



FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(EXPRESSED IN CANADIAN DOLLARS)

LETHO RESOURCES CORP.

DECEMBER 31, 2024 and 2023
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Letho Resources Corp.

Opinion

We have audited the consolidated financial statements of Letho Resources Corp. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Key Audit Matters

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

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

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis for the year ended December 31, 2024.

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

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

We obtained the Management's Discussion and Analysis for the year ended December 31, 2024 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

Other Matter

The financial statements of the prior period were audited by another firm of Chartered Professional Accountants which expressed an unqualified opinion on April 29, 2024.

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

A handwritten signature in black ink that reads "Fernandez Young LLP". The signature is written in a cursive, flowing style.

Fernandez Young LLP
Chartered Professional Accountants
Vancouver, Canada
April 29, 2025

LETHO RESOURCES CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at	December 31, 2024	December 31, 2023
	\$	\$
ASSETS		
Current assets		
Cash	1,164	7,963
Receivables	5,454	4,619
Prepaid expenses	255	1,255
Loans receivable (Notes 4 and 8)	392,572	397,211
	399,445	411,048
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	229,243	237,963
Note payable (Note 5)	1,830,294	1,485,903
	2,059,537	1,723,866
Shareholders' deficiency		
Share capital (Note 6)	6,754,589	6,754,589
Deficit	(8,414,681)	(8,067,407)
	(1,660,092)	(1,312,818)
	399,445	411,048

Nature of Operations and Going Concern (Note 1)

Approved and authorized by the Board on April 29, 2025.

On behalf of the Board of Directors:

“Dimitris Soudas”
Director

“Brian Morrison ”
Director

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

LETHO RESOURCES CORP.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the years ended December 31,	
	2024	2023
	\$	\$
Administrative expenses		
Consulting fees	-	5,000
Insurance	461	11,183
Interest expense (Note 5)	119,897	125,878
Management fees (Note 7)	48,000	85,000
Office	1,305	1,571
Professional fees	46,840	51,060
Project investigation costs (Note 8)	-	1,850
Transfer agent and filing fees	11,421	16,776
Travel and related	15,467	37,480
Loss before other items	(243,391)	(335,798)
Other items		
Interest income (Note 4)	749	443
Foreign exchange gain (loss)	(90,222)	20,539
Gain on debt settlement (Notes 5 and 6)	-	329,542
Accretion expenses (Notes 4 and 8)	(34,662)	(26,018)
Write-off of accounts payables	20,252	-
	(103,883)	324,506
Net and comprehensive loss for the year	(347,274)	(11,292)
Basic and diluted loss per common share	(0.01)	(0.00)
Weighted average number of common shares outstanding	25,843,904	20,671,687

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

LETHO RESOURCES CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars)

	Share Capital		Obligation to Issue Shares	Deficit	Total
	Number	Amount			
	#	\$	\$	\$	\$
Balance, December 31, 2022	13,159,721	5,868,697	16,837	(8,056,115)	(2,170,581)
Share issued for finder fees	100,000	5,000	-	-	5,000
Shares issued for debt settlement	12,584,183	880,892	(16,837)	-	864,055
Net loss for the year	-	-	-	(11,292)	(11,292)
Balance, December 31, 2023	25,843,904	6,754,589	-	(8,067,407)	(1,312,818)
Net loss for the year	-	-	-	(347,274)	(347,274)
Balance, December 31, 2024	25,843,904	6,754,589	-	(8,414,681)	(1,660,092)

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

LETHO RESOURCES CORP.**STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars)

	For the years ended December 31,	
	2024	2023
	\$	\$
Cash flows used in operating activities		
Net loss for the year	(347,274)	(11,292)
Add: Items not affecting cash		
Accretion	34,662	26,018
Gain on settlement of debt	-	(329,542)
Interest income	(749)	(443)
Accrued interest expense	119,897	125,878
Foreign exchange	90,220	(23,802)
Share issuance for finders fees	-	5,000
Changes in non-cash operating working capital:		
Receivables	(835)	3,938
Prepaid expenses	1,000	(565)
Accounts payable and accrued liabilities	(8,720)	27,618
	(111,799)	(177,192)
Cash flow used in financing activities		
Loan received	105,000	70,000
	105,000	70,000
Change in cash	(6,799)	(107,192)
Cash, beginning of year	7,963	115,155
Cash, end of year	1,164	7,963
Supplement Cash Flow information		
Shares issued for debt settlement	-	880,892
Shares issued for finder's fees	-	5,000
Shares issued for obligation to issue shares	-	(16,837)

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

LETHO RESOURCES CORP.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Letho Resources Corp. (“Letho” or the “Company”) is a publicly listed company incorporated in British Columbia and its shares are listed on the TSX Venture Exchange (the “Exchange”). The Company is principally engaged in the acquisition, exploration, and development of oil and gas properties.

The head office and registered and records office of the Company is located at #300 – 1455 Bellevue Avenue, West Vancouver, BC, V7T 1C3.

The Company is currently awaiting a decision on bids submitted for oil and gas production opportunities in Canada. The Company’s continuing operations are entirely dependent upon the ability of the Company to obtain the necessary financing to complete these acquisitions, obtaining the necessary permits to extract natural resources, and on future profitable production or proceeds from the disposition of the properties.

Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions may cast significant doubt on the validity of this assumption. The Company has incurred a net loss of \$347,274 (2023 - \$11,292) during the year ended December 31, 2024, and as of that date, the Company’s working capital deficiency is \$1,660,092 (2023 - \$1,312,818). The Company has incurred significant operating losses since inception and as at December 31, 2024, has a deficit of \$8,414,681 (2023 - \$8,067,407). The Company has limited financial resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations. The Company is in the process of investigating and obtaining required approvals for acquiring oil and gas properties and accordingly, has not yet commenced revenue-producing operations.

To date the Company has funded its operations substantially through equity and debt financings. The application of the going concern concept is dependent upon the Company’s ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the acquisitions, exploration and development of its resource interests, the attainment of profitable resource operations. Management is actively engaged in the review and due diligence on opportunities of merit and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management’s plan will be successful.

If the going concern assumption was not appropriate for these financial statements, then adjustments may be necessary to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges such as the risk of higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

LETHO RESOURCES CORP.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICIES

Statement of compliance

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

These financial statements of the Company were approved and authorized for issue by the Board of Directors on April 29, 2025.

Basis of preparation

These financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value. These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

Foreign currency translation

The Company’s presentation currency and functional currency is the Canadian dollar, as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company’s functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions and are not subsequently restated.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of foreign currency transactions are included in profit or loss.

Use of estimates and judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the financial statements include:

- Going Concern

The assessment of the Company’s ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenses, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

LETHO RESOURCES CORP.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICIES (continued)

Use of estimates and judgments (continued)

- Loans receivable

The loan receivable was initially recognized at fair value, calculated at the net present value and subsequently accounted for at amortized cost using the effective interest rate method. The discount rate used is based on the estimated market rate for receivable at the time of initial recognition.

The Company monitors its exposure for credit losses on its loan receivable balances and the credit-worthiness of the lender on an ongoing basis and records related allowances for doubtful accounts. As of December 31, 2024, the Company recorded an allowance for doubtful accounts of \$nil (2023 - \$nil). If circumstances related to the lenders change, estimates of the recoverability of loan receivables could also change.

Exploration and evaluation expenditures

Exploration and evaluation activities involve the search for oil and natural gas resources, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining the legal right are expensed in the period in which they are incurred. Once the legal right to explore an area has been secured, costs are capitalized to exploration and evaluation assets. These costs include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to an identifiable well and directly attributable general and administrative costs. These costs are accumulated in cost centers by property and are not subject to depletion until technical feasibility and commercial viability has been determined.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are grouped together with developing and producing assets and are tested at an aggregated cash-generating unit ("CGU") level. The Company evaluates the geography, geology, production profile and infrastructure of its assets in determining its CGUs. CGUs are generally composed of significant development areas. The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

The assessment of technical feasibility and commercial viability is based upon estimates of the recoverability of capitalized costs by future exploitation or sale and where the activities have reached a stage that permits a reasonable assessment of the existence of proved reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

When technical feasibility and commercial viability of a well is determinable based on management's assessment of current information, the exploration and evaluation assets attributable to that well are first tested for impairment and then reclassified from exploration and evaluation assets to property and equipment.

LETHO RESOURCES CORP.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICIES (continued)

Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related residual value is transferred to share capital. When warrants are cancelled or are not exercised at the expiry date, the amount previously recognized is transferred from reserves to share capital. When compensation warrants are cancelled or are not exercised at the expiry date, the amount previously recognized is transferred from reserves to deficit.

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Loan receivables are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash is classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

LETHO RESOURCES CORP.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statements of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities and note payable are classified as other financial liabilities and carried on the statements of financial position at amortized cost.

As at December 31, 2024, the Company does not have any derivative financial liabilities.

Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive loss.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Share-based payment transactions

The Company grants share options to acquire common shares of the Company to directors, officers, employees, and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in option reserves is transferred to share capital. For those options that expire or cancel after vesting, the recorded value is transferred to deficit.

LETHO RESOURCES CORP.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICIES (continued)

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Earnings (loss) per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

New Standards, Interpretations and Amendments Adopted in 2024

The Company adopted the following new or revised International Financial Reporting Standards during the year:

(a) IAS 1, Classification of Liabilities as Current or Non-Current

Amendments to IAS 1, Presentation of Financial Statements (effective January 1, 2024) clarifies that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

New Standards, Interpretations and Amendments Not Yet Effective

There are no standards, amendments to standard and interpretations which have been issued by the IASB that are effective in future accounting periods that will materially affect the Company.

LETHO RESOURCES CORP.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in Canadian Dollars)

4. LOANS RECEIVABLE

During the year ended December 31, 2024:

- a. In January 2021, the Company entered into a loan agreement with an arm's length third party, whereby the Company loaned \$353,160 (US\$270,000) bearing no interest and due on January 30, 2023 for the purpose of providing a security deposit in connection with the application for the license agreement for the Cakran-Mollaj oilfield. If the Company is awarded the right to proceed with the signing of a license agreement for the Cakran-Mollaj oilfield, the loan will be waived. In March 2021, the loan agreement was amended to increase the loan amount to \$391,410 (US\$300,000). In October 2021, the Company received a repayment of \$123,570 (US\$100,000) leaving a remaining balance of \$258,660 (US\$200,000). As at December 31, 2023, the Company recorded a discounted loan receivable balance of \$243,116 and an accretion expense of \$19,517. As at December 31, 2024, the Company recorded a discounted loan receivable balance of \$239,816 and an accretion expense of \$21,182.
- b. In March 2021, the Company entered into another loan agreement with an arm's length party, whereby the Company loaned \$159,375 (US\$150,000) bearing interest of 0.5% per annum and due on March 30, 2023 for the purpose of providing a security deposit in connection with the application for the license agreement for the Amonica oilfield. If the Company is awarded the right to proceed with the signing of a license agreement for the Amonica oilfield, the loan will be waived. During the year ended December 31, 2021, the Company loaned \$158,483 (US\$125,000) to this arm's length party. Interest of \$648 was charged by the Company and remained accrued in loan receivable as at December 31, 2021. As at December 31, 2023, the Company recorded a discounted loan receivable balance of \$154,095, the accretion expense of \$6,501, and accrued interest of \$443. As at December 31, 2024, the Company recorded a discounted loan receivable balance of \$152,756, an accretion expense of \$13,479, and accrued interest of \$749.

The Company used a discounted cash flow model with an estimated fair value interest rate of 20% to estimate the fair value of the receivable. See Note 7 in regard to the loan receivable from Anio.

5. NOTES PAYABLE

In October 2020, the Company entered into a loan agreement for a \$2,072,453 (US\$1,577,329) unsecured loan from an arm's length third party bearing interest at 8% per annum, with the principal and interest due January 30, 2024.

	\$
December 31, 2022	2,514,670
Debt settlement	(1,193,597)
Interest	85,591
Foreign exchange adjustment	7,532
December 31, 2023	1,414,196
Interest	109,889
Foreign exchange adjustment	119,494
December 31, 2024	1,643,579

On March 23, 2023 the Company entered into a debt settlement agreement with a lender to settle a portion of the outstanding loan payable in the amount of the equivalent to CAD\$1,193,597 pursuant to the loan agreement dated October 14, 2020, by issuing 12,564,183 common shares in the capital of the Company at a deemed price of \$0.095 per share. Pursuant to debt settlement the Company recorded the gain of \$314,105. These shares were issued on May 29, 2023. (Note 5)

LETHO RESOURCES CORP.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in Canadian Dollars)

5. NOTES PAYABLE (continued)

Alcan Petroleum Ltd.

On July 4 2023, the Company entered into a loan agreement for a \$100,000 unsecured loan from an arm's length third party Alcan Petroleum Ltd. bearing interest at 8% per annum, with the principal and interest due July 31, 2026. On May 28, 2024, the agreement was amended to a maximum loan of \$200,000 with the same terms as the original loan agreement. As at the year ended December 31, 2024, the Company had borrowed \$175,000 of the unsecured loan.

	\$
December 31, 2023	71,707
Loan	105,000
Interest	10,008
December 31, 2024	186,715

6. SHARE CAPITAL AND RESERVES

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

Issued

The Company issued 12,564,183 shares at \$0.07 per share on May 29, 2023 for the settlement of an outstanding loan payable in the amount of the equivalent of \$1,193,597 pursuant to the loan agreement. (Note 4).

The Company issued 20,000 shares at \$0.07 per share on May 29, 2023 to a lender in settlement of the interest accrued on an outstanding loan amount to \$16,837. Pursuant to the debt settlement the Company recorded a gain of \$15,437.

The Company issued 100,000 shares on September 12, 2023 resulting in the settlement of finder fees to amount of \$5,000 (\$0.05 per share).

The Company had no share issuance transactions during the year ended December 31, 2024.

Stock options

The Company has a 10% "rolling" stock option plan pursuant to the policies of the Exchange. The exercise price of each option is to be determined by the Board of Directors, but shall not be less than the discounted market price as defined by the Exchange. The expiry date for each option should be for a maximum term of five years.

Options granted to consultants not engaged in investor relations activities are granted for past services and vest immediately. Options granted to investor relations consultants vest according to Exchange policy.

As at December 31, 2023 and December 31, 2024, there were no stock options outstanding.

Warrants

As at December 31, 2023 and December 31, 2024, there were no warrants outstanding.

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7. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended December 31, 2024, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

- As at December 31, 2024, \$20,692 (2023 - \$16,582) was included in accounts payable owing to the Company's President and Chief Executive Office of the Company for reimbursement of expenses and unpaid management fees.
- As at December 31, 2024, \$16,586 (2023 - \$16,586) was included in accounts payable owing to a director of the Company for reimbursement of expenses and unpaid management fees relating to prior years.

Amounts due to related parties have no stated rates of interest and are due on demand.

Key management comprises officers and directors of the Company. A summary of key management compensation is as follows:

	For the year ended December 31,	
	2024	2023
	\$	\$
Management fees	48,000	85,000
	48,000	85,000

8. ABANDONED TRANSACTION

Anio Oil & Gas Sha. Transaction

In May 2018, the Company signed a memorandum of understanding ("MOU") to undertake a business combination transaction with Anio. Anio is a private company registered in Albania that holds a license to the Ballsh-Hekal producing oil field in Albania. If successful, the transaction will be completed by way of a share exchange, which will result in a reverse takeover of the Company by Anio.

In July 2018, the Company obtained Exchange approval for the Company to raise up to \$1.5 million through private placement, with the net proceeds being used to fund the Company's obligations under the MOU, including a loan of up to \$500,000 to Anio. The loan to Anio will bear no interest and was repayable on January 30, 2022, or earlier if Anio terminates the business combination prior to that date. The loan was secured by a security charge over Anio's crude oil production from the Ballsh-Hekal oil field and may be repaid at any time in cash or in kind in the form of crude oil equivalent produced by the Ballsh-Hekal oil field. During the year ended December 31, 2019, the Company advanced \$289,225 (US\$230,000) to Anio. In January 2020, the loan receivable was extended to be due on or before January 20, 2023.

In October 2021, the Company and Anio mutually agreed to terminate the MOU. As at December 31, 2021, the Company recorded a recovery of accretion of \$38,712 (accretion expense of \$52,263 in 2021).

During the year ended December 31, 2022, the Company incurred \$89,235 (2021 - \$735,097) with regards to property investigation costs related to the Ballsh-Hekal, Cakran-Mollaj, Gorisht-Kocul and Amonica oilfields in Albania, and certain other properties outside of Albania. In July 2022, the Anio Oil and Gas Sha repaid \$210,171 (US\$163,100), leaving US\$66,900 outstanding to the Company pursuant to the loan advanced in connection with the proposed transaction between the parties, which has now been terminated. As at December 31, 2022, the Company wrote off the outstanding loan receivable balance of \$89,243 (US\$ 66,900) from Anio Oil and Gas Sha.

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8. ABANDONED TRANSACTION (continued)

Vermilion Resources Transaction

In July 2022, the Company entered into a purchase and sale agreement to acquire certain producing oil and gas assets (the “Assets”) in Central Alberta from Vermilion Resources (“Acquisition”). Total consideration for the Acquisition is \$2,100,000 in cash, subject to adjustments. In connection with the acquisition, the Company was to pay a finder’s fee by issuing 1,957,143 common shares of the Company to an arm’s length finder.

In connection with the Acquisition, the Company arranged an unsecured convertible debenture (the “Debenture”) financing for gross proceeds up to \$2,100,000. The Debentures bear interest at 10% per annum and mature on December 31, 2024. The principal amount of the debenture will be convertible into common shares of the Company at \$0.07 per share until one year after the date of issue of the debenture and thereafter at \$0.10 per share. The holder of the Debenture will also receive a royalty on production per barrel from the Assets once certain production criteria have been met. In addition, the Company was to pay a finder’s fee by issuing up to 3,750,000 common shares of the Company. In March 2023 the Company terminated the sales and purchase agreement to acquire producing oil and gas assets in Central Alberta from Vermilion Resources due to Alberta Energy Regulatory Changes, in reference to license transfers.

The Company has been actively investigating and submitting bids on oil and gas production opportunities in Canada.

9. FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company’s accounts payable and accrued liabilities and note payable approximate their carrying values. The Company’s other financial instrument, being cash, is measured at fair value using Level 1 inputs. The Company’s loan receivables are classified as Level 3 financial instruments.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at a major Canadian financial institution. The Company is exposed to significant credit risk on its loan receivables balance. The Company’s maximum exposure thereto is the carrying amount of the loan receivables from the two arm’s length parties (Note 3) given for the purpose of providing a security deposit in connection with the application for the license agreement for the Cakran-Mollaj and Amonica oilfield. The Company mitigates this risk by close monitoring of the status of license agreement and use of funds by the parties.

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9. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

b) 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 approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when they become due. The Company is exposed to liquidity risk, as it does not have sufficient cash to settle its liabilities. As such, management plans to meet its financial obligations through further private placements and loans, as necessary. The Company's accounts payable and accrued liabilities are due within 90 days of December 31, 2024. The Company's notes payable balance of \$1,830,294 are due in 2025 (Note 4).

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return. The Company is exposed to foreign currency risk from fluctuation between the Canadian and US dollar as certain of Company's financial instruments are in US dollars. As at December 31, 2024, the Company's maximum exposure thereto is the carrying amount of the loan receivables (Note 3), loan payable (Note 4), and funds held in US dollar bank accounts.

10. SEGMENTED DISCLOSURE

The Company currently has one operating segment, being the acquisition and exploration of oil and gas properties. The Company's assets are located in Canada, apart from the loans receivable, which is due from companies in Albania.

11. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' deficiency and note payable. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. The Company is not exposed to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the year ended December 31, 2024.

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12. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	For the years ended December 31,	
	2024	2023
Net loss for the year	\$ (347,274)	\$ (11,292)
Statutory income tax rate	27.00%	27.00%
Income tax benefit computed at statutory tax rates	\$ (93,765)	\$ (3,049)
Change in timing differences	9,359	7,025
Unrecognized benefit of deferred income tax assets	18,970	(3,745)
Loss from prior year	-	(231)
Loss carry forward	65,436	-
Income tax benefit	\$ -	\$ -

Significant tax benefits and unused tax losses for which no deferred tax asset is recognized as of December 31 are as follows:

	2024	2023
Non-capital losses	\$ 6,179,851	\$ 5,937,497
Excess of undepreciated capital cost over carrying value of fixed assets	3,404	3,404
Excess of unused exploration expenditures for Canadian tax purposes over carrying value of mineral property interests	1,620,275	1,620,275
Share issuance costs	-	465
Unrecognized deductible temporary differences	\$ 7,803,530	\$ 7,561,641

Tax attributes are subject to review and potential adjustment by tax authorities.

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12. INCOME TAXES (continued)

The Company has non-capital losses of \$6,179,000 (2023 - \$5,918,000) available for carry-forward to reduce future years' income for income tax purposes. These losses expire as follows:

2028	\$	51,000
2029		191,000
2030		484,000
2031		585,000
2032		445,000
2033		28,000
2034		210,000
2035		105,000
2036		381,000
2038		481,000
2039		358,000
2040		137,000
2041		1,750,000
2042		683,000
2043		49,000
2044		241,000
		\$ 6,179,000

13. SUBSEQUENT EVENT

Subsequent to the year end of the Company:

On March 17, 2025, the amended loan agreement entered into on May 28, 2024, for an unsecured loan from an arm's length third party Alcan Petroleum Ltd. bearing interest at 8% per annum, with maximum borrowing limit of up to \$200,000 has been increased to \$300,000.