as directed by Prospectus (issued on August 16, 2023).

Canuck agreed to pay Prospectus the NSR Royalty of 2% upon commencement of commercial production from these claims.

On July 4, 2023, Canuck entered into a property purchase agreement with Anna-Rosa Giglio and 9219-8845 QC. Inc. (collectively referred as the "Quebec Optionors"), to acquire 100% beneficial interest in certain mineral tenements located in Quebec, Canada in exchange of 750,000 common shares of Canuck (issued on August 16, 2023). Canuck agreed to pay the Quebec Optionors the NSR Royalty of 2% upon commencement of commercial production from these claims. The NSR Royalty may be reduced by 1% at any time by paying Anna \$500,000.

**Harriman Antimony Property, Quebec:**

On August 29, 2024, Canuck entered into an option agreement with prospector Glenn Griesbach ("Griesbach"), to acquire a 100% interest in 49 mineral claims of Harriman Antimony Property, located in the Gaspé region of Québec. To exercise the Option, the Company must:

- (a) Pay \$20,000 in cash to Griesbach within seven business days of execution. (paid on November 5, 2024)
- (b) Issue 1,000,000 common shares of Hertz as following:
  - 250,000 common shares upon execution of the agreement and upon receipt of the approval of the TSXV.
  - 375,000 common shares on or before 12 months anniversary of the agreement date.
  - 375,000 common shares on or before 24 months anniversary of the agreement date.

Upon the Company's exercise of the Option, it will also grant Griesbach a 2.5% NSR royalty on the property. The NSR royalty may be reduced to 1% by Canuck by paying \$1,500,000 to Griesbach.

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**HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**7. EXPLORATION AND EVALUATION ASSETS (continued)****CURRENT AND ACTIVE MINERAL PROJECTS (continued)****Lake George, New Brunswick:**

On September 9, 2024, Canuck staked 93 claims surrounding the past-producing Lake George antimony mine located in the southwestern part of New Brunswick, approximately 30 km southwest of the city of Fredericton. These claims are royalty-free and are not subject to any agreement.

**PAST AND INACTIVE PROJECTS:****Maskwa Property, Quebec:**

On December 20, 2023, the Company entered into an option agreement (the "Option") with Sirios Resources Inc. (the "Vendor") to acquire a 100% interest in certain mineral claims of Maskwa property located in Eeyou Istchee James Bay in Quebec. To exercise the Option, the Company must:

- a) Pay the Vendor \$100,000 within three business days of the execution of the option agreement. (paid on December 21, 2023)
- b) Pay the Vendor \$100,000 in cash plus \$100,000 either in cash or in common shares upon the earlier of (i) receipt of the surface sampling results from the laboratory engaged by the Company to carry out the analysis of the surface samplings from the property, and (ii) December 20, 2024; and
- c) Incur a total of \$2,250,000 as exploration expenditure on the property as follows:
  - \$500,000 in exploration expenditures on the property on or before December 31, 2024. (As of July 31, 2024, the Company has spent \$214,987 on the exploration).
  - \$750,000 in exploration expenditures on the property on or before December 31, 2025.
  - \$1,000,000 in exploration expenditures on the property on or before December 31, 2026, exclusive of any tax.

Further, the Company must pay the Vendor \$250,000 either in cash or in common shares upon the successful confirmation of drilling results indicating a lithium concentration of one percent (1% Li<sub>2</sub>O) or more over 25 meters on the property.

Upon the Company's exercise of the Option, it will also grant the Vendor a 1.5% NSR royalty on the property. Additionally, the Company has agreed to grant the Vendor an option to purchase 100% of the mining rights related to the non-critical minerals located on the property (the "Buy-Back Option"). In order to exercise the Buy-Back Option the Vendor must reimburse the Company for all exploration expenditures incurred on the property, up to a maximum of \$2,000,000.

As of October 31, 2024, Due to lack of significant results from its prospecting and sampling program, the Company decided to discontinue this project and recognized a loss on impairment for acquisition and exploration expenses of \$314,986 (2023 - \$Nil).

**Lucky Mica Project, Arizona:**

On April 21, 2022, the Company entered into a property purchase agreement (the "Property Purchase Agreement #1") with Utah Mineral Resources LLC ('UMR') and Bullrun Capital Inc. ("Bullrun") to acquire an undivided 100% beneficial interest in certain mineral claims located in the State of Arizona, USA. UMR and Bullrun collectively referred as the Vendor #1. Bullrun is controlled by an officer who is also a director of the Company. Pursuant to the Property Purchase Agreement #1, the Company is required to make the following payments:

- a) Payment of USD150,000 (outstanding) in cash within 12 months of the effective date (April 21, 2023). On June 29, 2023, the Vendor #1 agreed to extend the payment date to July 31, 2024; and
- b) Issue of 1,500,000 common shares (issued on August 29, 2022).

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**7. EXPLORATION AND EVALUATION ASSETS (continued)****PAST AND INACTIVE PROJECTS (continued):****Lucky Mica Project, Arizona (continued):**

The Company also agreed to pay a 3% of Net Smelter Returns Royalty ("NSR Royalty") to the Vendor #1 upon commencement of commercial production from these claims. The NSR Royalty may be reduced at any time from 3% to 2% by paying \$1,000,000 to UMR.

On June 8, 2022, the Company entered into another property purchase agreement (the "Property Purchase Agreement #2") with Marco Montecinos, Steve Hodges, and Jimmy Hodges (the "Vendor #2") to acquire an undivided 100% beneficial interest in certain mineral claims located in the State of Arizona, USA in lieu of the following considerations:

- a) Payment of USD30,000 (paid \$38,965 on July 7, 2022) in cash on effective date;
- b) Payment of USD30,000 (paid \$40,428 on September 22, 2022) in cash within 6 months of the effective date; and
- c) Issue 60,000 common shares of the Company on the date listing on stock exchange or electronic quotation system in Canada (issued on April 5, 2023).

The Company agreed to pay the Vendor #2 the NSR Royalty of 1% upon commencement of commercial production from these claims. The NSR Royalty may be extinguished at any time by paying \$300,000 to the Vendor #2.

The above combined mineral claims located in the State of Arizona, USA are known as Lucky Mica Project, Arizona.

As of July 31, 2024, a potential discovery within Lucky Mica showing is not considered prospective and the Company decided to discontinue this project and recognized a loss on impairment of \$542,708 (2023 - \$Nil).

**Patriota Lithium Project, Brazil:**

On August 4, 2023 (the "Effective date"), the Company entered into a property option assignment agreement (the "Assignment Agreement") with Brascan Resources Inc. ("Brascan", or the "Assignor"), BHBC Exploracao Mineral Ltda ("BHBC"), and RTB Geologia Mineracao Ltda ("RTB") (where BHBC and RTB together referred as the "Optionors") to acquire 100% beneficial interest in and to certain lithium prospects located in the state of Minas Gerais, Brazil.

Pursuant to the Assignment Agreement, the Company agrees to:

- a) Assume all of the Assignor's responsibilities, liabilities and obligations under the option agreement entered between Brascan and Optionors on the Effective date; and
- b) Pay an aggregate of \$148,300 (paid) in cash to the Assignor, as follows:
  - \$3,300 as reimbursement of claim maintenance fee paid by the Assignor, within two business days of the Effective date, (paid on August 8, 2023);
  - \$15,000 within two business days of execution of the Assignment Agreement (paid on August 8, 2023);
  - \$105,000 (in exchange for the Assignor issuing 750,000 common shares to the Optionors) within five business days of confirmation of the Assignor issuing the shares; (paid on September 1, 2023); and
  - \$25,000 on or by the date that is forty-five days from the Effective Date (paid on September 25, 2023); and
- c) Pay \$103,300 to BHBC or a third party under BHBC's order as follows:
  - \$50,000 on or prior to September 20, 2023 (paid on October 13, 2023);
  - \$3,300 to cover general mineral right taxes up to June 30, 2024; and
  - \$50,000 on or prior to September 20, 2024.
- d) Complete and report an investment on mineral exploration totaling \$200,000 (Spent \$14,879 as of April 30, 2024) to fund the work and development of the project, of which \$100,000 on or before September 20, 2023, and \$100,000 on or before September 30, 2024; and

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**7. EXPLORATION AND EVALUATION ASSETS (continued)**

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**PAST AND INACTIVE PROJECTS (continued):**

**Patriota Lithium Project, Brazil (continued):**

- e) Pay the Assignor \$100,000 in cash within five (5) business days upon the confirmation of the existence of spodumene from surface sample assays results on the property grading minimum 1% lithium.

The Optionors will retain a 2% NSR with the Company having the option to repurchase 1% of the NSR for a cash payment of \$500,000 for a period of two years after the commencement of commercial production.

The Company decided to discontinue this project as at July 31, 2024 and recognized a loss on impairment of \$213,179 (2023 – \$Nil).

**Pomie and Yon Project, Nunavut:**

On February 2, 2024, the Company entered into a property purchase agreement with Bullrun to acquire 100% interest in certain uranium mineral claims of uranium located in Nunavut. Where Bullrun is the beneficial holder and Aurora Geosciences Ltd. (“Aurora”) which is the legal and registered holder of 100% undivided right, title, and interest in and to four mineral claims. Bullrun is controlled by an officer who is also a director of the Company.

As consideration for the acquisition of an undivided 100% legal, beneficial, and registered interest in and to the property, the Company must:

- a) Pay Bullrun cash consideration of \$75,000; and
- b) Grant Bullrun a royalty equal to 2% of net smelter returns received from production on the property following the commencement of commercial production.

Upon the Company making the cash payment as above, the Company will have acquired an undivided 100% beneficial interest in and to the property, subject to royalty and Bullrun will instruct Aurora to transfer an undivided 100% legal and registered interest in and to the property to the Company as soon as permissible subject to completion of Hertz business registration in Nunavut, subject to the royalty.

On May 8, 2024, the Company entered into a property purchase agreement with Mike Magrum (“Magrum”) to acquire 100% interest in and to certain uranium mineral claims, located in Nunavut, Canada. As consideration for the acquisition of the mineral claims, the Company will make the following payments to Magrum:

- a) Pay cash consideration of \$2,500 (paid on May 10, 2024);
- b) Issue 37,500 shares within seven business days of confirmation of title in good standing on the property with the Nunavut Mining Recorder;
- c) Issue 25,000 common shares of the Company at the twelve-month anniversary of title confirmation. In the event that the property is not in good standing and title cannot be verified, this agreement shall terminate at the twelve-month anniversary or upon verification of non-title status upon restoration of Nunavut Mining Recorder Title Maintenance Systems; and
- d) Upon drill results on the Property confirming assays of minimum 0.15% Uranium(U3O8), Hertz shall issue 37,500 shares to Margum.

As of July 31, 2024, The Company has encountered issues with obtaining permits to conduct exploration at above Nunavut mineral claims and does not foresee an easy path to obtaining exploration permits to advance the project. Based on these permitting issues, the Company has elected to relinquish Pomie and Yon Project and the respectively agreement with Bullrun and Magrum was terminated. The Company recognized a loss on impairment of \$5,652 (2023 - \$Nil) during the year ended July 31, 2024.

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## **HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Unaudited - Expressed in Canadian dollars)

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## **8. SHARE CAPITAL**

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The authorized share capital of the Company consists of an unlimited number of common shares without par value.

During the period ended October 31, 2024, the Company consolidated the issued share capital on the basis of four (4) old common shares for one (1) new common share ("the Consolidation"). Outstanding stock options and warrants were adjusted by the Consolidation ratio. All common shares and per common share amounts in these Financial Statements have been retroactively restated to reflect the Consolidation.

As at October 31, 2024, the Company has 16,511,68 (July 31, 2024 – 16,511,679) common shares issued and outstanding.

### **Public and Private Placement Financing and Share Issuances**

#### During the year ended July 31, 2024:

Pursuant to the exercise of warrants, the Company issued 688,550 common shares for gross proceeds of \$688,325.

On October 23, 2023, pursuant to the share exchange agreement with Canuck, the Company issued 5,787,500 common shares to shareholders of Canuck (Note 4).

On December 20, 2023, the Company closed a non-brokered private placement for gross proceeds of \$2,537,400 and paid \$23,545 as share issuance cost. The private placement consists of below:

- a) 1,440,833 non-flow through units (the "Non-FT Units") at a price of \$0.72 per Non-FT Unit for gross proceeds of \$1,037,400, with each Non-FT Unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share (a "Warrant Share") on or before December 20, 2025 at an exercise price of \$1.60 per warrant share. A value of \$Nil has been allocated to the warrants using the residual method.
- b) 937,500 flow-through units (the "Charity FT Units") at a price of \$1.60 per Charity FT Unit, for gross proceeds of \$1,500,000, with each Charity FT Unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase a Warrant Share on or before December 20, 2025, at an exercise price of \$1.60 per Warrant Share. The Company has allocated \$656,250 to the flow-through premium (Note 11). A value of \$Nil has been allocated to the warrants using the residual method.

### **Stock Options**

On August 29, 2022, the Company adopted and approved a stock option plan for directors, officers, employees, consultants or subsidiaries of the Company (the "Stock Option Plan"). The plan provides that the aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued and outstanding common shares at the time the options are granted.

On March 15, 2024, the Company granted 37,500 incentive stock options to a director as per the Company's Stock Option Plan, with an exercise price of \$0.80 per share for a period of five years from the date of the grant. The stock options will vest over a period of two years. The stock options were valued at \$0.44 per option using Black Scholes Option Pricing model with the following assumptions: stock price - \$0.68 per share, risk-free rate – 3.62%; expected life – 5 years; expected volatility – 147.20%; forfeiture rate – Nil and expected dividends – \$Nil. Volatility was estimated by using the historical volatility of other companies in the same industry during a similar period.

On September 6, 2024, the Company granted an aggregate of 250,000 stock options to consultants as per the Company's Stock Option Plan, with an exercise price of \$0.34 per share for a period of two years from the date of grant. All stock options vested immediately. The stock options were valued at \$0.23 per option using Black Scholes Option Pricing model with the following assumptions: stock price - \$0.32 per share, risk-free rate – 3.05%; expected life – 2 years; expected volatility – 151.57%; forfeiture rate – Nil and expected dividends – \$Nil. Volatility was estimated by using the historical volatility of other companies in the same industry during a similar period.

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**HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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**8. SHARE CAPITAL****Stock Options (continued)**

For the three-month ended October 31, 2024, the Company recorded \$59,716 (October 31, 2023 – \$5,011) as stock-based compensation expense.

A summary of the movements of the number of stock options is presented below:

	For the period ended			
	October 31, 2024		July 31, 2024	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning	475,000	\$ 0.60	437,500	\$ 0.60
Granted	250,000	0.12	37,500	0.80
Outstanding, ending	725,000	\$ 0.51	475,000	\$ 0.60

The following table summarizes information concerning outstanding and exercisable stock options as at October 31, 2024:

Number of options outstanding	Number of options exercisable	Exercise price	Remaining contractual life (years)	Expiry date
300,000	300,000	\$ 0.50	2.92	September 30, 2027
137,500	137,500	\$ 0.76	0.47	April 20, 2025
37,500	9,375	\$ 0.80	4.37	March 15, 2029
250,000	250,000	\$ 0.36	1.85	September 6, 2026
<b>725,000</b>	<b>696,875</b>			

**RSU**

On October 24, 2022, the Company adopted and approved a rolling restricted share unit plan (the 'RSU Plan") authorizing the granting of restricted share units to the directors, officers, employees and consultants of the Company or subsidiaries of the Company. The maximum number of common shares available for issuance pursuant to the RSU Plan, together with any shares reserved for issuance pursuant to any other share compensation arrangement, including but not limited to the Stock Option Plan, shall be determined from time to time by the directors of the Company, but in any case, shall not exceed 20% of the issued and outstanding shares (on a non-diluted basis) immediately prior to the issuance of RSUs. There are no RSUs issued and outstanding as at October 31, 2024 and July 31, 2024.

**HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2024 and 2023

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

A summary of the movements of the number of warrants is presented below:

	For the period ended			
	October 31, 2024		July 31, 2024	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning	6,063,398	\$ 1.24	4,373,615	\$ 0.96
Granted	-	-	2,378,333	1.60
Exercised	-	-	(688,550)	1.00
Expired	(948,750)	1.00	-	-
Balance, end	<b>5,114,648</b>	<b>\$ 0.70</b>	6,063,398	\$ 1.24

The following table summarizes information concerning outstanding and exercisable share purchase warrants as at October 31, 2024:

Number of warrants outstanding	Number of warrants exercisable	Exercise Price	Remaining contractual life (years)	Expiry date
223,315	223,315	0.50	0.43	April 6, 2025
2,513,000	2,513,000	1.00	0.43	April 6, 2025
2,378,333	2,378,333	1.6	0.43	April 6, 2025
<b>5,114,648</b>	<b>5,114,648</b>			

On September 8, 2024, 948,750 share warrants with an exercise price of \$1.00 expired.

**9. RELATED PARTY TRANSACTIONS**

Related party transactions have been measured at the exchange amount of consideration agreed between the related parties. The related party transactions not disclosed elsewhere in these financial statements are presented below (also see Notes 7 ad 12).

As at October 31, 2024 and July 31, 2024, the balances of due to related parties are as below:

	As at	
	October 31, 2024	July 31, 2024
<b>Current</b>		
Company controlled by the Chief Executive Officer ("CEO"), who is also a director of the Company (i), (iv)	\$ 179,185	\$ 12,000
Loan payable to a company controlled by the CEO (ii)	280,072	277,401
Loan payable to a company controlled by the relative of CEO (iii)	155,630	151,848
Company controlled by the Chief Financial Officer ("CFO") (i)	7,875	3,500
Company controlled by the Corporate Development Officer ("CDO"), who is also a director of the Company (i)	3,675	3,675
Due to directors (i)	1,500	4,000
<b>Non-current</b>		
Company controlled by the CEO (i)	109,743	108,900
	<b>\$ 737,680</b>	<b>\$ 561,324</b>

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**9. RELATED PARTY TRANSACTIONS (continued)**

- (i) Amounts due to related parties, except loan payable, are non-interest bearing and unsecured. The balance in the amount of \$109,743 (July 31, 2024 - \$108,900) is owed to a company controlled by the CEO, who has agreed not to demand the repayment before July 31, 2025.
- (ii) Canuck entered into a loan agreement with Coloured Ties Inc. ("CTI") for \$265,000 dated June 1, 2023. This loan bears interest at the rate of 4% annually and was due on December 31, 2023. A director and officer of CTI is also the director and officer the Company. On December 31, 2023, both parties agreed to extend the maturity date of the loan to December 31, 2024. The total interest accrued on the loan as of October 31, 2024 was \$15,072 (October 31, 2023 - \$4,443)
- (iii) On June 17, 2024, the Company entered into a loan agreement with Flowing Lithium Exploration Inc. ("FLE") for \$150,000. This loan bears interest at the rate of 10% annually and due for payment on June 17, 2025. The total interest accrued on the loan as of October 31, 2024 was \$5,630 (October 31, 2023 - \$Nil).
- (iv) On September 3, 2024, the Company entered into a loan agreement with Bullrun to receive \$90,000. This loan bears interest at the rate of 5% annually and due for payment on September 3, 2025. The total interest accrued on the loan as of October 31, 2024 was \$727 (October 31, 2023 - \$Nil).

As at October 31, 2024 and July 31, 2024, the balances due from related parties are as below:

	As at	
	October 31, 2024	July 31, 2024
<b>Current</b>		
Due from a company controlled by the relative of CEO	\$ 1,536	\$ 1,536
	<b>\$ 1,536</b>	<b>\$ 1,536</b>

During the three months ended October 31, 2024, and 2023, the Company incurred the following transactions with the directors, senior officers and companies controlled by directors:

	Three months ended	
	October 31, 2024	October 31, 2023
Management fees (iv)	\$ 82,500	\$ 85,500
Directors' fees (vi)	6,500	11,252
Accounting fees (vii)	12,000	-
Share based payments (v)	2,263	4,167
	<b>\$ 103,263</b>	<b>\$ 100,919</b>

- (v) The management fees consist of following:

	Three months ended	
	October 31, 2024	October 31, 2023
Company controlled by the CEO	\$ 60,000	\$ 60,000
Company controlled by the CFO	12,000	15,000
Company controlled by the CDO	10,500	10,500
	<b>\$ 82,500</b>	<b>\$ 85,500</b>

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**9. RELATED PARTY TRANSACTIONS (continued)**

The Company entered into a CEO consulting agreement dated September 13, 2022, pursuant to which, the Company agreed to pay CEO a consulting fee of \$20,000 per month, plus a bonus of \$150,000 upon the Company achieving a market capitalization of \$20 million on the CSE or another recognized stock exchange, and a bonus of \$250,000 upon the Company achieving a market capitalization of \$40 million on the CSE or another recognized stock exchange. No bonus has been paid or accrued as of October 31, 2024 and 2023.

(vi) The share based payments consist of following:

	Three months ended	
	October 31, 2024	October 31, 2023
Directors	\$ 2,263	\$ 3,097
CFO	-	1,070
	\$ 2,263	\$ 4,167

(vii) The directors fees consist of following:

	Three months ended	
	October 31, 2024	October 31, 2023
Directors	\$ 6,500	\$ 11,252
	\$ 6,500	\$ 11,252

(viii) For the three months ended October 31, 2024, accounting fees of \$12,000 (October 31, 2023 – \$Nil) was charged by a company controlled by the CFO.

**Key management compensation**

The Company's key management includes the CEO, CFO and CDO. The total remuneration to the key management has been disclosed in the above table. Key management personnel were not paid post-employment benefit, termination fees or other long-term benefits for the three months ended October 31, 2024 and 2023.

**10. SUPPLEMENTAL CASH FLOW INFORMATION**

Following is the non-cash financing and investing activities incurred by the Company during the three months ended October 31, 2024 and 2023:

	October 31, 2024	October 31, 2023
<b>Non-cash financing activities</b>		
Fair value of options vested	\$ 59,716	\$ 5,011
Fair value of agent warrants exercised	-	300
<b>Non-cash investing activities:</b>		
Fair value of shares issued for acquisition of Canuck	\$ -	\$ 6,019,000

## **HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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#### **11. FLOW-THROUGH PREMIUM LIABILITY**

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On December 20, 2023, the Company completed 937,500 flow-through units for gross proceeds of \$1,500,000 and recognized a flow-through premium of \$656,250 (or \$0.70 per flow through share), being the difference between the per share amounts received from the subscribers for flow-through shares and the per share price of the Company's stock trading price when the flow-through units agreement was agreed. The flow-through premium is initially recorded as a liability and will be recognized as income in the proportion of eligible exploration expenditures incurred and renounced on the property.

As of October 31, 2024, the flow-through premium liability outstanding relating to these flow-through shares was \$277,652 (July 31, 2024 – \$462,230). The Company renounced \$421,894 in eligible exploration expenditures during the three months ended October 31, 2024, and recognized flow-through income of \$184,578 (October 31, 2023 – \$Nil).

#### **12. TECHNOLOGY LICENSE FEES**

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On May 20, 2022, Bullrun entered into an option agreement (the "Option Agreement") with the PSRF, a non-profit organization situated at University Park, Pennsylvania, USA. Where, the PSRF owns, and controls certain innovative technology filed as University Invention Disclosure No. 2019-4998 titled "A Novel Process for Extraction of Lithium from Spodumene" (the "Technology"). As per this Option Agreement, PSRF granted Bullrun an exclusive option, to obtain an exclusive, remuneration bearing, license under the Patent Rights within the option field in the territory to make, have made, use, import, export, commercialize, offer for sale and licensed product.

This Option Agreement provides an option under patent rights to explore joint funding opportunities to further develop. On August 30, 2022, the Company entered into an assignment and novation agreement with Bullrun and the PSRF (the "Assignment Agreement"). Pursuant to the Assignment Agreement, Bullrun assigned the Option Agreement to the Company in exchange for an assignment fee of USD \$7,500.

On December 21, 2023, the Company entered into a License Agreement with PSRF, where PSRF has granted the Company a license to the process for extraction of lithium from hard rock sources. Further, pursuant to the License Agreement the PSRF has granted the Company a license to certain know-how necessary to derive the benefits of the Patent Rights.

During the three-month ended October 31, 2024, the research costs are not capitalized as management was unable to demonstrate the future economic benefits to be generated from the utilization of the associated expenditures.

#### **13. CAPITAL MANAGEMENT**

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The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company's objectives when managing capital are to (i) maintain financial flexibility to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to pursue the development of its mineral properties; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of its underlying assets.

To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and receivables. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's capital management during the three months ended October 31, 2024.

As of October 31, 2024, the Company had a working capital deficit of \$42,396 (July 31, 2024 – deficit \$23,010). Management expects to raise additional capital from the capital markets or from private placements of securities.

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**HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended October 31, 2024 and 2023

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**14. FINANCIAL INSTRUMENTS AND RISKS**

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The Company's financial instruments are comprised of cash and cash equivalents, accounts payable and accrued liabilities, and due to related parties. The carrying value of these financial instruments approximate their fair value due to their short-term nature.

Financial assets and liabilities measured at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value financial assets and liabilities are described below.

*Level 1 - Quoted Prices in Active Markets for Identical Assets*

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Cash is valued using quoted market prices in active markets. Accordingly, it is included in Level 1 of the fair value hierarchy.

*Level 2 - Significant Other Observable Inputs*

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. Due from related party, accounts payable, and due to related parties are expected to be settled in the short term. Therefore, these have also been categorized as Level 2.

*Level 3 - Significant Unobservable Inputs*

Unobservable (supported by little or no market activity) prices.

There are no items in Level 3 of the fair value hierarchy.

**Financial instrument risks**

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

*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 is exposed to credit concentration risk by holding cash. This risk is minimized by holding the investments in large Canadian financial institutions. The Company has no accounts receivable exposure.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to minimal interest rate risk. Fluctuations in market interest rates do not have a significant impact on the Company's operations.

*Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company does not have any financial instruments which are subject to market risks.

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**HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended October 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

**14. FINANCIAL INSTRUMENTS AND RISKS (continued)***Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are uncertain, the liquidity risk increases. The Company's objective is to ensure that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company will prepare annual capital expenditure budgets which will be regularly monitored and updated as necessary. The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

As at October 31, 2024, the Company had cash and cash equivalents of \$1,024,342 (July 31, 2024 - \$1,255,435) and a working capital deficit of \$42,396 (July 31, 2024 – deficit \$23,010). Being in the preliminary stage of exploration, the Company does not have any revenue generating mineral properties. In the past, Company has funded its operations through equity financing, and it is expected to do the same to settle accounts payable and accrued liabilities of \$341,468 (July 31, 2024 - \$509,355) and the amounts due to the related parties of \$627,937 (July 31, 2024 - \$452,425) which fall due for payment within twelve months of the statement of financial position date.

*Foreign currency risk*

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar or other foreign currencies will affect the Company's operations and financial results. The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company does not have material currency risk since the Company does not hold material monetary assets and liabilities denominated in foreign currencies.

**15. SEGMENTED INFORMATION**

The Company's business segments are based on Geographical locations as below: being the acquisition, exploration, and development of mineral properties.

<b>October 31, 2024</b>	<b>Canada (\$)</b>	<b>USA (\$)</b>	<b>Total (\$)</b>
Total assets	7,838,172	2,087	7840,259
Loss for the year	409,104	553	409,657

<b>July 31, 2024</b>	<b>Canada (\$)</b>	<b>USA (\$)</b>	<b>Total (\$)</b>
Total assets	8,365,064	2,071	8,367,135
Loss for the year	2,053,822	626,393	2,680,215

**HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended October 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

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**16. COMMITMENTS**

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The Company has certain commitments for cash payment and exploration expenditures pursuant to the various property purchase agreements (see Note 7).

The Company is bound by a management agreement dated September 13, 2022 with the CEO according to which, if the CEO terminates this agreement as a consequence of a change in control, the Company will pay to the CEO an amount equal to twenty-four (24) times of monthly base fee in effect at the date of termination. In the event of termination of the agreement by the Company other than for just cause or if the agreement is terminated by the consultant for good reason, then the Company will be liable for 6 times of monthly base fee in effect at the date of termination for each complete year of services provided by the CEO hereunder.

The Company is bound by a management agreement dated February 8, 2022 with the CFO according to which, in the event of termination of the agreement by the Company other than for just cause or if the agreement is terminated by the consultant for good reason, then the Company will be liable for 2 times of monthly base fee in effect at the date of termination for each complete year of services provided by the CFO hereunder.

The Company is bound by a management agreement dated September 1, 2022 with the CDO according to which, in the event of termination of the agreement by the Company other than for just cause or if the agreement is terminated by the consultant for good reason, then the Company will be liable for 3 times of monthly base fee in effect at the date of termination for each complete year of services provided by the CDO hereunder.

**17. SUBSEQUENT EVENTS**

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On November 4, 2024, the company entered into a loan agreement with Kulwant Malhi to receive \$40,000. This loan bears interest at the rate of 7% annually and due for payment on November 4, 2025.

On December 5, 2024, the company entered into a loan agreement with Kulwant Malhi to receive \$60,000. This loan bears interest at the rate of 8% annually and due for payment on December 5, 2025.

On December 9, 2024, Canuck entered into a property purchase agreement with Prospectus, to acquire a 60% interest in 209 mineral claims of Agastya property, located in the province of Quebec, Canada. As consideration, the Company must issue 8,000,000 common shares in the capital of Hertz as directed by Prospectus and Hertz shall also grant a 2% Gross Metal Royalty to Prospectus. The consideration shares to be issued following Hertz's 4:1 share consolidation.