Lithium Ionic Corp.

Condensed Interim
Consolidated Financial Statements

For the three and six months ended June 30, 2023
(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

Lithium Ionic Corp.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at:	Note	**June 30, 2023 $**	December 31, 2022 $
ASSETS			
Current			
Cash and cash equivalents	6	**$ 8,789,309**	$ 21,492,788
Short-term investments	6	**-**	10,000,000
Amounts receivable		**462,287**	572,150
Prepaid expenses		**511,224**	426,863
Total current assets		**9,762,820**	32,491,801
Long-term			
Equipment	7	**584,031**	345,742
Loan receivable	8	**1,787,667**	-
Total assets		**$ 12,134,518**	$ 32,837,543
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	16	**$ 6,512,675**	$ 2,008,712
Short-term lease liabilities	9	**178,246**	110,792
Total current liabilities		**6,690,921**	2,119,504
Long-term lease liabilities	9	**149,363**	136,778
Total liabilities		**6,840,284**	2,256,282
SHAREHOLDERS' EQUITY			
Common shares	12	**60,872,377**	49,711,875
Warrant reserve	13	**2,389,627**	1,000,896
Option reserve	13	**7,025,158**	6,773,242
Accumulated deficit		**(64,992,928)**	(26,904,752)
Total shareholders' equity		**5,294,234**	30,581,261
Total liabilities and shareholders' equity		**$ 12,134,518**	$ 32,837,543

Nature of operations and going concern	1
Commitments and contingencies	18
Subsequent event	19

Approved on behalf of the Board of Directors:

Signed: _Helio Diniz_, Director
Signed: _David Gower_, Director

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

Lithium Ionic Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	**Three months ended June 30, 2023 $**	Three months ended June 30, 2022 $	**Six months ended June 30, 2023**	Six months ended June 30, 2022
Expenses					
Exploration and evaluation expenses	4,8,9	**$ 10,414,806**	$ 837,350	**$ 35,129,282**	$ 1,046,614
Consulting and management fees	14	**654,903**	1,440,611	**1,240,066**	1,611,672
Shareholder communications		**258,535**	57,136	**498,744**	85,874
Professional fees		**341,590**	206,090	**632,778**	297,218
Office and general		**234,735**	(8,066)	**405,304**	31,193
Depreciation	7	**49,307**	1,599	**91,628**	1,599
Transaction costs	5	**-**	4,644,711	**-**	4,644,711
Share-based compensation	13	**-**	4,927,496	**336,600**	4,927,496
(Loss) for the period before other items		**$(11,953,876)**	$(12,106,927)	**$(38,334,402)**	$(12,646,377)
Other items					
Interest income		**160,031**	42,657	**437,689**	47,391
Lease accretion expense	9	**(11,004)**	(197)	**(17,945)**	(197)
Lease extinguishment		**(858)**	-	**(858)**	-
Accretion of loan receivable	8	**1,797**	-	**1,797**	-
Foreign exchange (loss)/gain		**(27,966)**	(6,057)	**(174,472)**	9,171
Net (loss) and comprehensive (loss) for the period		**$(11,831,876)**	$(12,070,524)	**$(38,088,191)**	(12,590,012)
Basic and diluted (loss) per share		**$ (0.10)**	$ (0.14)	**$ (0.32)**	$ (0.16)
Weighted average number of common shares outstanding					
Basic and Diluted		**122,012,313**	85,690,934	**120,059,795**	78,739,088

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

Lithium Ionic Corp.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Number of Shares	Common Shares	Number of warrants	Warrant Reserve	Number of options	Option Reserve	Deficit	Shareholders' equity
Balance, December 31, 2021	**71,710,001**	**$ 7,487,282**	**2,372,750**	**$ 179,241**	**-**	**$ -**	**$ (779,368)**	**$ 6,887,155**
Reverse takeover transaction	7,500,000	5,250,000	55,946	33,702	-	-	-	5,283,702
Conversion of subscription receipts	20,000,000	14,000,000	-	-	-	-	-	14,000,000
Subscription receipts	1,257,370	880,159	-	-	-	-	-	880,159
Share issue costs - subscription receipts	-	(880,159)	-	-	-	-	-	(880,159)
Share issue costs - broker warrants	-	(364,000)	1,399,999	364,000	-	-	-	-
Share issue costs	-	(251,817)	-	-	-	-	-	(251,817)
Share-based compensation	-	-	-	-	9,920,000	4,927,496	-	4,927,496
Options exercise	100,000	109,230	-	-	(100,000)	(39,230)	-	70,000
Warrants exercise	196,000	54,006	(196,000)	(14,806)			-	39,200
Loss and comprehensive loss for the period	-	-	-	-	-	-	(12,590,012)	(12,590,012)
Balance, June 30, 2022	**100,763,371**	**$ 26,284,701**	**3,632,695**	**$ 562,137**	**9,820,000**	**$ 4,888,266**	**$ (13,369,380)**	**$ 18,365,724**
Balance, December 31, 2022	**117,079,355**	**$ 49,711,875**	**4,208,449**	**$ 1,000,896**	**11,577,000**	**$ 6,773,242**	**$ (26,904,752)**	**$ 30,581,261**
Acquisition of Neolit Minerals Participacoes Ltda.	4,000,000	9,400,000	1,500,000	1,807,500	-	-	-	11,207,500
Share-based compensation	-	-	-	-	200,000	336,600	-	336,600
Options exercise	120,000	233,484	-	-	(120,000)	(84,684)	-	148,800
Warrants exercise	3,145,564	1,527,018	(3,144,811)	(418,754)	-	-	-	1,108,264
Expiry of warrants	-	-	(170)	(15)			15	-
Loss and comprehensive loss for the period	-	-	-	-	-	-	(38,088,191)	(38,088,191)
Balance, June 30, 2023	**124,344,919**	**$ 60,872,377**	**2,563,468**	**$ 2,389,627**	**11,657,000**	**$ 7,025,158**	**$ (64,992,928)**	**$ 5,294,234**

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

Lithium Ionic Corp.

Condensed Interim Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

	Note	**Six months ended June 30, 2023 $**	Six months ended June 30, 2022 $
Cash (used in)/provided by:			
Operating activities			
(Loss) for the period		**$ (38,088,191)**	$ (12,590,012)
Items not involving cash:			
Depreciation	7	**91,628**	1,599
Lease accretion expense	9	**17,945**	197
Loss on lease extinguishment	9	**858**	-
Acquisition of POCML 6	5	**-**	5,283,702
Acquisition of Neolit	4	**19,548,788**	-
Fair value adjustment of loan receivable	8	**964,484**	
Share-based compensation	13	**336,600**	4,927,496
Foreign exchange		**16,302**	-
Changes in non cash working capital		**(1,151,885)**	(1,136,434)
Net cash (used in) operating activities		**(18,263,471)**	(3,513,452)
Investing activities			
Redemption of GICs		**10,000,000**	-
Acquisition of Neolit Minerals Participacoes Ltda.	4	**(2,872,334)**	-
Cash acquired from acquisition		**140,218**	-
Loan receivable	8	**(2,752,000)**	-
Purchase of equipment	7	**(110,509)**	(5,965)
Net cash provided by investing activities		**4,405,375**	(5,965)
Financing activities			
Proceeds from equity financings		**-**	14,000,000
Cost of issue		**-**	(251,817)
Options exercised	13	**148,800**	70,000
Warrants exercised	13	**1,108,264**	39,200
Principal payments on lease liability	9	**(102,447)**	(1,659)
Net cash provided by financing activities		**1,154,617**	13,855,724
Change in cash		**(12,703,479)**	10,336,307
Cash, beginning of the period		**21,492,788**	7,788,687
Cash, end of the period		**$ 8,789,309**	$ 18,124,994
SUPPLEMENTAL INFORMATION			
Value of common shares issued in acquisition	4	**$ 9,400,000**	$ -
Value of warrants issued in acquisition	4	**1,807,500**	-
Broker warrants issued		**-**	1,399,999
Equipment acquired through leases	7,9	**165,366**	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Lithium Ionic Corp. (the "Company", or "Lithium Ionic") was incorporated on December 21, 2020 under the *Business Corporations Act (Ontario)*. The Company commenced trading as a Tier 2 Mining Issuer on the TSX Venture Exchange ("TSXV") on May 24, 2022 under the new trading symbol "LTH".

The Company is currently engaged in the acquisition, exploration, and development of mineral properties in Brazil. The head office and principal address of the Company is 36 Lombard Street, Toronto, Ontario, M5C 2X3.

The Company owns the following subsidiaries:

- A 100% interest in Lithium Ionic Holdings Corp. (formerly Lithium Ionic Inc.), a company incorporated on July 5, 2021 as a Province of Ontario registered corporation pursuant to the *Business Corporations Act (Ontario)*. Lithium Ionic Holdings Corp. owns 100% of MGLIT Empreendimentos Ltda. ("MGLIT"), a company incorporated on October 29, 2018 under Brazilian corporate law.
- In March 2023, the Company acquired a 100% interest in Neolit Minerals Participações Ltda. ("Neolit"), a Brazilian company which owns a 40% interest in the Salinas Project and has the right, subject to certain exploration commitments, to acquire up to an 85% ownership interest in the Salinas Project (Note 4).
- The Company, through MGLIT, owns a 10% ownership interest in Valitar Participações S.A.("Valitar") holding preferred shares that pass on the economic rights of Valitar to MGLIT. Valitar is a special purpose vehicle incorporated in Brazil for the purpose of acquiring surface rights on claims owned by the Company that the Company expects could result in mineral production. See Note 8.

On May 19, 2022, the Company completed a reverse takeover transaction with Lithium Ionic Inc. (Note 5).

The business of exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration programs will result in profitable operations.

The Company is in the process of exploring its mineral exploration properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The recoverability of exploration and evaluation expenditures is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these assets.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

At June 30, 2023, the Company had current assets of $9,762,820 and current liabilities of $6,690,921 (December 31, 2022 - $32,491,801 and $2,119,504 respectively) and an accumulated deficit of $53,161,067 (December 31, 2022 - $26,904,752). Subsequent to the end of the quarter, the Company raised gross proceeds of $28,750,334 (Note 19). The Company has a need for equity financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements are in compliance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2022.

Basis of presentation

These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and have been prepared using the historical cost basis. Furthermore, these consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. All values are rounded to the nearest dollar. References to R$ refer to the Brazilian Real.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated on consolidation.

Approval of the consolidated financial statements

These consolidated financial statements of the Company for the three and six months ended June 30, 2023 were reviewed, approved and authorized for issue by the Board of Directors of the Company on August 22, 2023.

Significant accounting policies

The policies set out in the company's annual financial statements for the year ended December 31, 2022 were consistently applied to all periods unless otherwise noted below.

New and future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2023. The Company adopted such changes without any material impact to the consolidated financial statements. Updates that are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted and are being evaluated to determine their impact on the consolidated financial statements.

2. BASIS OF PRESENTATION (continued)

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

3. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Share-based payments and warrants

Management determines costs for share-based payments and warrants issued in financing transactions using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Rehabilitation provisions

The Company records management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

Expressed in Canadian Dollars - Unaudited

3. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES (continued)

Leases under IFRS 16

Critical judgements are required in the application of IFRS 16, including identifying whether a contract (or part of a contract) includes a lease and determining whether it is reasonably certain that an extension or termination option will be exercised. Sources of estimation uncertainty include estimation of the lease term, determination of an appropriate discount rate and assessment of whether a ROU asset is impaired. Such judgments, estimates and assumptions are inherently uncertain, and changes in these assumptions affect the fair value estimates.

Contingencies

Refer to Note 18.

4. ACQUISITION OF NEOLIT MINERALS PARTICIPACOES LTDA

In March 2023, the Company acquired a 100% interest in Neolit Minerals Participações Ltda. (“Neolit”), a Brazilian company which owns a 40% interest in the Salinas Project and has the right, subject to certain exploration commitments, to acquire up to an 85% ownership interest in the Salinas Project. The founder and CEO of Neolit, Dr. André Guimarães, joined the Company as VP Business Development. Pursuant to the purchase agreement, the Company paid a cash payment of US$2,031,005 ($2,788,569) on closing, as well as a cash payment of US$2,570,767 ($3,541,232) to settle all existing liabilities of Neolit on closing. As well, the Company issued 4,000,000 common shares of the Company and 1,500,000 common share purchase warrants. These warrants are exercisable at a price of $2.25 for a period of three years and only vest if the Company establishes an independent NI 43-101 compliant mineral resource estimate on the Salinas Project of at least 20 million tonnes with an average grade greater than 1.3% Li_2O. A final cash payment of US$1,500,000 is due on the 18-month anniversary of the closing of the transaction. In addition to the Salinas Project, Neolit, pursuant to a definitive agreement it has in place with an arm’s length party, can select from a land package of 10 tenements and acquire up to a 90% ownership interest in such claims by incurring exploration expenditures.

The Company assessed the acquisition and determined it to be an asset acquisition for accounting purposes, as the requirements of IFRS 3, Business Combinations, were not met. The purchase price in excess of the net assets acquired was allocated to property acquisition costs under exploration and evaluation expenses on the statement of operations.

Cash	140,218
Accounts receivable	3,900
Prepaid expenses	5,719
Fixed assets	72,028
Accounts payable	(3,631,320)
Net Assets of Neolit:	(3,409,454)
Consideration provided:	
Shares (4,000,000 @ $2.35)	9,400,000
Warrants (1,500,000 @ $1.21)	1,807,500
Cash payment (US$2,031,005)	2,788,569
Deferred cash consideration (US$1,500,000)	2,059,500
Total consideration	16,055,569
Purchase price provided less net assets acquired:	19,465,023

Expressed in Canadian Dollars - Unaudited

4. ACQUISITION OF NEOLIT MINERALS PARTICIPACOES LTDA (continued)

The fair value of the 4,000,000 shares of the Company was $2.35 per share which was the fair market value based on the quoted market value of the Company's shares on the acquisition date. The value of the warrants was estimated using the Black-Scholes model with the following assumptions: share price of $2.35; expected dividend yield of 0%; expected volatility of 73.57%; risk-free interest rate of 3.31% and an expected life of 3 years.

The Company incurred transactions costs related to this acquisition of $83,765.

5. REVERSE ACQUISITION

During the prior year, on May 19, 2022, the Company completed the acquisition of all of the issued and outstanding shares of Lithium Ionic Inc. by way of a three-cornered amalgamation with a wholly owned subsidiary of the Company. For accounting purposes, Lithium Ionic Inc. was treated as the accounting parent company (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) in these condensed interim consolidated financial statements. As Lithium Ionic Inc. was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying value. The Company's results of operations have been included from the transaction date, May 19, 2022. As POCML 6 Inc. did not qualify as a business according to the definition in IFRS 3 Business Combinations, this reverse acquisition does not constitute a business combination. It has been accounted for in accordance with IFRS 2 Share-based Payments, such that Lithium Ionic Inc. is deemed to have issued shares in exchange for the net assets and listing status of POCML 6 Inc.

Pursuant to the Transaction, the Company issued 7,499,992 common shares to the shareholders of POCML 6 Inc. The issued and outstanding common shares of Lithium Ionic Inc. were exchanged for shares of the Company on a 1:1 basis. As part of the acquisition, the Company acquired working capital of $638,991. Transaction costs, being the excess of the value of the shares issued over net assets, were $4,640,918.

Details of the allocation of the estimated fair values of identifiable assets acquired and liabilities assumed, and price consideration are as follows:

Consideration paid:		
Issuance of Common Shares (7,499,992 @ $0.70)	$	5,250,000
Issuance of Warrants (55,192 @ $0.5419)		29,909
	$	5,279,909
Purchase price allocation:		
Cash	$	701,110
Accounts receivable		9,925
Accounts payable		(72,044)
Transaction costs		4,640,918
	$	5,279,909

The value of the shares was based on the price of the subscription receipts. The value of the warrants was estimated using the Black-Scholes model with the following assumptions: expected dividend yield of 0%; expected volatility of 69%; risk-free interest rate of 2.7% and an expected life of 0.9 years.

Expressed in Canadian Dollars - Unaudited

6. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	June 30, 2023 $	December 31, 2022 $
Cash	3,789,309	992,788
Guaranteed investment certificate ("GIC"), bearing a variable interest rate (4.45% at December 31, 2022), redeemable and maturing July 22, 2023	-	4,500,000
Guaranteed investment certificate ("GIC"), bearing an interest rate of 4.20%, maturing January 5, 2023	-	10,000,000
Guaranteed investment certificate ("GIC"), bearing an interest rate of 4.00%, maturing February 23, 2023	-	6,000,000
Guaranteed investment certificate ("GIC"), bearing an interest rate of 5.13%, maturing July 5, 2023	5,000,000	-
Cash and cash equivalents	**8,789,309**	**21,492,788**
Guaranteed investment certificate ("GIC"), bearing an interest rate of 4.50%, maturing April 5, 2023	-	10,000,000
Short-term investments	-	**10,000,000**

7. EQUIPMENT

The following table sets out the changes to the carrying value of equipment:

	Office furniture	Computers & office equipment	Field and lab equipment	Vehicles	Software	Right-of-Use assets	Total
	$	$	$	$	$	$	$
Cost							
As at December 31, 2022	**11,274**	**30,201**	**6,865**	**117,270**	**22,498**	**190,787**	**378,895**
Acquired through Neolit transaction	1,997	1,904	3,978	85,262	-	-	93,141
Additions	35,749	55,499	1,973	-	17,288	165,366	275,875
Lease extinguishment (Note 9)	-	-	-	-	-	(26,505)	(26,505)
As at June 30, 2023	**49,020**	**87,604**	**12,816**	**202,532**	**39,786**	**329,648**	**721,406**
Accumulated Depreciation							
As at December 31, 2022	**(374)**	**(1,320)**	**(339)**	**(7,818)**	**(1,875)**	**(21,427)**	**(33,153)**
Acquired through Neolit transaction	(137)	(46)	(20)	(20,909)	-	-	(21,112)
Depreciation	(1,415)	(3,975)	(557)	(15,945)	(12,682)	(57,055)	(91,629)
Lease extinguishment (Note 9)	-	-	-	-	-	8,520	8,520
As at June 30, 2023	**(1,926)**	**(5,341)**	**(916)**	**(44,672)**	**(14,557)**	**(69,962)**	**(137,374)**
Net book value as at December 31, 2022	10,900	28,881	6,526	109,452	20,623	169,360	345,742
Net book value as at June 30, 2023	**47,094**	**82,263**	**11,900**	**157,860**	**25,229**	**259,686**	**584,031**

Expressed in Canadian Dollars - Unaudited

8. LOAN RECEIVABLE

During the three and six months ended June 30, 2023, the Company entered into an agreement with Valitar Participações S.A. (“Valitar”) for a non-revolving credit facility of R$10,000,000 ($2,752,000), with the full facility drawn down at June 30, 2023. The purpose of this facility is to pay for the acquisition of surface rights in Brazil by Valitar. Valitar is a special purpose vehicle incorporated in Brazil for the purpose of acquiring surface rights so that the Company ultimately benefits from royalties owing to landowners.

The facility is repayable in full on June 2, 2026 and carries an interest rate of 1% per annum. It is anticipated that Valitar will authorize MGLIT to perform mineral activities on its properties and upon commencement of production, MGLIT will pay royalties to Valitar.

MGLIT has a 10% ownership interest in Valitar, holding preferred shares that pass on the economic rights to MGLIT. The Company’s President, Mr. Helio Diniz, controls a company which owns a 90% ownership interest in Valitar.

The loan receivable was initially recognized at a fair value of R$6,488,774 ($1,785,711) using a discount rate of 20% and measured at amortized cost. An amount of R$3,511,266 ($961,645) was recorded to exploration and evaluation expenses, under mineral license and land acquisition as a result of this valuation. Accrued interest income of R$547 ($150) and accretion of discount of R$6,563 ($1,797) related to this loan receivable was recorded for the three and six months ended June 30, 2023.

9. LEASE LIABILITY

The following table sets out the changes to the carrying value of lease liabilities:

As at December 31, 2022	**$**	**247,570**
Leases assumed during the period		165,366
Lease accretion		17,945
Lease payments		(102,447)
Lease extinguishment		(21,601)
Foreign exchange		20,776
As at June 30, 2023	**$**	**327,609**
Current portion of lease liability	$	178,246
Long-term portion of lease liability	$	149,363

The Company’s lease liabilities include financing arrangements for vehicles as well as right-of-use leases for office space, dormitories and warehouses in Brazil.

During the six months ended June 30, 2023, MGLIT signed lease agreements for a dormitory and warehouse, both located in Araçuaí, MG. These agreements are for an indefinite term and management has assessed the termination date as December 31, 2024 for the dormitory and December 31, 2025 for the warehouse. Monthly rent payments for these new agreements total R$23,500 ($6,467). An estimated incremental borrowing rate of 7.5% per annum was used.

During the period, the Company terminated a lease agreement entered into the prior year. As a result, a loss of $835 was recorded on the statement of loss and comprehensive loss.

Expressed in Canadian Dollars - Unaudited

9. LEASE LIABILITY (continued)

Future payments on all of the Company's financing agreements and right-of-use leases are shown in the table below:

	R$	CAD$
Payments due within 1 year	735,732	202,473
Payments due in 1-3 years	600,354	165,217

10. ACQUISITION OF MINING LICENSES

In January 2023, the Company entered into a binding share purchase agreement with Exotic Mineração Ltda. ("Exotic"). Pursuant to which MGLIT has the option to acquire up to a 100% interest in Vale Do Litio Mineração Ltda. ("Vale Litio"), who has a 100% beneficial ownership interest in three lithium mining claims in Minas Gerais. The Company has acquired an initial 2.78% equity ownership interest in Vale Litio through a payment to Exoitc of R$900,000 (approximately $235,000) in cash. The Company may acquire the following ownership interest through the following payments to Exotic:

- R$500,000 ($129,947) in cash to acquire an additional 1.54% equity ownership in Vale Litio on or before February 20, 2023 (paid in February 2023);
- R$500,000 in cash to acquire an additional 1.54% equity ownership in Vale Litio on or before July 20, 2023 (paid subsequent to the end of the quarter);
- R$500,000 in cash to acquire an additional 1.54% equity ownership in Vale Litio on or before February 20, 2024;
- R$30,000,000 in cash to acquire an additional 92.6% equity ownership in Vale Litio on or before July 20, 2024.

If the Company establishes a NI 43-101 compliant mineral resource estimate on the Vale claims of at least six million tonnes with an average content greater than 1.3% Li_2O, the Company shall pay Exotic a cash bonus of R$10,000,000. The Company may terminate the agreement at any time without incurring any additional financial penalties.

In February 2023, the Company, through MGLIT, acquired a strategic mining claim from Clésio Alves Gonçalves Mineraçao E Comercio Ltda. ("Clesio"). The Company paid R$500,000 ($129,947) in cash to acquire the claim. If the Company establishes a NI 43-101 compliant mineral resource estimate on the Clesio claim of at least two million tonnes with an average content greater than 1.3% Li_2O within 30 months of acquiring the claim, the Company shall pay Clesio a cash bonus of USD$1,000,000. If the Company establishes a NI 43-101 compliant mineral resource estimate on the Clesio claim of at least five million tonnes with an average content greater than 1.3% Li_2O within 48 months of acquiring the claim, the Company shall pay Clesio an additional cash bonus of USD$1,000,000.

Expressed in Canadian Dollars - Unaudited

11. EXPLORATION AND EVALUATION EXPENSES

Lithium Ionic owns a 100% ownership interest in the Itinga lithium project in Brazil, comprising certain exploration permits, the Galvani Licenses, the Borges, Clesio and Vale claims and 40% of the Salinas claims from its acquisition of Neolit, all located in Minas Gerais state (MG), Brazil.

In June 2023, the Company acquired land in Araçuaí for consideration of R$1,000,000 ($268,617). It is anticipated that this will be developed for administrative use.

Exploration and evaluation expenses are detailed in the following table.

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Acquisition of Neolit property (Note 4)	$ -	$ -	$ 19,548,788	$ -
Drilling and geophysics	7,703,137	200,578	11,393,996	261,795
Mining licenses and land acquisition (Note 8)	1,230,262	$ 128,259	1,725,742	128,259
Technical reports	449,573	394,021	827,376	524,057
Project overhead costs	366,842	41,999	705,497	41,999
Labour	214,866	6,032	323,015	6,032
Land management fees, taxes and permits	323,356	10,373	419,421	16,718
Professional fees	109,451	18,497	141,732	30,163
Travel, meals and accomodation	17,319	37,591	43,715	37,591
Total exploration and evaluation expenses	**$ 10,414,806**	**$ 837,350**	**$ 35,129,282**	**$ 1,046,614**

12. COMMON SHARES

Authorized

On June 30, 2023, the authorized share capital consisted of an unlimited number of common shares without par value.

	Number of shares outstanding	**Amount**
Balance, December 31, 2022	117,079,355	$ 49,711,875
Acquisition of Neolit (Note 4)	4,000,000	9,400,000
Exercise of options (i)	120,000	148,800
Valuation allocation of exercise of options	-	84,684
Exercise of warrants (ii)	3,145,564	1,108,264
Valuation allocation of exercise of warrants	-	418,754
Balance, June 30, 2023	**124,344,919**	**$ 60,872,377**

(i) During the three months ended June 30, 2023, 120,000 of the Company's stock options were exercised at a weighted-average price of $1.24 per common share, generating proceeds of $148,800.

(ii) During the three months ended June 30, 2023, 3,145,564 warrants were exercised at a weighted-average price of $0.35 per common share, generating proceeds of $1,108,265.

Please see subsequent events (Note 19).

Expressed in Canadian Dollars - Unaudited

13. EQUITY RESERVES

Warrants

The changes in warrants issued during the six months ended June 30, 2023 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, December 31, 2022	4,208,449	$ 0.64	$ 1,000,896
Granted, Neolit acquisition (Note 4)	1,500,000	2.25	1,807,500
Exercised	(3,144,811)	$ 0.35	$ (418,754)
Expiry	(170)	$ 0.16	$ (15)
Balance, June 30, 2023	**2,563,468**	**$ 1.94**	**$ 2,389,627**

The following table summarizes the warrants outstanding as of June 30, 2023:

Number of warrants outstanding	Number of warrants exercisable	Grant date	Expiry date	Exercise price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			$	$			Years	
125,968	125,968	19-May-22	19-May-24	0.70	32,752	68%	1.00%	2.00	0%
937,500	937,500	5-Oct-22	5-Oct-24	1.60	549,375	65%	3.85%	2.00	0%
1,500,000	-	13-Mar-23	10-Mar-26	2.25	1,807,500	74%	3.31%	3.00	0%
2,563,468	**1,063,468**				**2,389,627**				

The weighted-average remaining contractual life of the warrants as of June 30, 2023 is 2.08 years (December 31, 2022: 1.22 years).

Share-based payments

The changes in stock options issued during the six months ended June 30, 2023 are as follows:

	Number of options	Weighted average exercise price	Value of options
Balance, December 31, 2022	11,577,000	$ 1.02	$ 6,773,242
Granted	200,000	2.89	336,600
Exercised	(120,000)	1.24	(84,684)
Balance, June 30, 2023	**11,657,000**	**$ 1.05**	**$ 7,025,158**

During the six months ended June 30, 2023, the Company granted 200,000 stock options to consultants of the Company at an exercise price of $2.89 expiring five years from the date of grant (June 30, 2022: 9,920,000 stock options granted at a weighted average exercise price of $0.87). These options vested immediately. The grant date fair value of these options was estimated to be $336,600 (June 30, 2022: $4,927,496) using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 66.36% based on the volatility of comparable companies; risk-free interest rate of 3.57%; and an expected life of 5 years.

Expressed in Canadian Dollars - Unaudited

13. EQUITY RESERVES (continued)

During the six months ended June 30, 2023, 120,000 of the Company's options were exercised at a weighted-average exercise price of $1.24 generating proceeds of $148,800 (period ended June 30, 2022: 100,000 exercised at a weighted-average exercise price of $0.70). The Company's weighted average share price at the time of the option exercises was $1.64 (June 30, 2022: $1.13).

For the six months ended June 30, 2023, $336,600 (June 30, 2022: $4,927,496) in share-based compensation has been recognized in the consolidated statements of loss and comprehensive loss.

Options outstanding as of June 30, 2023 are as follows:

Number of options outstanding	Number of options exercisable	Grant date	Expiry date	Exercise price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			$	$			Years	
6,300,000	6,300,000	20-Apr-22	20-Apr-27	0.70	2,471,490	65%	2.63%	5.00	0%
2,820,000	2,820,000	1-Jun-22	1-Jun-27	1.24	1,990,074	66%	2.86%	5.00	0%
250,000	250,000	13-Jun-22	13-Jun-27	1.06	209,425	66%	3.48%	5.00	0%
150,000	150,000	5-Aug-22	5-Aug-27	1.22	105,750	67%	2.90%	5.00	0%
1,937,000	1,937,000	3-Nov-22	3-Nov-27	1.69	1,911,819	67%	3.59%	5.00	0%
200,000	200,000	27-Feb-23	27-Feb-28	2.89	336,600	66%	3.57%	5.00	0%
11,657,000	**11,657,000**				**7,025,158**				

14. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to consist of common shares, warrants and options.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and evaluation and pay for administrative costs, the Company must raise additional amounts.

The Company may continue to assess new properties and may seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the six months ended June 30, 2023.

15. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's financial instruments include cash, amounts receivable, loan receivable, accounts payable and accrued liabilities and lease liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at June 30, 2023, the Company's financial instruments that are carried at fair value, being cash equivalents, are classified as Level 2 within the fair value hierarchy.

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

(a) *Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

a. *Trade credit risk*
The Company is not exposed to significant trade credit risk.

b. *Cash*
In order to manage credit and liquidity risk the Company's policy is to invest only in highly rated investment grade instruments. Limits are also established based on the type of investment, the counterparty and the credit rating.

c. *Loan receivable*
The Company expects the loan receivable will be repaid on time but cannot assure this with certainty. The face value of the loan receivable, R$10,000,000 ($2,752,000) represents the maximum credit exposure.

(b) *Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises primarily with respect to the Brazilian real (BRL) from its property interests in Brazil, and US dollars from operations. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

15. FINANCIAL INSTRUMENTS (continued)

As at June 30, 2023 and December 31, 2022, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

June 30, 2023		
	Brazilian reals	**US dollars**
Cash	$ 723,096	$ 9,587
Accounts payable and accrued liabilities	(4,053,129)	(2,170,505)
Lease liabilities	(327,609)	-
	$ (3,657,642)	$ (2,160,918)

December 31, 2022		
	Brazilian reals	**US dollars**
Cash	$ 307,929	$ 62,887
Accounts payable and accrued liabilities	(484,615)	(54,176)
Lease liabilities	(247,570)	-
	$ (424,256)	$ 8,711

A 10% strengthening (weakening) of the Canadian dollar against the Brazilian real would decrease (increase) net loss and comprehensive loss by approximately $366,000 (December 31, 2022 - $40,000).

A 5% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss and comprehensive loss by approximately $216,000 (December 31, 2022 - $18,000).

(c) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At June 30, 2023, the Company had a cash balance of $8,789,309 (December 31, 2022 - $31,492,788) to settle current liabilities of $6,690,284 (December 31, 2022 - $2,119,504). Of the current liabilities, approximately $4,200,000 have contractual maturities of less than 30 days and are subject to normal trade terms. Subsequent to the end of the quarter, the Company raised gross proceeds of $28,750,334 through a bought-deal financing (see Subsequent events).

(d) *Commodity / equity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to lithium, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote at this time as the Company is not a producing entity.

Expressed in Canadian Dollars - Unaudited

16. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the six months ended June 30, 2023 and 2022, the remuneration of directors and other key management personnel is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Management and Consulting fees	$ 543,471	$ 1,375,531	$1,032,274	$1,536,842
Share-based compensation	-	3,690,575	-	3,690,575
Total	**$ 543,471**	**$ 5,066,106**	**$1,032,274**	**$5,227,417**

As at June 30, 2023, an amount of approximately $98,800 (December 31, 2021 - $1,250,000), included in accounts payable and accrued liabilities, was owed to directors and officers of the Company. Such amounts are unsecured and non-interest bearing.

During the six months ended June 30, 2023, the Company paid $19,936 to Troilus Gold Corp. for office space, administrative services and reimbursable costs. As at June 30, 2023, a balance of $5,578 is payable to Troilus Gold Corp. Mr. Blake Hylands, the Company's Chief Executive Officer, is an officer of Troilus Gold Corp. As well, Mr. Tom Olesinski, the Company's Chief Financial Officer, is a director of Troilus Gold Corp.

Also during the six months ended June 30, 2023, the Company paid $36,285 to Falcon Metais Ltda. for various administrative services. Mr. Helio Diniz, the Company's President, is an officer of Falcon Metais Ltda.

The Company also loaned approximately R$10,000,000 ($2,752,000) to Valitar Participacoes Ltda., a company in which Mr. Helio Diniz indirectly owns a 90% interest and of which he is an officer, in order to acquire additional land titles and/or land leases. This balance has been recorded as a loan receivable.

17. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Brazil. The following table summarizes the total assets and liabilities by geographic segment as at June 30, 2023 and December 31, 2022:

June 30, 2023	**Brazil**	**Canada**	**Total**
Cash and cash equivalents	$ 723,096	$ 8,066,213	$ 8,789,309
Amounts receivable	-	462,287	462,287
Prepaid expenses	350,846	160,378	511,224
Equipment	584,031	-	584,031
Loan receivable	1,787,667	-	1,787,667
Total Assets	**$ 3,445,640**	**$ 8,688,878**	**$ 12,134,518**
Accounts payable and accrued liabilities	$ 4,053,129	$ 2,459,546	$ 6,512,675
Lease liabilities	327,609	-	327,609
Total Liabilities	**$ 4,380,738**	**$ 2,459,546**	**$ 6,840,284**

Expressed in Canadian Dollars - Unaudited

17. SEGMENT INFORMATION (continued)

December 31, 2022		Brazil		Canada		Total
Cash and cash equivalents	$	307,929	$	31,184,859	$	31,492,788
Amounts receivable		-		572,150		572,150
Prepaid expenses		296,894		129,969		426,863
Equipment		345,742		-		345,742
Total Assets	**$**	**950,565**	**$**	**31,886,978**	**$**	**32,837,543**
Accounts payable and accrued liabilities	$	484,615	$	1,524,097	$	2,008,712
Lease liabilities		247,570		-		247,570
Total Liabilities	**$**	**732,185**	**$**	**1,524,097**	**$**	**2,256,282**

The following table summarizes the loss by geographic segment for the six months ended June 30, 2023 and 2022:

June 30, 2023		Brazil		Canada		Total
Other income	$	(19,073)	$	(418,616)	$	(437,689)
Exploration and evaluation expenses		35,129,282		-		35,129,282
General and administrative expenses		60,783		2,716,109		2,776,892
Share-based payments		-		336,600		336,600
Depreciation		91,628		-		91,628
Accretion expense and lease extinguishment		18,803		-		18,803
Accretion of loan receivable		(1,797)		-		(1,797)
Foreign exchange (gain)/loss		220,803		(46,331)		174,472
Loss	**$**	**35,500,429**	**$**	**2,587,762**	**$**	**38,088,191**

June 30, 2022		Brazil		Canada		Total
Other income	$	(1,838)	$	(45,553)	$	(47,391)
Exploration and evaluation expenses		1,046,614		-		1,046,614
General and administrative expenses		5,945		6,664,723		6,670,668
Share-based payments		-		4,927,496		4,927,496
Depreciation		1,599		-		1,599
Accretion expense		197		-		197
Foreign exchange (gain)/loss		(1,720)		(7,451)		(9,171)
Loss	**$**	**1,050,797**	**$**	**11,539,215**	**$**	**12,590,012**

18. COMMITMENTS AND CONTINGENCIES

Environmental

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make expenditures to comply with such laws and regulations.

General

The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable, and the amounts are estimable.

18. COMMITMENTS AND CONTINGENCIES (continued)

Management Contracts

The Company is party to certain management contracts. As of June 30, 2023, these contracts require payments of approximately $4,064,000 (December 31, 2022 - $3,390,000) to be made upon the occurrence of a change of control to the officers and consultants of the Company. The Company is also committed to payments upon termination of approximately $2,110,000 (December 31, 2022 - $1,764,000) pursuant to the terms of these contracts as of June 30, 2023. As a triggering event has not taken place on June 30, 2023, these amounts have not been recorded in these consolidated financial statements.

Other

Subject to the asset purchase agreement between Galvani Nordeste Mineracao Ltd. (“Galvani”) and MGLIT, entered into in September 2022, if, during the 18 months following the closing of the transaction, the Company, through an independent qualified person, defines an inferred mineral resource estimate of a minimum of 5Mt with a Li2O content above 1.3%, the Company shall, at Galvani’s discretion, (i) issue such number of Lithium Ionic shares equal to USD$2 million calculated using the 7 day VWAP of the Lithium Ionic shares on the TSX Venture Exchange ending on the effective date of the technical report evidencing such mineral resource estimate subject to a minimum price per share of $0.904, or (ii) pay USD$2 million in cash to Galvani on the effective date of the technical report evidencing such mineral resource estimate. As at March 31, 2023, no determination has been made in this regard and no amount has been accrued related to this contingent arrangement.

Subject to the agreement to acquire mineral claims from Mineracao Borges Ltda. in December 2022, upon producing an independent NI 43-101 compliant mineral resource estimate on the claims of 2 million tons of Li_2O content over 1.3% within 18 months of closing, the Company shall pay an additional R$15,000,000. As at March 31, 2023, no determination has been made in this regard and no amount has been accrued related to this contingent arrangement.

See Notes 1, 4, 9 and 10.

19. SUBSEQUENT EVENTS

On July 31, 2023, the Company completed an underwritten private placement financing issuing a total of 13,690,635 common shares for gross proceeds of $28,750,334. These common shares are subject to a four-month hold period. The underwriters received a commission of 6% of the gross proceeds in addition to 821,438 broker warrants. Each broker warrant is exercisable into one common share of the Company at an exercise price of $2.10 with an expiry date of July 31, 2025.