Avalon Advanced Materials Inc.

Condensed Consolidated Interim Financial Statements

For the three and Nine months ended May 31, 2024 (Unaudited)

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NOTICE TO READER

The accompanying unaudited interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

Condensed Consolidated Interim Statements of Financial Position
(expressed in Canadian Dollars)
(unaudited)

	May 31, 2024	August 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	$ 1,926,465	$ 2,582,110
Other receivables (note 14a)	70,685	146,802
Prepaid expenses and deposits	49,598	360,114
Assets held for sale (note 4)	-	16,902,462
	2,046,748	19,991,488
Non-Current Assets		
Exploration and evaluation assets (note 6)	-	-
Investment in associate (notes 4, 5)	22,740,187	-
Property, plant and equipment (note 7)	111,934,726	111,061,846
Deferred financing costs (note 11)	1,027,492	-
	135,702,405	111,061,846
	$ 137,749,153	$ 131,053,334
Liabilities		
Current Liabilities		
Accounts payable	$ 395,965	$ 459,022
Accrued liabilities	701,295	666,954
Deferred flow-through share premium (note 8)	-	10,674
Current portion of lease obligation (note 9)	133,593	224,295
	1,230,853	1,360,945
Non-Current Liabilities		
Lease obligation (note 9)	753,881	62,718
Debenture payable (note 10)	3,177,819	3,009,978
Convertible notes payable (note 11)	3,300,000	-
Derivative liabilities (note 12)	3,367	198,123
Site closure and reclamation provisions	203,600	278,600
	7,438,667	3,549,419
	8,669,520	4,910,364
Shareholders' Equity		
Share Capital (note 13)	201,088,447	200,590,815
Reserve for Warrants (note 13c)	4,920,753	4,371,240
Reserve for Share Based Payments (note 13d)	19,397,325	18,682,104
Reserve for Brokers' Compensation Warrants (note 13e)	301,064	301,064
Accumulated Deficit	(96,627,956)	(97,802,253)
	129,079,633	126,142,970
	$ 137,749,153	$ 131,053,334

Approved on behalf of the Board

"Scott Monteith", Director

"Alan Ferry", Director

Condensed Consolidated Interim Statements of Comprehensive Income
(expressed in Canadian Dollars, except number of shares)
(unaudited)

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Revenue				
Interest	$ 19,468	$ 11,394	$ 42,148	$ 52,020
Rent	-	-	54,000	-
	19,468	11,394	96,148	52,020
Expenses				
Corporate and administrative (note 14)	857,311	819,114	3,818,459	2,310,094
General exploration (recovery)	88	(1,201)	35,998	2,581
Impairment loss on exploration and evaluation assets	-	15,000	-	18,050
Depreciation (note 7c)	67,622	56,590	190,920	169,911
Share based compensation (note 13d)	151,216	87,687	406,030	306,412
Finance costs (note 10)	165,720	4,708	284,096	16,068
Financing transaction costs (note 11)	137,666	-	137,666	-
Decrease in fair values of notes payable and derivative liabilities (note 12)	(13,279)	(190,219)	(194,756)	- (459,006)
Write-off of business acquisition costs	-	419,200	-	419,000
	1,366,344	1,210,879	4,678,413	2,783,310
Net Loss before the Undernoted Items	(1,346,876)	(1,199,485)	(4,582,265)	(2,731,290)
Gain on Sale of Exploration and Evaluation Assets (note 4)	-	-	5,722,693	-
Gain on Sale of Property, Plant and Equipment	93,818	-	93,818	-
Gain Recognized on Lease Amendment (note 7b)	-	-	29,487	-
Equity in Loss of Associate (note 5)	(100,110)	-	(100,110)	-
Net Income (Loss) before Income Taxes	(1,353,168)	(1,199,485)	1,163,623	(2,731,290)
Deferred Income Tax Recoveries	-	236,361	10,674	636,967
Net Income (Loss) and Total Comprehensive Income (Loss) for the period	$ (1,353,168)	$ (963,124)	$ 1,174,297	$ (2,094,323)
Income (Loss) per Share - Basic	$ (0.002)	$ (0.002)	$ 0.002	$ (0.005)
Income (Loss) per Share - Diluted	$ (0.002)	$ (0.002)	$ 0.002	$ (0.005)
Weighted Average Number of Common Shares Outstanding - Basic	564,948,444	437,673,506	562,375,788	426,926,200
Weighted Average Number of Common Shares Outstanding - Diluted	564,948,444	437,673,506	566,999,491	426,926,200

Condensed Consolidated Interim Statements of Changes in Equity
(expressed in Canadian Dollars, except number of shares)
(unaudited)

	Share Capital		Reserves				
	Number of Shares	Amount	Warrants	Share Based Payments	Brokers' Compensation Warrants	Accumulated Deficit	Total
Balance at September 1, 2022	406,948,106	$ 185,989,431	$ 4,358,451	$ 18,148,159	$ 301,064	$ (94,485,194)	$ 114,311,911
Equity offerings	11,470,624	1,354,451	19,959	-	-	-	1,374,410
Conversion of notes payable	20,585,678	2,270,000	-	-	-	-	2,270,000
Exercise of warrants	1,900,000	228,000	-	-	-	-	228,000
Reserve transferred on exercise of warrants	-	5,135	(5,135)	-	-	-	-
Exercise of options	86,250	9,000	-		-	-	9,000
Reserve transferred on exercise of options	-	3,287	-	(3,287)			-
Redemption of restricted share units - shares	49,000	11,737	-	(11,737)			-
Redemption of restricted share units - cash payroll withholding tax payments	-	-	-	(4,864)			(4,864)
Compensation shares issued on equity offerings	487,501	58,500	-	-	-	-	58,500
Share based compensation (note 13d)	-	-	-	320,327	-	-	320,327
Share issuance costs - cash	-	(80,451)	(1,185)	-	-	-	(81,636)
Share issuance costs - compensation shares issued	-	(57,650)	(850)	-	-	-	(58,500)
Net loss and total comprehensive loss for the nine month period	-	-	-	-	-	(2,094,323)	(2,094,323)
Balance at May 31, 2023	441,527,159	189,791,440	4,371,240	18,448,598	301,064	(96,579,517)	116,332,825
Equity offerings	111,486,486	10,197,310	-	-	-	-	10,197,310
Conversion of notes payable	6,658,958	590,000	-	-	-	-	590,000
Exercise of options	495,000	52,800	-	-	-	-	52,800
Reserve transferred on exercise of options	-	24,984	-	(24,984)	-	-	-
Redemption of restricted share units - shares	206,000	44,309	-	(44,309)	-	-	-
Redemption of restricted share units - cash payroll withholding tax payments	-	-	-	(28,130)	-	-	(28,130)
Share based compensation (note 13d)	-	-	-	330,929	-	-	330,929
Share issuance costs - cash	-	(110,028)	-	-	-	-	(110,028)
Net loss and total comprehensive loss for the three month period	-	-	-	-	-	(1,222,736)	(1,222,736)
Balance at August 31, 2023	560,373,603	200,590,815	4,371,240	18,682,104	301,064	(97,802,253)	126,142,970
Equity offerings (note 13b)	4,250,000	422,662	2,338	-	-	-	425,000
Redemption of restricted share units - shares	461,571	96,554	-	(96,554)	-	-	-
Redemption of restricted share units - cash payroll withholding tax payments	-	-	-	(38,523)	-	-	(38,523)
Share based compensation (note 13d)	-	-	-	850,298	-	-	850,298
Share issuance costs - cash	-	(21,584)	-	-	-	-	(21,584)
Warrants issued with note payable (note 11)	-	-	547,175	-	-	-	547,175
Net income and total comprehensive income for the nine month period	-	-	-	-	-	1,174,297	1,174,297
Balance at May 31, 2024	565,085,174	$ 201,088,447	$ 4,920,753	$ 19,397,325	$ 301,064	$ (96,627,956)	$ 129,079,633

Condensed Consolidated Interim Statements of Cash Flows
(expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Operating Activities				
Cash paid to employees	$ (581,932)	$ (301,207)	$ (1,547,210)	$ (805,156)
Cash paid to suppliers	(712,744)	(179,155)	(1,549,973)	(1,081,881)
Interest received	19,468	11,394	42,148	52,020
Rent received	-	-	36,000	-
Cash Used by Operating Activities	(1,275,208)	(468,968)	(3,019,035)	(1,835,017)
Financing Activities				
Net proceeds from equity offerings (note 13b)	-	-	403,416	1,868,370
Net proceeds from issuance of notes payable (note 11)	2,588,609	-	2,588,609	-
Proceeds from exercise of warrants	-	-	-	228,000
Proceeds from exercise of stock options	-	9,000	-	9,000
Net lease payments (note 9)	(58,424)	(58,038)	(186,981)	(171,143)
Cash Provided by Financing Activities	2,530,185	49,038	2,805,044	1,934,227
Investing Activities				
Expenditures on exploration and evaluation assets	(65,868)	(681,812)	(133,736)	(2,219,632)
Expenditures on property, plant and equipment	(134,625)	(6,010)	(321,980)	(170,237)
Proceeds from sale of property, plant and equipment	154,555	-	154,555	-
Transaction costs paid for acquisition of investment in associate	(35,799)	-	(140,493)	-
Cash Used by Investing Activities	(81,737)	(687,822)	(441,654)	(2,389,869)
Change in Cash and Cash Equivalents	1,173,240	(1,205,828)	(655,645)	(2,290,659)
Cash and Cash Equivalents – beginning of period	753,225	1,947,209	2,582,110	3,032,040
Cash and Cash Equivalents – end of period	$ 1,926,465	$ 741,381	$ 1,926,465	$ 741,381

Supplemental Cash Flow Information (note 17)

1. Nature of Operations and Going Concern Uncertainty

Avalon Advanced Materials Inc. ("Avalon") is a publicly listed company incorporated in Canada and continued under the *Canada Business Corporations Act*. Avalon's common shares are listed on the Toronto Stock Exchange (the "TSX") (TSX: AVL), on the OTCQB® Venture Market (OTCQB: AVLNF), and the Frankfurt Stock Exchange in Germany. The registered address, principal address and records office of Avalon is located at 130 Adelaide Street West, Suite 2060, Toronto, Ontario, Canada, M5H 3P5.

Avalon, together with its subsidiaries (collectively, the "Company") is principally engaged in the acquisition, exploration, evaluation and development of specialty and critical minerals properties, located principally in Canada. To date, the Company has not earned any significant revenues.

The realization of amounts shown for its development asset – the Nechalacho Rare Earth Elements Project (the "Nechalacho REE Project") and its investment in associate is dependent upon the discovery of economically recoverable reserves (where not already identified), the ability of the Company to obtain the necessary financing to develop the Nechalacho REE Project and its planned lithium-hydroxide processing facility, and future profitable production or proceeds of disposition from its development assets and the company's investee's ability to develop and generate profitable production from its mineral assets.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to a going concern, which assumes the Company will continue to meet its obligations and discharge its liabilities in the normal course of business for the foreseeable future. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future. The Company is in the exploration and development stage and raises funds in the debt and equity markets to conduct its business activities. The Company has incurred losses in the current and prior periods, with a loss before gain on sale of exploration and evaluation assets, property, plant and equipment and gain recognized on lease amendment of $4,682,375 for the nine months ended May 31, 2024 (the "Period") and an accumulated deficit of $96,627,956 as at May 31, 2024. The Company's cash and cash equivalents balance at May 31, 2024 was $1,926,465, and the working capital was $815,895.

The Company's business plan is dependent on raising additional funds to finance operations within and beyond the next twelve months. While management has been successful in securing financing in the past, there exists an uncertainty as to the Company's ability to raise additional funds on acceptable terms. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's expenditures on discretionary exploration and development activities have some scope for flexibility in terms of amount and timing, which can be adjusted accordingly. Management intends to finance these expenditures over the next twelve months with funds currently on hand, and through planned equity financings and other sources of non-dilutive capital. Initiatives to raise additional capital are ongoing and include financing from investing partners for developing the Company's planned lithium-hydroxide processing facility.

These unaudited condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and those adjustments could be material.

These unaudited condensed consolidated interim financial statements have been reviewed and approved by the Company's Audit Committee and the Board of Directors on July 9, 2024.

2. Basis of Presentation

a) *Statement of Compliance and Basis of Presentation*

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*, as issued by IASB.

These unaudited condensed consolidated interim financial statements do not contain all disclosures required by IFRS and accordingly should be read in conjunction with the Company's consolidated annual financial statements for the year ended August 31, 2023.

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis using the historical cost basis, except for certain financial instruments which are measured at fair value in accordance with the policies disclosed in Note 3 of the Company's consolidated annual financial statements for the year ended August 31, 2023.

b) *Basis of Consolidation*

These unaudited condensed consolidated interim financial statements include the accounts of the Company and the entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, 8110131 Canada Inc., 1000560170 Ontario Inc., Avalon Lithium Inc. ("ALI"), Lake Superior Lithium Inc., Nolava Minerals Inc. ("Nolava"), and Avalon Rare Metals Ltd. ("ARML"). Nolava and ARML are incorporated in the United States of America ("USA").

All intercompany transactions and balances have been eliminated on consolidation of the accounts.

On November 9, 2023, as further described in notes 4 and 5, the Company completed the sale/transfer of its Separation Rapids Lithium Project and Lilypad Cesium-Tantalum Project to the Joint Venture Company Separation Rapids Ltd. ("SRL") and acquired a 40% equity interest in SRL, with SCR-Sibelco NV ("Sibelco") owning the other 60%. The mandate of SRL is to advance the exploration and development activities of the Separation Rapids Lithium Project and Lilypad Cesium-Tantalum Project. Sibelco is the operator of SRL. The Company's investment in SRL is accounted for using the equity method.

The Company also has a 50% interest in NWT Rare Earths Ltd., with an unrelated third party owning the other 50%, which was created during the year ended August 31, 2020 to hold the exploration permits and related authorizations pertaining to the Nechalacho REE Project, in order to assist each party's development of their respective projects. NWT Rare Earths Ltd. has not carried on any significant operations since its inception and no equity earnings/losses have been allocated to the Company.

3. Summary of Significant Accounting Policies

These unaudited condensed consolidated interim financial statements have been prepared using the same accounting policies, significant accounting judgments and estimates, and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended August 31, 2023, except for the estimation of the fair value of the gain on the sale/transfer of the Separation Rapids and Lilypad Projects to SRL as described in note 4 – Assets Held for Sale.

The estimation of the gain is based on the estimated fair value of Sibelco's cash contributions to SRL to acquire the 60% interest in SRL, which requires the estimate and assumptions of the timing of Sibelco's cash contributions, discount rate and the future foreign exchange rate of the Euro to the Canadian Dollar.

3. Summary of Significant Accounting Policies (continued)

The following pronouncements are issued but not yet effective and have not been applied in preparing these unaudited condensed consolidated interim financial statements. Management believes that other new IFRS accounting pronouncements not yet effective do not have a significant impact on the Company's present or near future consolidated financial statements.

Amendments to IAS 1 - Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financials Statements to clarify the requirements for classifying liabilities as current or non-current.

The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists and clarify the situations that are considered settlement of a liability, which include settlement by transferring a company's own equity instruments to the counterparty. The amendments further clarify how an entity classifies a liability that includes a counterparty conversion option, and that when classifying liabilities as current or non-current – an entity can ignore only those conversion options that are recognized as equity.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 (which will become effective on September 1, 2024 for the Company) and will apply retrospectively. With application of these amendments, the Company's convertible note payable and derivative liabilities currently classified as non-current liabilities will be classified as current liabilities.

4. Assets Held for Sale

During the year ended August 31, 2023, the Company entered into a binding term sheet agreement with Sibelco to establish a Joint Venture with respect to certain of the Company's lithium mineral projects located in northwestern Ontario, with Sibelco as the operator. The Company would initially contribute its Separation Rapids Lithium Project and Lilypad Cesium-Tantalum Project to the joint venture company (the "Joint Venture Company") upon its formation, and Sibelco would provide €4,865,810 of initial funding and has committed to advance a further €30,000,000 in tranches to fund the development of the Joint Venture Company's mineral projects, including facilities and related infrastructure. The initial participating interests of Sibelco and Avalon in the Joint Venture Company will be 60% and 40%, respectively. After total cash contributions of €34,865,810 by Sibelco, each of the parties will make any further cash contributions on a pro-rata basis (with dilution to a non-contributing party's interest).

On August 31, 2023, the Company transferred the total carrying costs for the Separation Rapids and Lilypad Projects of $16,902,462 included in Exploration and Evaluation Assets to Assets Held for Sale ("AHFS").

During the quarter ended November 30, 2023, the Company incurred net exploration expenditures of $8,391 on the Separation Rapids and Lilypad Projects.

On November 2, 2023, the Company entered into a Tripartite Purchase and Sale Agreement (the "Purchase and Sale Agreement") with Sibelco and SRL, to provide for the transfer of the Company's Separation Rapids and Lilypad projects to SRL. SRL is a joint venture entity co-owned by Sibelco (60%) and Avalon (40%). Sibelco will be the operator of SRL.

On November 9, 2023, the Company, Sibelco and SRL entered into a Joint Venture Company Shareholders Agreement (the "JV Agreement") and completed the sale/transfer of Separation Rapids and Lilypad projects.

Pursuant to the terms of the Purchase and Sale Agreement, the Company transferred the Separation Rapids and Lilypad projects to SRL and received 40% of its common shares at the deemed value of €23,243,873. Sibelco contributed €4,865,810 of cash to SRL and has committed to advance a further €30,000,000 in tranches to fund the development of the SLR's mineral projects, including facilities and related infrastructure for 60% of the common shares of SRL.

4. Assets Held for Sale (continued)

In order to determine the gain or loss on Avalon's contribution to SRL, the Company is required to determine the fair value of its 40% equity interest in SRL. The Company has based its estimate of the fair value of its contribution on the estimated fair value of Sibelco's cash contributions to SRL to acquire the 60% interest in SRL.

The Company has determined that the present value of Sibelco's total cash contributions to be $39,560,511 using the following assumptions:

- the remaining €30,000,000 will be funded periodically during the third calendar quarter of 2024 through the first calendar quarter of 2027 (the "additional funding Period")
- the annual discount rate of 12.34%
- the estimated average exchange rate of the Euro to the Canadian Dollar during the additional funding period will be 1.482.

The total fair value of the net assets of SRL on November 9, 2023 is therefore $65,934,187, and the fair value of the Company's contribution is $26,373,675.

The net carrying costs of the Separation Rapids and Lilypad Projects totaled $16,835,853 ($16,910,853 less estimated closure cost provisions of $75,000). Accordingly, the total gain on disposal is $9,537,822 and the Company has recognized a gain of $5,722,693 (representing the realized gain on the 60% interest disposed of to Sibelco) and has recorded the Company's 40% equity interest in SRL at $22,840,297 (the total of the net carrying costs of $16,835,853, realized gain of $5,722,693 and transaction costs of $281,751).

5. Investment in Associate

As described in note 4 above, the Company acquired a 40% equity interest in the JV Company SRL on November 9, 2023. SRL is a corporation existing under the laws of the Province of Ontario with a registered office address at 333 Bay Street, Toronto, Ontario, Canada M5H 2T6. The other 60% equity interest is owned by Sibelco with Sibelco being the operator of SLR. The formation of SLR represents a strategic partnership between the Company and Sibelco, with the mandate to advance the exploration and development activities of the Separation Rapids Lithium Project and Lilypad Cesium-Tantalum Project.

The Company has significant influence over the operations of SRL and its investment in SRL is accounted for using the equity method.

SLR's current operation is mainly focused on continuing the exploration and development activities on the Separation Rapids Lithium Project. No other significant operating activities were carried out by SRL since its formation, other than continuing the drilling program on the Separation Rapids Project.

The financial information of SRL as at May 31, 2024 is summarized below, which are Avalon's best estimates of SRL's results and financial position:

Current assets	$	3,455,033
Non-current assets		63,579,386
Total assets		67,034,419
Current liabilities and total liabilities		1,350,507
Shareholders' equity		65,683,912
Revenue		Nil
Net loss & comprehensive loss		250,275
Dividends paid		Nil

5. Investment in Associate (continued)

Below is a reconciliation of Avalon's share in SRL's net shareholders' equity to Avalon's carrying cost of its investment in SRL as at November 9, 2023 and the changes since then:

Avalon's 40% share of shareholders' equity of SRL - November 9, 2023	$ 26,373,675
Acquisition transaction costs	281,751
Gain on sale of exploration and evaluation assets not recognized	(3,815,129)
Investment in SRL – November 9, 2023	22,840,297
Avalon's 40% share of SRL's net loss from November 9, 2023 to May 31, 2024	(100,110)
Investment in SRL – May 31, 2024	$ 22,740,187

6. Exploration and Evaluation Assets

a) Separation Rapids Lithium Project and Lilypad Cesium-Tantalum Project, Ontario

The Company owned a 100% interest in certain mineral claims and a mining lease in the Kenora area of Ontario and a 100% interest in certain mineral claims in the Lilypad Cesium-Tantalum property, located 150 km northeast of the Pickle Lake area of Ontario.

As disclosed in note 4 above, the Company completed the sale/transfer of the Separation Rapids and Lilypad projects to SRL and received 40% equity interest in SRL during the quarter ended November 30, 2023.

b) Other Resource Properties

The Company holds an exploration licence to search and prospect for all minerals except for coal, salt, potash and uranium within four claims in the East Kemptville area of Yarmouth, Nova Scotia. The Company also has a 100% interest in a mining lease in the Warren Township Anorthosite Project, located near Foleyet, Ontario, a 100% interest in a 2.0% NSR interest in certain claims of the East Cedartree Gold Property located near Kenora, Ontario, and a 2.4% NSR interest in the Wolf Mountain Platinum-Palladium Project located near Thunder Bay, Ontario.

7. Property, Plant and Equipment

	Nechalacho REE Project (a)	Transportation Facilities (c)	Office, Computer and Office Equipment (b)	Land and Building (c)	Exploration Equipment	Leasehold Improvements	Total
Cost							
As at September 1, 2022	$ 101,589,866	$ 646,860	$ 1,235,239	$ 94,605	$ 688,089	$ 106,754	$ 104,361,413
Additions	26,974	1,048,713	10,510	7,737,900	-	-	8,824,097
Disposals	-	-	(29,888)	-	(353,009)	-	(382,897)
As at August 31, 2023	101,616,840	1,695,573	1,215,861	7,832,505	335,080	106,754	112,802,613
Additions	28,120	-	1,059,796	69,770	-	178,868	1,336,554
Lease adjustment (b)	-	-	(196,090)	-	-	-	(196,090)
Disposals	-	-	(921,843)	(94,605)	(79,752)	(106,754)	(1,202,954)
As at May 31, 2024	$ 101,644,960	$ 1,695,573	$ 1,157,724	$ 7,807,670	$ 255,328	$ 178,868	$ 112,740,123
Accumulated Depreciation							
As at September 1, 2022	$ -	$ 338,559	$ 762,521	$ 27,155	$ 655,829	$ 101,112	$ 1,885,176
Depreciation expense	-	14,775	203,555	4,476	13,265	2,417	238,488
Disposals	-	-	(29,888)	-	(353,009)	-	(382,897)
As at August 31, 2023	-	353,334	936,188	31,631	316,085	103,529	1,740,767
Depreciation expense	-	10,195	159,667	2,237	16,617	18,131	206,847
Disposals	-	-	(921,843)	(33,868)	(79,752)	(106,754)	(1,142,217)
As at May 31, 2024	$ -	$ 363,529	$ 174,012	$ -	$ 252,950	$ 14,906	$ 805,397
Net Book Value							
August 31, 2023	$ 101,616,840	$ 1,342,239	$ 279,673	$ 7,800,874	$ 18,995	$ 3,225	$ 111,061,846
May 31, 2024	$ 101,644,960	$ 1,332,044	$ 983,712	$ 7,807,670	$ 2,378	$ 163,962	$ 111,934,726

7. Property, Plant and Equipment (continued)

a) Nechalacho REE Project, Northwest Territories

The Company owns a 100% interest of the resources below a depth of 150 metres above sea level (the “Basal Zone Resources”) in eight mining leases located at Thor Lake in the Mackenzie Mining District of the Northwest Territories.

These eight contiguous mining leases total 5,786 hectares (14,297 acres), after three mining claims totalling 332 hectares on the southwest side of the original five leases were converted to mining leases. The original five leases are subject to one independently owned 2.5% Net Smelter Returns (“NSR”) royalty agreement. Avalon has the contractual right to buy out this royalty on the basis of a fixed formula, which is currently approximately $1.8 million, and which will increase at a rate equal to the Canadian prime rate until the royalty is bought out.

The Company continues to have access to the property for development and mining of its Basal Zone Resources.

The Company retained a 3.0% NSR royalty (the “3.0% NSR Royalty”) but agreed to waive this royalty for the first five years of commercial production and granted the third party the option to pay the Company $2.0 million within eight years of the transaction closing to extend the waiver of this royalty in perpetuity. The third party also has the option to purchase the Company’s option in the 2.5% NSR Royalty, provided that, upon exercising the option, it extinguishes this royalty. Avalon and the third party have formed a jointly-owned corporation to hold the exploration permits and related authorizations related to their projects and have also entered into a co-ownership agreement governing each party’s activities and management at site.

At May 31, 2024, the amount of the net assets of the Company is more than its market capitalization, IAS 36 – *Impairment of Assets* considers that an indicator of impairment is present based on external sources of information. The Company completed an impairment test on the Nechalacho Project as at May 31, 2024 and determined that the Project was not impaired. The main assumptions used to determine the recoverable amount related to Nechalacho were long-term commodity prices, changes in cost estimates, discount rates, foreign exchange rates and years to commencement of production.

b) Depreciation of $147,877 (May 31, 2023 - $147,067) was recognized relating to the right of use (“ROU”) asset (which consisted of its leased office premises) during the Period.

During the quarter ended November 30, 2023, the Company amended the termination date of the lease contract for its old office premises from December 31, 2024 to December 31, 2023, and recognized a gain of $29,487 relating to the lease amendment. In conjunction with the lease amendment, the Company entered into a new lease contract for another office suite in the same building, with the commencement date of January 1, 2024 (the “New Lease Contract"). The future lease payments under the New Lease Contract are disclosed in note 9. The carrying balance of the ROU asset was $ 907,659 as at May 31, 2024 (August 31, 2023 - $261,453).

c) Depreciation expense for the three and nine months ended May 31, 2024 and May 31, 2023 consist of the following:

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Depreciation expense recognized	$ 67,622	$ 58,297	$ 206,847	$ 175,030
Depreciation expense capitalized to exploration and evaluation assets	-	(1,707)	(15,927)	(5,119)
	$ 67,622	$ 56,590	$ 190,920	$ 169,911

8. Deferred Flow-Through Share Premium

A summary of the changes in the deferred flow-through share premium amount is set out below:

Balance – September 1, 2022	$	177,999
Increase relating to flow-through common shares issued		575,596
Decrease relating to Canadian Exploration Expenditures incurred		(742,921)
Balance – August 31, 2023		10,674
Decrease relating to Canadian Exploration Expenditures incurred		(10,674)
Balance – May 31, 2024	$	-

9. Lease Obligation

As at May 31, 2024, the Company had the following future commitment relating to the New Lease Contract for its office premises.

2024	$	58,424
2025		191,822
2026		240,942
2027		245,358
2028		249,846
2029		56,926
Total future lease payments as at May 31, 2024		1,043,318
Amounts representing interest		(155,844)
Present value of future lease payments – May 31, 2024	$	887,474

A summary of the changes in the lease obligation amount is set out below:

Balance – September 1, 2022	$	496,087
Interest expense		20,106
Payments		(229,180)
Balance – August 31, 2023		287,013
Lease amendment adjustment (note 7b)		(225,577)
New lease contract		990,172
Interest expense		22,847
Payments		(186,981)
Balance – May 31, 2024		887,474
Current portion of lease obligation		133,593
Non-current portion of lease obligation	$	753,881

The Company had net cash outflows of $186,981 for its lease contracts in the Period.

10. Debenture Payable

During the year ended August 31, 2023, the Company issued to Sibelco the Debenture in the principal amount of $3,000,000 for cash proceeds of $3,000,000. The Debenture bears interest at 7.115% per annum and the principal and interest are payable on or before maturity, being June 14, 2025 (the "Maturity") at the option of the Company. To the extent not repaid by Maturity by the Company, Sibelco will have the right to convert the Debenture and all accrued and unpaid interest thereon into either an aggregate of 37,590,496 Common Shares of Avalon, or an additional 5% interest in SRL, in which case the Company's equity interest in SRL will be reduced by 5%. The Debenture is secured by the Company's equity interest in SRL.

The debenture is classified and measured at amortized cost.

A summary of the changes in the debenture payable amount is set out below:

Balance – September 1, 2022	$ -
Issued	3,000,000
Transaction costs	(37,874)
Interest and accretion on debenture	47,852
Balance – August 31, 2023	3,009,978
Interest and accretion on debenture	167,841
Balance – May 31, 2024	$ 3,177,819

The Company's finance costs comprise of the following:

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Interest and accretion on debenture	$ 56,286	$ -	$ 167,841	$ -
Interest on lease obligation (note 9)	16,026	4,708	22,847	16,068
Amortization of deferred financing costs (note 11)	93,408	-	93,408	-
	$ 165,720	$ 4,708	$ 284,096	$ 16,068

11. Convertible Notes Payable

During the period, the Company entered into an up to $15,000,000 convertible security agreement (the "Funding Agreement") with an entity managed by The Lind Partners ("Lind") and completed the first drawdown and issued a convertible note payable of $2,750,000 to Lind (the "2024 Note"). Subject to further agreement by the parties, an additional drawdown under the Funding Agreement can be made on satisfaction of certain conditions.

The 2024 Note has a two-year term and accrues a simple interest rate obligation of 10% per annum on the funded amount, which is prepaid and attributed to the face value of the 2024 Note upon issuance, resulting in a face value of $3,300,000 (the "Face Value"). Lind is entitled to convert the Face Value amount over a 24-month period at a conversion price equal to 85% of the five-day trailing volume weighted average price of Avalon's common shares prior to the date of conversion (the "Conversion Feature"). The 2024 Note matures on March 27, 2026. Commencing on August 26, 2024, the Company has the right to repurchase the 2024 Note at the outstanding face value (the "Buyback Option"), subject to Lind's option to convert up to one third of the Face Value into Avalon common shares prior to such repurchase.

11. Convertible Note Payable (continued)

The 2024 Note is secured by a general security agreement and a mortgage on the Company's Thunder Bay Property.

In conjunction with the issuance of the 2024 Note, the Company paid Lind a closing fee of $96,250, and issued 15,800,000 common share purchase warrants to Lind. Each warrant entitles Lind to purchase one common share of the Company at a price of $0.13 per common share until March 27, 2029. The Company also incurred other transaction costs of $65,141, resulting in net cash proceeds of $2,588,609 from the issuance of the 2024 Note.

The 2024 Note is a hybrid instrument that contains multiple embedded derivatives including the Conversion Feature and Buyback Option. The Company had designated the entire hybrid contract (the 2024 Note and all the embedded derivatives) as a financial liability at FVTPL and are re-measured at each financial statement reporting date, with the resulting change in value being recorded as increase or decrease in fair values of convertible notes payable and derivative liabilities in the consolidated statement of comprehensive income.

As the Company has the Buyback Option to repurchase the 2024 Note at the outstanding face value, the total fair value of the 2024 Note is therefore equal to the face value and was $3,300,000 at issuance.

The fair value of the warrants was estimated at $570,900 at issuance and was recorded as a component of shareholders' equity in reserve for warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model, with the following assumptions: expected dividend yield of Nil; risk free interest rate of 3.5%; expected life of 5.0 years; and expected volatility of 64%.

The prepaid interest amount of $550,000 and the fair value of warrants of $570,900 were recorded as deferred financing costs on the statement of financial position and is being amortized over the term of the 2024 Note.

The total transaction costs of $161,391 had been allocated to the 2024 Note and the Warrants on a pro rata basis, of which $137,666 was expensed as financing transaction costs on the state of comprehensive income with the balance of $23,725 recorded as a reduction to reserve for warrants.

A summary of the changes in the convertible notes payable amount is set out below:

Balance – September 1, 2022	$ 4,060,000
Converted to common shares	(2,860,000)
Repayment	(1,200,000)
Balance – August 31, 2023	-
Issued	2,750,000
Interest	550,000
Balance – May 31, 2024	$ 3,300,000

The number of common shares to be issued would be 58,614,564 if the full amount of notes payable had been converted into common shares based on the five day VWAP of the Company's common shares on the TSX of $0.0662 on May 31, 2024.

12. Derivative Liabilities

The derivative liabilities consist of certain warrants with exercise prices that are subject to adjustment from time to time in the event of certain common share rights offering ("liability classified warrants").

12. Derivative Liabilities (continued)

The following table summarizes information concerning the derivative liabilities as at the beginning and end of the respective reporting periods:

	Number of Warrants	Amount
Balance – September 1, 2022	26,925,000	$ 523,567
Expired	(8,125,000)	(748)
Decrease in fair value	-	(324,696)
Balance – August 31, 2023	18,800,000	198,123
Decrease in fair value	-	(194,756)
Balance – May 31, 2024	18,800,000	$ 3,367

The Company has the following liability classified warrants outstanding as at May 31, 2024:

i) 9,800,000 warrants with an exercise price of $0.18 per share and are exercisable until January 29, 2025; and

ii) 9,000,000 warrants with an exercise price of $0.26 per share and are exercisable until May 9, 2026.

The fair values of the liability classified warrants were estimated at May 31, 2024 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield of Nil; risk free interest rate of 4.1%; expected life of 1.3 years; and expected volatility of 39%.

13. Share Capital

a) Authorized

The Company is presently authorized to issue an unlimited number of common shares without par value. The Company is also authorized to issue up to 25,000,000 preferred shares without par value, of which 950 have been issued and none are outstanding as at May 31, 2024.

b) Common Shares

In January 2024, the Company completed a private placement and issued 4,250,000 units at a price of $0.10 per unit (the "Unit") for gross proceeds of $425,000, of which 1,000,000 Units were subscribed by Mr. Jan Holland, Executive Chair of the Board of Director and 150,000 Units were subscribed by a person who is related to Mr. Holland. Each unit was comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.15 for a period of three years until January 31, 2027, or if the closing price of the common shares on the TSX is $0.30 or higher for a period of twenty consecutive trading days after the January 31, 2024, the Company may, by notice to the holder (supplemented by a news release of general dissemination) reduce the expiry date of the warrants to not less than 30 days from the date of such notice.

Of the Unit price of $0.10, $0.0994 was allocated to the common share component of the Unit and the balance of $0.0006 was allocated to the warrant component of the Unit. These values were allocated on a pro rata basis based on the closing trading price of the Company's common shares on the TSX on the closing date of the private placement, which was $0.090, and the estimated fair value of a whole warrant of $0.010. The fair value of the warrant was estimated using the Black-Scholes pricing model.

The Company incurred cash issuance costs of $21,584 in connection with this private placement.

13. Share Capital (continued)

c) Warrants

The following table reconciles the equity classified warrants outstanding to purchase common shares of the Company at the beginning and end of the respective periods:

	Number of Warrants	Weighted Average Exercise Price
Balance – September 1, 2022	8,035,000[(1)]	$ 0.159
Issued	5,735,312	0.250
Exercised	(1,900,000)	0.120
Expired	(250,000)	0.120
Balance – August 31, 2023	11,620,312[(1)]	0.211
Issued	17,925,000	0.132
Expired	(5,885,000)	0.173
Balance – May 31, 2024	23,660,312[(1)]	$ 0.161

[(1)] Does not include the additional liability classified warrants as described in note 12.

The outstanding equity classified warrants have a weighted average remaining contract life of 3.6 years.

The warrants reserve, included as a component of the consolidated statement of changes in equity, relates to equity settled instruments issued by the Company to various stakeholders.

As described in note 12, the Company also has 18,800,000 liability classified warrants outstanding as at May 31, 2024.

The Company is also required to issue 20,000 warrants to the Northwest Territory Métis Nation in two equal installments of 10,000 warrants upon the Nechalacho REE Project meeting certain milestones.

d) Share Based Payments

The Company has three share incentive plans: the Stock Option Plan, Deferred Share Unit Plan (the "DSU Plan") and the Restricted Share Unit Plan (the "RSU Plan").

The Stock Option Plan provides for the issue of up to 10% of the number of issued and outstanding common shares of the Company to eligible employees, directors and service providers of the Company.

The Stock Option Plan authorizes the granting of options to purchase common shares of the Company at a price equal to or greater than the closing price of the shares on either the trading day prior to the grant or the day of the grant. The options generally vest over a period of one to four years, and generally have a term of two to five years (but can have a maximum term of up to 10 years). The stock options are accounted for as equity-settled awards.

DSUs are awarded to the Company's directors. Under the DSU plan, directors are permitted to elect in each year to receive their respective director's retainer in cash, DSUs or a combination thereof. The number of DSUs granted to a director electing to receive their retainer in DSUs is determined based on the VWAP of the Company's common shares prior to the date the DSUs are awarded and vest upon grant. The Company may grant discretionary awards of DSUs to directors from time to time, subject to such vesting, performance criteria, or other terms and conditions as the Board may prescribe.

13. Share Capital (continued)

Under the RSU Plan, the Company may grant discretionary awards of RSUs to directors, senior officers and key employees of the Company from time to time, subject to a restricted period and such vesting, performance criteria, or other terms and conditions as the Company may prescribe. Unless the Company determines otherwise at the time of the award of RSUs, one-third of such award will be restricted until the first anniversary of the grant date, another one-third will be restricted until the second anniversary of the grant date and the remaining one-third will be restricted until the third anniversary of the grant date.

The Company has the option to redeem the DSUs and RSUs either for common shares or for cash. The DSUs and RSUs are accounted for as equity-settled awards as the Company has no history of settling any DSUs and RSUs in cash and currently has no plan to settle any DSUs and RSUs in cash.

The following table reconciles the stock options outstanding at the beginning and end of the respective reporting periods:

	Number of Options	Weighted Average Exercise Price
Balance – September 1, 2022	17,605,000	$ 0.14
Granted	8,760,000	0.13
Exercise	(581,250)	0.11
Expired	(1,470,000)	0.16
Forfeited	(650,000)	0.18
Balance – August 31, 2023	23,663,750	0.14
Granted	4,475,000	0.11
Expired	(2,270,000)	0.15
Forfeited	(1,975,000)	0.13
Balance – May 31, 2024	23,893,750	$ 0.13

As at May 31, 2024, there were 11,108,750 options vested (August 31, 2023 - 10,768,750) with an average exercise price of $0.13 per share (August 31, 2023 - $0.14), that were exercisable.

The fair value of each option granted is estimated at the time of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the input of subjective assumptions, including expected life of the option award, share price volatility and other assumptions. The expected life of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. Expected volatility is based on the historic volatility of the Company's shares. These assumptions involve inherent uncertainties and the application of management judgment. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those options expected to vest.

The weighted average assumptions for grants during the Period and the year ended August 31, 2023 are as follows:

	May 31, 2024	August 31, 2023
Exercise price	$0.11	$0.13
Closing market price on day preceding date of grant	$0.10	$0.13
Risk-free interest rate	4.07%	3.69%
Expected life (years)	2.9	3.9
Expected volatility	74%	85%
Expected dividend yield	Nil	Nil
Grant date fair value	$0.05	$0.08
Forfeiture rate	10%	10%

13. Share Capital (continued)

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

Exercise Price Range	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contractual Life
$0.21 - $0.26	400,000	400,000	1.7 years
$0.15 - $0.20	7,830,000	3,707,500	2.0 years
$0.11 - $0.14	7,990,000	2,192,500	3.2 years
$0.08 - $0.10	7,673,750	4,808,750	1.4 years
	23,893,750	11,108,750	

Changes to the number of share units are as follows:

	DSU Plan (Equity Settled)	RSU Plan (Equity Settled)
Balance – September 1, 2022	475,000	1,016,666
Granted	1,060,000	-
Redeemed – common shares issued	-	(255,000)
Redeemed – cash payroll withholding tax payments	-	(236,666)
Balance – August 31, 2023	1,535,000	525,000
Granted in settlement of bonuses	-	4,369,424
Granted	210,000	-
Redeemed – common shares issued	-	(461,571)
Redeemed – cash payroll withholding tax payments	-	(459,861)
Balance – May 31, 2024	1,745,000	3,972,992

There were 1,745,000 DSUs vested as at May 31, 2024 (August 31, 2023 – 1,535,000) and there were 3,972,992 RSUs vested as at May 31, 2024 (August 31, 2023 – 300,001).

The share based payments reserve, included as a component of the consolidated statement of changes in equity, relates to equity settled compensation options, DSUs and RSUs issued by the Company to its directors, officers, employees and consultants.

The estimated fair value of options, DSUs and RSUs earned during the Period was $850,298 (May 31, 2023 - $320,327), of which $3,393 (May 31, 2023 - $11,415) was capitalized as exploration and evaluation assets, $440,875 was charged to salaries and benefits (May 31, 2023 - $Nil), $Nil (May 31, 2023 - $2,500) was charged to directors' fees, with the balance of $406,030 (May 31, 2023 – $306,412) charged to operations as share based compensation expense.

13. Share Capital (continued)

e) Brokers' Compensation Warrants

The following table summarizes information concerning outstanding brokers' compensation warrants as at the beginning and end of the respective reporting years:

	Number of Compensation Warrants	Weighted Average Exercise Price
Balance – September 1, 2022	938,900	$ 0.18
Expired	(150,000)	0.20
Balance – August 31, 2023	788,900	0.18
Expired	(788,900)	0.18
Balance – May 31, 2024	-	$ -

f) Share Capital Structure

The Company's share capital structure including its common shares and any potentially dilutive instruments outstanding as at May 31, 2024 and August 31, 2023 are as follows:

	May 31, 2024	August 31, 2023
Common shares	565,085,174	560,373,603
Warrants	42,460,312	30,420,312
Stock options	23,893,750	23,663,750
DSUs	1,745,000	1,535,000
RSUs	3,972,992	525,000
Convertible notes payable(1)	58,614,564	-
Broker Compensation Warrants	-	788,900
Total	695,771,792	617,306,565

(1) The number of common shares to be issued if the full face value of the convertible note payable of $3,300,000 has been converted into common shares based on the five day VWAP of the Company's common shares on the TSX of $0.0662 on May 31, 2024.

In addition, if the Company fails to repay the principal and accrued interest of $3,426,900 of the Debenture at Maturity, Sibelco has the right to convert the Debenture into 37,590,496 common shares of the Company. The Company is also committed to issue 20,000 warrants to the Northwest Territory Métis Nation in two equal installments of 10,000 warrants upon the Nechalacho REE Project meeting certain milestones.

14. Corporate and Administrative Expenses

Corporate and administrative expenses for the three and nine months ended May 31, 2024 and May 31, 2023 consist of the following:

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Salaries and benefits[1]	$ 465,108	$ 327,540	$ 1,998,050	$ 818,833
Directors' fees	6,362	6,581	18,475	19,256
Consulting and professional fees	198,302	166,773	834,313	458,665
Advertising, office, insurance and other expenses	114,976	295,112	634,476	894,331
Shareholders' communications and filing fees	44,134	15,658	148,644	108,725
Travel and related costs	28,429	7,450	184,501	10,284
	$ 857,311	$ 819,114	$ 3,818,459	$ 2,310,094

(1) These figures do not include share based compensation. Employees' salaries and benefits including share based compensation expensed for the Quarter and Period totaled $579,252 (2023 - $390,398) and $2,303,605 (2023 - $1,012,961) respectively.

15. Related Party Disclosures

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

a) Trading transactions

There have been no material trading transactions with related parties during each of the nine months ended May 31, 2024 and May 31, 2023, other than the participation by certain related parties in the January 2024 private placement as described in note 13b, whereby Mr. Jan Holland, Executive Chair of the Board of Directors and a person related to Mr. Holland subscribed for a total of 1,150,000 Units at $0.10 per Unit.

b) Compensation of key management personnel

The remuneration of directors and other key members of the Company's senior management team during each of the three and nine months ended May 31, 2024 and May 31, 2023 are as follows:

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Salaries, benefits and directors' fees[1]	$ 415,487	$ 350,085	$ 1,861,358	$ 852,063
Share based compensation[2]	159,355	69,243	379,954	213,920
	$ 574,842	$ 419,328	$ 2,241,312	$ 1,065,983

(1) Salaries and benefits of key management personnel capitalized to exploration and evaluation assets for the Quarter and for the Period totaled $Nil (2023 - $47,717) and $108,701 (2023 - $100,660), respectively.

(2) Fair value of stock options, DSUs & RSUs earned and recognized as share based compensation during the respective reporting period.

16. Financial Instruments

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1	quoted prices in active markets for identical assets or liabilities;
Level 2	inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., from derived prices); and
Level 3	inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The fair values of the Company's warrants with exercise prices that are subject to adjustment from time to time are based on Level 2 inputs that are observable for the liability such as interest rate, dividend yield and historical volatility.

Fair Values

Except as disclosed elsewhere in these condensed consolidated interim financial statements, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company is not exposed to any significant credit risk as at May 31, 2024. The Company's cash and cash equivalents are either on deposit with a major Canadian Chartered banking group in Canada or invested in bankers' acceptance notes or guaranteed investment certificates issued by a major Canadian Chartered banking group. The Company's receivables primarily consist of Goods and Services Tax/Harmonized Sales Tax receivable, government grants and refundable security deposits with various federal and provincial governments and are therefore not subject to significant credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they come due. The Company has in place a planning and budgeting process to assist in determining the funds that are required to support the Company's normal operating requirements on an ongoing basis and its plans for exploration and development expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

As at May 31, 2024, the Company has current assets of $2,046,748 and current liabilities of $1,230,853. The Company's working capital deficit as at May 31, 2024 was $815,895.

Repayments due by period as of May 31, 2024:

	Within 1 Year	1-3 Years	4-5 Years	Over 5 Years	Total
Accounts payable and accrued liabilities	$ 1,097,260	$ -	$ -	$ -	$ 1,097,260
Debenture payable	-	3,426,900	-	-	3,426,900
Convertible note payable	-	3,300,000	-	-	3,300,000
Lease obligation	190,739	484,098	368,481	-	1,043,318
	$ 1,287,999	$ 7,210,998	$ 368,481	$ -	$ 8,867,478

16. Financial Instruments (continued)

Market risk

i) Interest rate risk

The Company has cash and cash equivalents balances and it has no interest-bearing debt. The Company's current policy is to invest its excess cash in highly liquid money market investments such as bankers' acceptance notes, treasury bills and GICs. These short term money market investments are subject to interest rate fluctuations.

ii) Foreign currency risk

The Company's functional currency is the Canadian dollar. The majority of the Company's purchases are transacted in Canadian dollars. The Company had no significant financial assets or financial liabilities denominated in foreign currencies as at May 31, 2024.

iii) Price risk

The prices of metals and minerals fluctuate widely and are affected by many factors outside of the Company's control. The prices of metals and minerals and future expectation of such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may impact the Company's ability to raise equity financing for its long term working capital requirements.

Sensitivity analysis

Considering the Company's budget expenditures for the balance of fiscal 2024 and its current cash and cash equivalents of $1,926,465, with other variables held constant, sensitivity to a plus or minus 25 basis points change in interest rates would not have any significant effect on the Company's net loss for the balance of fiscal 2024.

The Company had no significant financial assets or financial liabilities denominated in foreign currencies as at May 31, 2024, and no significant ongoing expenditures to be transacted in US dollars or other foreign currencies is expected for the next three month period. If the Canadian dollar weakens (or strengthens) 5% against the US dollar with other variables held constant, it would not have any significant effect on the Company's expenditures over a three month period.

17. Supplemental Cash Flow Information

Non-cash financing and investing transactions not reflected in the Condensed Consolidated Interim Statements of Cash Flows for the three and nine months ended May 31, 2024 and May 31, 2023 are as follows:

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Property, plant and equipment acquired under lease arrangement	$ -	$ -	$ 990,172	$ -
Acquisition of investment in associate	-	-	22,558,546	-
Disposition of exploration and evaluation assets	-	-	16,835,853	-
Share based compensation capitalized as exploration and evaluation assets	-	4,919	3,393	11,415
Depreciation expense capitalized as exploration and evaluation assets	-	1,707	15,927	5,119
	$ -	$ 6,626	$ 40,403,891	$ 16,534

18. Events After the Reporting Period

Subsequent to the end of the Period, the Company:

a) granted an aggregate of 2,400,000 stock options with an exercise price of $0.08 per share to certain employees of the Company. The contract life of these options at issuance was 3 years; and

b) had 500,000 stock options with an exercise price of $0.08 per share expire.