

HERTZ ENERGY INC. (FORMERLY HERTZ LITHIUM INC.)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED APRIL 30, 2024 AND 2023**

(Expressed in Canadian Dollars)

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

The accompanying interim condensed 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.

June 24, 2024

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

| | Note | As at | |
|---|------|---------------------|---------------------|
| | | April 30, 2024 | July 31, 2023 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | \$ 1,576,369 | \$ 580,065 |
| Prepaid expenses and deposits | 6 | 216,637 | 82,539 |
| Tax receivable | | 46,132 | 3,816 |
| Due from related parties | 9 | 1,536 | - |
| Total current assets | | 1,840,674 | 666,420 |
| Non-current assets | | | |
| Exploration and evaluation properties | 7 | 7,066,538 | 542,901 |
| Total assets | | \$ 8,907,212 | \$ 1,209,321 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 174,542 | \$ 111,521 |
| Due to related parties | 9 | 322,154 | 80,936 |
| Flow through premium liability | 11 | 588,677 | - |
| | | 1,085,373 | 192,457 |
| Non-current liabilities | | | |
| Due to related party | 9 | 108,403 | 103,916 |
| Total liabilities | | 1,193,776 | 296,373 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 8 | 10,679,072 | 2,114,142 |
| Reserves | 8 | 294,908 | 281,855 |
| Accumulated other comprehensive loss | | (2,303) | (20,628) |
| Deficit | | (3,258,241) | (1,462,421) |
| Total shareholders' equity | | 7,713,436 | 912,948 |
| Total liabilities and shareholders' equity | | \$ 8,907,212 | \$ 1,209,321 |

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

APPROVED BY THE BOARD OF DIRECTORS ON **June 24, 2024**

ON BEHALF OF THE BOARD

/s/ Bala Pratap Reddy

Bala Pratap Reddy, Director

/s/ Jamie L. Hogue

Jamie L. Hogue, Director

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

HERTZ ENERGY INC (FORMERLY HERTZ LITHIUM INC.)

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

| | | For the nine months ended | | For the three months ended | |
|--|------|---------------------------|-------------------|----------------------------|-------------------|
| | Note | April 30, 2024 | April 30, 2023 | April 30, 2024 | April 30, 2023 |
| Expenses: | | | | | |
| Advertisement and marketing | | 945,862 | 84,178 | 670,423 | 17,953 |
| Management fees | 9 | 256,500 | 198,450 | 85,500 | 82,950 |
| Legal fees | | 158,210 | 118,701 | - | 88,726 |
| Accounting fees | 9 | 141,489 | 50,484 | 19,750 | 22,387 |
| Consulting fees | 9 | 99,645 | 25,480 | 7,889 | 8,200 |
| Loss on deposits written off | 7 | 98,477 | - | - | - |
| Transfer agent and filing fees | | 64,667 | 71,871 | 17,620 | - |
| Technology license fees | 12 | 49,974 | 23,278 | 20,998 | - |
| Director fees | 9 | 21,236 | 44,769 | 5,029 | 9,127 |
| Office expenses | | 18,282 | 2,578 | 6,757 | 1,105 |
| Stock based payments | 8,10 | 13,353 | 222,667 | 5,938 | 124,289 |
| Property investigation | | 11,539 | - | 11,539 | - |
| Investor relations | | - | 22,407 | - | 22,407 |
| Total expenses | | 1,879,234 | 864,863 | 851,443 | 377,144 |
| Other income (expenses): | | | | | |
| Flow through income | 11 | 67,573 | - | 16,136 | - |
| Interest income | | 17,512 | - | 17,512 | - |
| Foreign exchange income (loss) | | (1,671) | (7,071) | 803 | (12,359) |
| Net loss | | (1,795,820) | (871,934) | (816,992) | (389,503) |
| Other comprehensive income (loss) | | | | | |
| Foreign exchange translation income (loss) | | 18,325 | (1,949) | 24,645 | 5,003 |
| Comprehensive loss for the period | | (1,777,495) | (873,883) | (792,347) | (384,500) |
| Net loss per share, basic and diluted | | (0.03) | (0.05) | (0.01) | (0.02) |
| Weighted average number of shares outstanding, basic and diluted | | 53,539,079 | 17,160,250 | 66,046,715 | 20,772,057 |

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

HERTZ ENERGY INC (FORMERLY HERTZ LITHIUM INC.)
INTERIM CONDENSED 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 \$ | | | |
| Balance, July 31, 2022 | 7,140,001 | 166,037 | 86,250 | - | - | - | (197,593) | 54,694 |
| Shares issued for private placement | 4,045,000 | 480,625 | (86,250) | - | - | - | - | 394,375 |
| Shares issuance cost for private placement | - | (4,617) | - | - | - | - | - | (4,617) |
| Shares issued for property acquisition | 6,240,000 | 180,000 | - | - | - | - | - | 180,000 |
| Shares issued in IPO | 12,852,000 | 1,606,500 | - | - | - | - | - | 1,606,500 |
| Shares issued to IPO agent | 200,000 | 25,000 | - | - | - | - | - | 25,000 |
| Share issuance cost for IPO | - | (385,480) | - | - | 64,330 | - | - | (321,150) |
| Fair value of stock options granted | - | - | - | 222,667 | - | - | - | 222,667 |
| Net and comprehensive loss | - | - | - | - | - | (1,949) | (871,934) | (873,883) |
| Balance, April 30, 2023 | 30,477,001 | 2,068,065 | - | 222,667 | 64,330 | (1,949) | (1,069,527) | (1,283,586) |
| Balance, July 31, 2023 | 30,629,181 | 2,114,142 | - | 217,681 | 64,174 | (20,628) | (1,462,421) | 912,948 |
| Shares issued for warrants exercise | 2,754,200 | 688,325 | - | - | (300) | - | - | 688,025 |
| Shares issued for acquisition of Canuck | 23,150,001 | 6,019,000 | - | - | - | - | - | 6,019,000 |
| Shares issued for private placements | 9,513,333 | 2,537,400 | - | - | - | - | - | 2,537,400 |
| Shares issuance cost for private placement | - | (23,545) | - | - | - | - | - | (23,545) |
| Flow through premium liability | - | (656,250) | - | - | - | - | - | (656,250) |
| Fair value of stock options vested | - | - | - | 13,353 | - | - | - | 13,353 |
| Net and comprehensive loss | - | - | - | - | - | 18,325 | (1,795,820) | (1,777,495) |
| Balance, April 30, 2024 | 66,046,715 | 10,679,072 | - | 231,034 | 63,874 | (2,303) | (3,258,241) | 7,713,436 |

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

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

| | Nine months ended | |
|--|--------------------|------------------|
| | April 30, 2024 | April 30, 2023 |
| Cash Provided By (Used In) | | |
| Operating Activities | | |
| Net loss for the periods | \$ (1,795,820) | \$ (871,934) |
| Adjustments for non-cash items: | | |
| Share-based payments | 13,353 | 222,667 |
| Flow through income | (67,572) | - |
| Loss on deposits written off | 98,477 | - |
| Changes in working capital: | | |
| Prepaid expenses | (134,098) | (102,701) |
| Tax receivable | (42,316) | - |
| Due from related parties | (1,536) | - |
| Due to related parties | 241,218 | 14,172 |
| Accounts payable and accrued liabilities | 63,021 | 191,011 |
| Net cash used in operating activities | (1,625,273) | (546,785) |
| Investing Activities | | |
| Exploration and evaluation expenditures | (585,583) | (300,443) |
| Net cash used in investing activities | (585,583) | (300,443) |
| Financing Activities | | |
| Proceeds from issuance of common shares | 2,513,855 | 1,700,108 |
| Proceeds from exercise of share warrants | 688,025 | - |
| Loan received from a related party | - | 106,948 |
| Net cash provided by financing activities | 3,201,880 | 1,807,056 |
| Increase in cash and cash equivalents | 991,024 | 959,828 |
| Effect of exchange rate changes on cash and cash equivalents | 5,280 | (1,949) |
| Cash and cash equivalents, beginning of the periods | 580,065 | 116,793 |
| Cash and cash equivalents, end of the periods | \$ 1,576,369 | \$ 1,074,672 |

Supplemental cash flow information (Note 10)

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

HERTZ ENERGY INC (FORMERLY HERTZ LITHIUM INC.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended April 30, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Hertz Energy Inc (formerly Hertz Lithium Inc.) (the “Company”) 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 Arizona, USA, Quebec and Nunavut Canada, and State of Minas Gerais, Brazil. 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 mineral claims situated in the James Bay region of Quebec (the “ACDC Project, Quebec”) (See Note 4).

These interim condensed consolidated financial statements for the nine months ended April 30, 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 April 30, 2024, the Company has not generated any operating income and has a cumulative deficit of \$3,258,241 (July 31, 2023 - \$1,462,421). 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.

2. BASIS OF PRESENTATION

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, 2023. The accompanying Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2023. The Company's interim results are not necessarily indicative of its results for a full year.

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.

Business combination and asset acquisition

Judgement is required to determine whether the Company's acquisitions represented a business combination or an asset purchase. 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.

Other areas of significant estimates and judgements made by management for the nine months ended April 30, 2024, in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 3 of the Company's audited financial statements for the year ended July 31, 2023.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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.

Intangible assets

Intangible assets can be capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. To determine if the future economic benefit is probable depends on the successful commercialization of its technologies and that in turn depends on the management's judgement and knowledge.

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

For the nine months ended April 30, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Accounting standards issued but not yet effective**

A number of new standards, amendments to standards and interpretations are not yet effective for the nine months ended April 30, 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 23,150,001 common shares of the Company. The sole director and officer of Canuck is a close relative of a director and officer of the Company.

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 23,150,001 common shares of the Company valued at a \$6,019,000 based the Company's stock trading price at the Completion Date.

Canuck has rights to explore certain lithium properties located in the emerging hard rock lithium district in James Bay, Quebec, Canada.

Canuck is a junior mining company registered in the province of Quebec, Canada. It owns AC/DC Project located in Quebec. Being an early-stage exploration company, the common shares of Canuck mostly derived its value from its flagship AC/DC project. Accordingly, Hertz intention to acquire Canuck was solely to obtain control over the AC/DC mineral claims. Therefore, as per *IFRS 3 – Business Combination*, the Canuck acquisition met the definition of an Asset Acquisition. Consequently, the fair value of assets acquired, and liabilities assumed is identified and recognized, and the difference was recorded as an addition to the exploration and evaluation assets.

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

| | Purchase price allocation |
|--|--------------------------------------|
| Assets | |
| Cash | \$ 186,831 |
| Prepaid and deposits | 125,000 |
| Due from a related party | 30,000 |
| Exploration and evaluation properties | 6,002,792 |
| Total Assets | 6,344,623 |
| Liabilities | |
| Due to a related party | 294,443 |
| Accounts payable and accrued liabilities | 31,180 |
| Total Liabilities | 325,623 |
| Net assets | 6,019,000 |
| Net consideration paid | \$ 6,019,000 |

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

For the nine months ended April 30, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

5. CASH AND CASH EQUIVALENTS

As at April 30, 2024, and July 31, 2023 cash and cash equivalents in the Company consists of the following:

| | April 30, 2024 | July 31, 2023 |
|-------------------|-----------------------|---------------|
| Cash held at bank | \$ 358,729 | \$ 580,065 |
| GIC deposits | 1,217,640 | - |
| | \$ 1,576,369 | \$ 580,065 |

On January 19, 2024, the Company invested \$1,400,000 in GIC deposits at an interest rate of 5.20% per annum. During the nine months period ended April 30, 2024, the Company withdrew \$200,000 and accrued an interest of \$17,640 (2023 – \$Nil) on the deposit.

As at April 30, 2024, the above cash and cash equivalents includes restricted cash of \$1,345,547 for eligible exploration expenditure as per flow through financing closed on December 21, 2023.

6. PREPAID EXPENSES AND DEPOSITS

The Company's prepaid expenses as of April 30, 2024, and July 31, 2023, are composed of the following:

| | April 30, 2024 | July 31, 2023 |
|--------------------------------|-----------------------|---------------|
| Advertising and marketing | \$ 191,404 | \$ 56,974 |
| Transfer agent and filing fees | 4,152 | 17,951 |
| Others | 21,081 | 7,614 |
| | \$ 216,637 | \$ 82,539 |

HERTZ ENERGY INC (FORMERLY HERTZ LITHIUM INC.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended April 30, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

As at April 30, 2024 and July 31, 2023, the Company's exploration and evaluation properties are as follows:

| | Lucky Mica Project, Arizona | Patriota Lithium Project, Brazil | ACDC and La Fleur, Quebec | Maskwa Properties, Quebec | Pomie and Yon Claims, Nunavut | Total |
|---|--------------------------------|-------------------------------------|------------------------------|------------------------------|----------------------------------|---------------------|
| Balance July 31, 2022 | \$ 76,490 | \$ - | \$ - | \$ - | \$ - | \$ 76,490 |
| Acquisition Cost: | | | | | | |
| Shares issued | 180,000 | - | - | - | - | 180,000 |
| Cash payment | 40,428 | - | - | - | - | 40,428 |
| Foreign exchange translation | (10,277) | - | - | - | - | (10,277) |
| | 210,151 | - | - | - | - | 210,151 |
| Exploration and evaluation expenditures: | | | | | | |
| Staking and claim maintenance | 21,176 | - | - | - | - | 21,176 |
| Geological exploration | 136,594 | - | - | - | - | 136,594 |
| Testing and assaying | 2,114 | - | - | - | - | 2,114 |
| Prepayments | 103,418 | - | - | - | - | 103,418 |
| Foreign exchange translation | (7,041) | - | - | - | - | (7,041) |
| | 256,260 | - | - | - | - | 256,260 |
| Balance July 31, 2023 | \$ 542,901 | \$ - | \$ - | \$ - | \$ - | \$ 542,901 |
| Acquisition Cost: | | | | | | |
| Shares issued | - | - | 6,002,791 | - | - | 6,002,791 |
| Cash payments | - | 198,300 | - | 100,000 | - | 298,300 |
| Deposits written off* | - | - | (15,268) | - | - | (15,268) |
| Foreign exchange translation | 4,563 | - | - | - | - | 4,563 |
| | 4,563 | 198,300 | 5,987,523 | 100,000 | - | 6,290,386 |
| Exploration and evaluation expenditures: | | | | | | |
| Staking and claim maintenance | 28,984 | - | - | - | - | 28,984 |
| Geological exploration | 37,645 | 14,879 | 104,829 | 18,004 | 1,152 | 176,509 |
| Prepayments written off** | (103,418) | - | 100,000 | - | 2,000 | (1,418) |
| Foreign exchange translation | 29,176 | - | - | - | - | 29,176 |
| | (7,613) | 14,879 | 204,829 | 18,004 | 3,152 | 233,251 |
| Balance April 30, 2024 | \$ 539,851 | \$ 213,179 | \$ 6,192,352 | \$ 118,004 | \$ 3,152 | \$ 7,066,538 |

*As of the acquisition of Canuck, Canuck had a deposit outstanding of \$15,268 for exploration work in relation to AC/DC property, Quebec. Due to non recoverability of the deposit amount, the Company decided to write it off to the income statement.

**During the year ended July 31, 2023, the Company paid \$200,000 for exploration work in relation to Lucky Mica Project, Arizona. As of April 30, 2024, the Company was able to utilize \$116,791 of the deposit amount in the exploration work. Due to non recoverability of the remaining deposits, the Company decided to write off the remaining balance of \$83,209 in the income statement.

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

For the nine months ended April 30, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

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 6,000,000 common shares (issued on August 29, 2022).

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 240,000 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.

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.

HERTZ ENERGY INC (FORMERLY HERTZ LITHIUM INC.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended April 30, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Patriota Lithium Project, Brazil (continued):

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 full during the three months ended October 31, 2023) 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 3,000,000 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
- 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 Company is under negotiations with BHBC for the extension of mineral exploration commitment as per (d) above.

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.

ACDC and La Fleur Project, Quebec:

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 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 150,000 common shares of Canuck with 7 days of execution of this agreement (issued on August 16, 2023)
- c) Issue 250,000 common shares of Canuck upon surface samples results returning samples on the 58 claims returning in excess of 1% lithium.
- d) Issue 250,000 common shares of Canuck 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.

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

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7. EXPLORATION AND EVALUATION ASSETS (continued)**ACDC and La Fleur Project, Quebec (continued):**

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 September 30, 2024) and
- b) Issue 12,200,000 shares of Canuck 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 3,000,000 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.

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 April 30, 2024, the Company has spent \$18,004 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% Li₂O) 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 will 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.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

Pomie and Yon Claims, Nunavut:

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

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.
- 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.

8. SHARE CAPITAL

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

As at April 30, 2024, the Company has 66,046,715 (July 31, 2023 – 30,629,181) common shares issued and outstanding.

Public and Private Placement Financing and Share Issuances

During the Nine months ended April 30, 2024:

Pursuant to the exercise of warrants, the Company issued 2,754,200 common shares for gross proceeds of \$688,325.

On October 23, 2023, pursuant to the share exchange agreement with Canuck, the Company issued 23,150,001 common shares to shareholders of Canuck.

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) 5,763,333 non-flow through units (the "Non-FT Units") at a price of \$0.18 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 \$0.40 per warrant share.
- b) 3,750,000 flow-through units (the "Charity FT Units") at a price of \$0.40 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 \$0.40 per Warrant Share.

During the year ended July 31, 2023:

On August 16, 2022, the Company issued 250,000 common shares at a price of \$0.025 per share for total gross proceeds of \$6,250.

On August 29, 2022, pursuant to the Property Purchase Agreement #1 (Note 7), the Company issued 6,000,000 common shares for a total value of \$150,000 estimated based on the per share price received at the Company's private placement completed on August 16, 2022.

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8. SHARE CAPITAL (continued)

Public and Private Placement Financing and Share Issuances (continued)*During the year ended July 31, 2023 (continued):*

On September 8, 2022, the Company issued 3,795,000 units at a price of \$0.125 per unit for gross proceeds of \$474,375 of which \$86,250 was received before the year ended July 31, 2022. Each unit comprises of one common share and one common share purchase warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of \$0.25 per share for a period of two years from the date of unit issuance. The Company has allocated 100% proceeds to common share and \$Nil to share purchase warrants by adopting the residual approach. The Company has paid \$4,617 in cash as share issuance cost related to this financing.

On April 5, 2023, pursuant to the Property Purchase Agreement #2 (Note 7), the Company issued 240,000 common shares for a total value of \$30,000 estimated based on the Company's per share price received at its initial public offering ("IPO") discussed below.

On April 6, 2023, the Company closed the IPO by issuance of 12,852,000 units (each, a "Unit") at a price of \$0.125 per Unit, for aggregate gross proceeds of \$1,606,500. Each Unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of \$0.25 per share for a period of two years from the date of issuance. The Company has allocated 100% proceeds to common share and \$Nil to share purchase warrants by adopting the residual approach.

In connection with the IPO, the Company (i) issued the agent (the "Agent") an aggregate of 899,640 compensation warrants (the "Agent Warrants") valued at \$64,330, each of which is exercisable into one common share of the Company at an exercise price of \$0.125 for a period of two years from the date of issuance, and (ii) paid the agent a corporate finance fee of \$50,000 consisting of \$25,000 in cash and \$25,000 in common shares based on \$0.125 per share resulting total 200,000 common shares issued to the Agent. The fair value of the Agent Warrants is estimated using the Black Scholes Option Pricing model with the following assumptions: stock price – \$0.125 per share; risk-free rate – 2.9%; expected life – 2 years; expected volatility – 108.99%; 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. Additionally, the Company has incurred \$271,149 in cash as share issuance costs.

On June 7, 2023, the Company issued 50,000 common shares upon exercise of warrants at a price of \$0.25 per share for gross proceeds of \$12,500.

On July 6, 2023, the Company issued 2,180 common shares for exercise of broker warrants at a price of \$0.125 per share for gross proceeds of \$273.

On July 19, 2023, the Company issued 100,000 common shares for stock option exercise at a price of \$0.19 per share for total gross proceeds of \$19,000.

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.

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

On September 30, 2022, the Company granted an aggregate of 1,700,000 incentive stock options to directors, officers and consultants as per the Company's Stock Option Plan, with an exercise price of \$0.125 per share for a period of five years from the date of grant. Out of the total options granted, 631,250 options were fully vested immediately at the grant date and the remaining 1,068,750 options will vest over a period of two years. The stock options were valued at \$0.10 per option using Black-Scholes Option Pricing model with the following assumptions: stock price – \$0.125 per share; risk-free rate – 3.32%; expected life – 5 years; expected volatility – 113.14%; 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 April 20, 2023, the Company granted an aggregate of 750,000 incentive stock options to officers and consultants as per the Company's Stock Option Plan, with an exercise price of \$0.19 per share for a period of two years from the date of grant. All stock options vested immediately. The stock options were valued at \$0.14 per option using Black-Scholes Option Pricing model with the following assumptions: stock price – \$0.19 per share; risk-free rate – 3.15%; expected life – 2 years; expected volatility – 158.02%; 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 March 15, 2024, the Company granted 150,000 incentive stock options to a director as per the Company's Stock Option Plan, with an exercise price of \$0.20 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 \$0.11 per option using Black Scholes Option Pricing model ("Black Scholes") with the following assumptions: average 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.

For the nine months ended April 30, 2024, the Company recorded \$13,353 (April 30, 2023 – \$222,667) as stock-based compensation expense.

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

| | For the period ended | | | |
|---------------------|----------------------|---------------------------------|-------------------|---------------------------------|
| | April 30, 2024 | | July 31, 2023 | |
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance, beginning | 1,750,000 | \$ 0.15 | - | \$ - |
| Granted | 150,000 | 0.20 | 2,450,000 | 0.15 |
| Exercised | - | - | (100,000) | 0.19 |
| Cancelled | - | - | (600,000) | 0.13 |
| Outstanding, ending | 1,900,000 | \$ 0.16 | 1,750,000 | \$ 0.15 |

The following table summarizes information concerning outstanding and exercisable stock options as at April 30, 2024:

| Number of options outstanding | Number of options exercisable | Exercise price | Remaining contractual life (years) | Expiry date |
|-------------------------------|-------------------------------|----------------|------------------------------------|--------------------|
| 1,200,000 | 1,112,500 | \$ 0.13 | 3.42 | September 30, 2027 |
| 550,000 | 550,000 | 0.19 | 0.97 | April 20, 2025 |
| 150,000 | 37,500 | \$ 0.20 | 4.88 | March 15, 2029 |
| 1,900,000 | 1,700,000 | | | |

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8. SHARE CAPITAL (Continued)**Stock Options (continued)****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 April 30, 2024 and July 31, 2023.

Warrants

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

| | For the period ended | | | |
|--------------------|----------------------|---------------------------------|--------------------|---------------------------------|
| | April 30, 2024 | | July 31, 2023 | |
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| Balance, beginning | 17,494,460 | \$ 0.24 | - | \$ - |
| Granted | 9,513,333 | 0.40 | 17,546,640 | 0.24 |
| Exercised | (2,754,200) | 0.25 | (52,180) | 0.24 |
| Balance, end | 24,253,593 | \$ 0.31 | 17,494,460 | \$ 0.24 |

The following table summarizes information concerning outstanding and exercisable share purchase warrants as at April 30, 2024:

| Number of warrants outstanding | Number of warrants exercisable | Exercise price | Remaining contractual life (years) | Expiry date |
|--------------------------------|--------------------------------|----------------|------------------------------------|-------------------|
| 3,795,000 | 3,795,000 | \$ 0.25 | 0.36 | September 8, 2024 |
| 893,260 | 893,260 | 0.13 | 0.93 | April 6, 2025 |
| 10,052,000 | 10,052,000 | 0.25 | 0.93 | April 6, 2025 |
| 9,513,333 | 9,513,333 | 0.40 | 0.93 | April 6, 2025 |
| 24,253,593 | 24,253,593 | | | |

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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.

As at April 30, 2024, due to related parties amounted to \$430,557 (July 31, 2023 - \$184,852) as below:

| | As at | |
|--|-------------------|-------------------|
| | April 30, 2024 | July 31, 2023 |
| Current | | |
| Company controlled by the Chief Executive Officer ("CEO"), who is also a director of the Company | \$ 33,400 | \$ 62,000 |
| Loan payable to a company controlled by the CEO | 274,729 | - |
| Company controlled by the Chief Financial Officer ("CFO") | - | 10,000 |
| Company controlled by the Corporate Development Officer ("CDO"), who is also a director of the Company | 11,025 | - |
| Due to directors | 3,000 | 8,936 |
| Non-current | | |
| Company controlled by the CEO | 108,403 | 103,916 |
| | \$ 430,557 | \$ 184,852 |

Amounts due to related parties, except loan payable, are non-interest bearing, unsecured and due on demand. The balance in the amount of \$108,403 (July 31, 2023 - \$103,916) is owed to a company controlled by the CEO, who has agreed not to demand the repayment before July 31, 2025.

Canuck entered into a loan agreement with Coloured Ties Inc. ("CTI") for \$265,000 dated May 5, 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, through an amendment to the loan agreement. The total interest accrued on the loan as of April 30, 2024, was \$9,729 (As of July 31, 2023 - \$1,771).

During the nine months ended April 30, 2024, and 2023, the Company incurred the following transactions with the directors, senior officers and companies controlled by directors:

| | Nine months ended | |
|----------------------|-------------------|-------------------|
| | April 30, 2024 | April 30, 2023 |
| Management fees | \$ 256,500 | \$ 198,450 |
| Directors' fees | 21,236 | 44,774 |
| Accounting fees | 20,726 | 33,483 |
| Share based payments | 11,468 | 140,633 |
| Consulting fees | - | 10,500 |
| | \$ 309,930 | \$ 427,840 |

The management fees consist of following:

| | Nine months ended | |
|-------------------------------|-------------------|-------------------|
| | April 30, 2024 | April 30, 2023 |
| Company controlled by the CEO | \$ 180,000 | \$ 159,600 |
| Company controlled by the CFO | 45,000 | 28,350 |
| Company controlled by the CDO | 31,500 | 10,500 |
| | \$ 256,500 | \$ 198,450 |

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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 April 30, 2024, and 2023.

The Share based payments consist of following:

| | Nine months ended | |
|-----------|-------------------|----------------|
| | April 30, 2024 | April 30, 2023 |
| Directors | \$ 9,407 | \$ 76,986 |
| CFO | 2,061 | 18,147 |
| | \$ 11,468 | \$ 95,133 |

The Directors fees consist of following:

| | Nine months ended | |
|---------------------------------|-------------------|----------------|
| | April 30, 2024 | April 30, 2023 |
| Directors | \$ 9,000 | \$ 16,274 |
| Former directors | 12,236 | - |
| Company controlled by directors | - | 28,500 |
| | \$ 21,236 | \$ 44,774 |

For the period ended April 30, 2024, accounting fees of \$20,726 (April 30, 2023 – \$33,483) was charged by a company controlled by the CFO. Furthermore, Consulting fees of \$Nil (April 30, 2023 - \$10,500) were charged by the former president of the Company.

Key management compensation

The Company's key management includes the CEO, CFO, CDO, president and directors. 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 nine months ended April 30, 2024, and 2023.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Following is the non-cash financing and investing activities incurred by the Company during the periods ended April 30, 2024 and 2023:

| | April 30, 2024 | April 30, 2023 |
|---|----------------|----------------|
| Non-cash financing activities | | |
| Fair value of agent warrants exercised | \$ 300 | \$ - |
| Share purchase warrants | - | 64,330 |
| Shares issued to IPO agents | - | 25,000 |
| Non-cash investing activities: | | |
| Fair value of shares issued for acquisition of Canuck | 6,019,000 | - |
| Shares issued for exploration activities | \$ - | \$ 180,000 |

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11. FLOW THROUGH PREMIUM LIABILITY

December 20, 2023, FT Financing

On December 20, 2023, the Company issued 3,750,000 flow-through units for gross proceeds of \$1,500,000 and recognized a deferred flow-through premium of \$656,250, as the difference between the amounts received from the subscribers for Flow through shares and the amounts received from Non-Flow through shares. The deferred flow-through premium shall be recognized as income in the proportion of eligible exploration expenditures incurred on the property.

As of April 30, 2024, the flow-through premium liability outstanding relating to these flow-through shares was \$588,677 (July 31, 2023 – \$Nil). The Company spent \$154,453 in eligible exploration expenditures as of April 30, 2024. For the nine months period ended April 30, 2024, the Company recognized flow-through income of \$67,573 (April 30, 2023 – \$Nil).

12. TECHNOLOGY LICENSE FEES

On May 20, 2022, Bullrun Capital Inc. (“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.

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 nine months period ended April 30, 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. Accordingly, during the period ended April 30, 2024, the Company expensed an amount of \$49,974 (April 30, 2023 - \$23,278) related to technology license fees.

13. CAPITAL MANAGEMENT

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 nine months ended April 30, 2024.

As of April 30, 2024, the Company had a working capital surplus of \$755,301 (July 31, 2023 – \$473,963). Management expects to raise additional capital from the capital markets or from private placements of securities.

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14. FINANCIAL INSTRUMENTS AND RISKS

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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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 April 30, 2024, the Company had cash and cash equivalents of \$1,576,369 (July 31, 2023 - \$580,065) and a working capital surplus of \$755,301 (July 31, 2023 - \$473,963). 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 \$174,542 and the amounts due to the related parties of \$322,154 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 is exposed to currency risk through the following monetary assets and liabilities denominated in foreign currencies:

| | April 30, 2024 (USD) | July 31, 2023 (USD) |
|--|-------------------------|------------------------|
| Cash denominated in USD at head office | \$ 9,178 | \$ 28,142 |
| Accounts payable and accrued liabilities denominated in USD at head office | - | 30,196 |

Based on the above net exposures and if all other variables remain constant, a 10% change in the value of the foreign currency against the Canadian dollar would result in an increase or decrease of \$1,262 (July 31, 2023 - \$403) in loss from operation.

15. SEGMENTED INFORMATION

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

| April 30, 2024 | Canada (\$) | USA (\$) | Brazil (\$) | Total (\$) |
|---------------------|-------------|----------|-------------|------------|
| Total assets | 8,152,120 | 541,913 | 213,179 | 8,907,212 |
| Loss for the period | 1,712,353 | 83,467 | - | 1,795,820 |

| April 30, 2023 | Canada (\$) | USA (\$) | Brazil (\$) | Total (\$) |
|---------------------|-------------|----------|-------------|------------|
| Total assets | 1,191,378 | 558,967 | - | 1,750,345 |
| Loss for the period | 866,953 | 4,981 | - | 871,934 |

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

For the nine months ended April 30, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

16. COMMITMENTS

As per the Property purchase agreement dated March 31, 2023, between Canuck and Prospectus Capital Inc., the cash payment of \$100,000 is due for payment after September 30, 2024. (see note 7).

The Company is bound by a management agreement with the CEO according to which, if the CEO terminates the Agreement as a consequence of a change in control, the Company will pay to the CEO an amount equal to twenty-four (24) times the base fee in effect at the date of termination.

The Company is bound by a management agreement 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 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

On May 8, 2024, the Company entered into a property purchase agreement to acquire 100% interest in and to mineral claim-102722, located in Nunavut, Canada. As consideration for the acquisition of the mineral claims, the Company will make the following payments to the vendor:

- a) Pay cash consideration of \$2,500 (paid on May 10, 2024)
- b) Issue 150,000 shares within seven business days of confirmation of title in good standing on the property with the Nunavut Mining Recorder.
- c) Issue 100,000 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.

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.
