# Lithium Ionic Corp.

## Consolidated Financial Statements

**For the year ended December 31, 2022 and**
**the period from the date of incorporation (July 5, 2021) to December 31, 2021**

**(Expressed in Canadian Dollars)**

## Independent Auditor's Report

To the Shareholders of Lithium Ionic Corp.

### Opinion

We have audited the consolidated financial statements of Lithium Ionic Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of 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, 2022 and 2021, 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. 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.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there were no key audit matters to communicate in our report.

### Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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.

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We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 the 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 cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's 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 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 judgement 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 risks 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.

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- 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 consolidated 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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

**McGovern Hurley LLP**

McGovern Hurley LLP

**Chartered Professional Accountants**
**Licensed Public Accountants**

Toronto, Ontario
April 28, 2023

# Lithium Ionic Corp.

## Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

| As at: | Note | **December 31, 2022 $** | December 31, 2021 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Current | | | |
| Cash and cash equivalents | 7 | **21,492,788** | 7,788,687 |
| Short-term investments | 7 | **10,000,000** | - |
| Amounts receivable | | **572,150** | 43,424 |
| Prepaid expenses | | **426,863** | 1,000 |
| **Total current assets** | | **32,491,801** | 7,833,111 |
| **Long-term** | | | |
| Equipment | 8 | **345,742** | - |
| **Total assets** | | **32,837,543** | 7,833,111 |
| **LIABILITIES** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 15,16 | **2,008,712** | 945,956 |
| Short-term lease liability | 9 | **110,792** | - |
| **Total current liabilities** | | **2,119,504** | 945,956 |
| Long-term lease liability | 9 | **136,778** | - |
| **Total liabilities** | | **2,256,282** | 945,956 |
| **SHAREHOLDERS' EQUITY** | | | |
| Common shares | 12 | **49,711,875** | 7,487,282 |
| Warrant reserve | 13 | **1,000,896** | 179,241 |
| Option reserve | 13 | **6,773,242** | - |
| Accumulated deficit | | **(26,904,752)** | (779,368) |
| **Total shareholders' equity** | | **30,581,261** | 6,887,155 |
| **Total liabilities and shareholders' equity** | | **32,837,543** | 7,833,111 |

| | |
|---|---|
| Nature of operations and going concern | 1 |
| Commitments and contingencies | 10, 18 |
| Subsequent events | 20 |

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.

## Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

| | Note | Year ended December 31, 2022 | Period from the date of incorporation (July 5, 2021) to December 31, 2021 |
|---|---|---|---|
| **Expenses** | | | |
| Exploration and evaluation expenses | 11 | **$ 9,870,898** | $ 27,337 |
| Consulting and management fees | 16 | **3,997,834** | 674,826 |
| Shareholder communications | | **404,623** | - |
| Professional fees | | **418,206** | - |
| Office and general | | **152,244** | 77,205 |
| Depreciation | 8 | **33,153** | - |
| Transaction costs | 6 | **4,640,918** | - |
| Share-based compensation | 13 | **6,945,065** | - |
| **(Loss) for the period before other items** | | **$ (26,462,941)** | $ (779,368) |
| **Other items** | | | |
| Interest income | 7 | **459,530** | - |
| Accretion expense | 9 | **(5,352)** | - |
| Foreign exchange gain | | **(116,621)** | - |
| **Net (loss) and comprehensive (loss) for the period** | | **$ (26,125,384)** | $ (779,368) |
| **Basic and diluted (loss) per share** | | **$ (0.28)** | $ (0.02) |
| **Weighted average number of common shares outstanding** | | | |
| Basic and Diluted | | **93,751,383** | 36,753,625 |

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

# Lithium Ionic Corp.

## 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, July 5, 2021** | **-** | **$ -** | **-** | **$ -** | **-** | **$ -** | **$ -** | **$ -** |
| Incorporation | 31,100,001 | 3 | - | - | - | - | - | 3 |
| Private placement - Tranche I | 24,950,000 | 4,990,000 | - | - | - | - | - | 4,990,000 |
| Private placement - Tranche II | 15,360,000 | 3,072,000 | - | - | - | - | - | 3,072,000 |
| Private placement - Shares issued for services | 300,000 | 60,000 | - | - | - | - | - | 60,000 |
| Share issue costs | - | (455,480) | - | - | - | - | - | (455,480) |
| Private placement - Finder's warrants | - | (179,241) | 2,372,750 | 179,241 | - | - | - | - |
| Loss and comprehensive loss for the period | - | - | - | - | - | - | (779,368) | (779,368) |
| **Balance, December 31, 2021** | **71,710,001** | **$ 7,487,282** | **2,372,750** | **$ 179,241** | **-** | **$ -** | **$ (779,368)** | **$ 6,887,155** |
| Reverse takeover transaction | 7,499,992 | 5,250,000 | 55,192 | 29,909 | - | - | - | 5,279,909 |
| Conversion of subscription receipts | 20,000,000 | 14,000,000 | - | - | - | - | - | 14,000,000 |
| Broker 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 | - | (322,070) | - | - | - | - | - | (322,070) |
| Private placement | 15,625,000 | 25,000,000 | - | - | - | - | - | 25,000,000 |
| Share issue costs | - | (1,656,997) | - | - | - | - | - | (1,656,997) |
| Share issue costs - broker warrants | - | (549,375) | 937,500 | 549,375 | - | - | - | - |
| Share-based compensation | - | - | - | - | 12,007,000 | 6,945,065 | - | 6,945,065 |
| Options exercise | 430,000 | 478,223 | - | - | (430,000) | (171,823) | - | 306,400 |
| Warrants exercise | 556,992 | 388,812 | (556,992) | (121,629) | - | - | - | 267,183 |
| Loss and comprehensive loss for the year | - | - | - | - | - | - | (26,125,384) | (26,125,384) |
| **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** |

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

# Lithium Ionic Corp.

Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

| | Note | Year ended December 31, 2022 $ | Period from the date of incorporation (July 5, 2021) to December 31, 2021 $ |
|---|---|---|---|
| **Cash (used in)/provided by:** | | | |
| **Operating activities** | | | |
| (Loss) for the period | | **(26,125,384)** | (779,368) |
| Items not involving cash: | | | |
| Depreciation | 8 | **33,153** | - |
| Accretion expense | 9 | **5,352** | - |
| Acquisition transaction costs | 6 | **4,640,918** | - |
| Share-based compensation | 13 | **6,945,065** | - |
| Shares issued for services | | **-** | 60,000 |
| Foreign exchange | | **(1,028)** | - |
| Changes in non cash working capital | | **46,048** | 901,532 |
| **Net cash (used in) operating activities** | | **(14,455,876)** | 182,164 |
| **Investing activities** | | | |
| Purchase of equipment | 8 | **(99,980)** | - |
| Purchase of GICs | 7 | **(10,000,000)** | - |
| Cash acquired from acquisition | 6 | **701,110** | - |
| **Net cash provided by investing activities** | | **(9,398,870)** | - |
| **Financing activities** | | | |
| Proceeds from equity financings | 12 | **39,000,000** | 8,062,003 |
| Cost of issue | 12 | **(1,979,067)** | (455,480) |
| Options exercised | 13 | **306,400** | - |
| Warrants exercised | 13 | **267,183** | - |
| Principal payments on lease liability | 9 | **(35,669)** | - |
| **Net cash provided by financing activities** | | **37,558,847** | 7,606,523 |
| **Change in cash and cash equivalents** | | **13,704,101** | 7,788,687 |
| **Cash and cash equivalents, beginning of the period** | | **7,788,687** | - |
| **Cash and cash equivalents, end of the period** | | **21,492,788** | 7,788,687 |
| **Cash and cash equivalent consists of:** | | | |
| Cash | | **992,788** | 7,788,687 |
| Cash equivalents | | **20,500,000** | - |
| | | **21,492,788** | 7,788,687 |
| **SUPPLEMENTAL INFORMATION** | | | |
| Equipment acquired through leases | 8,9 | **278,915** | - |
| Broker subscription receipts | 12 | **880,159** | - |
| Issuance of broker warrants | 12,13 | **913,375** | 179,241 |

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 (Note 5).

On May 19, 2022, the Company closed its previously announced reverse takeover transaction (the “Transaction”) with Lithium Ionic Inc. (the “Target”). The Transaction was completed by way of a “three-cornered” amalgamation pursuant to the provisions of the *Business Corporations Act* (Ontario). Prior to the completion of the Transaction, the Company changed its name from "POCML 6 Inc." to "Lithium Ionic Corp.” (the “Name Change”). Pursuant to the Transaction, all common shares of the Target were exchanged for Company Shares on a one-for-one basis and Lithium Ionic Inc. and 1000088600 Ontario Inc., a wholly owned subsidiary of the Company newly incorporated under the *Business Corporations Act* (Ontario) for the sole purpose of effecting the Transaction, amalgamated with the resulting entity continuing as a wholly owned subsidiary of the Company under the name “Lithium Ionic Holdings Corp.”. See Note 6. These financial statements present the continuation of the Target and the acquisition of POCML 6 by Lithium Ionic Inc. as a reverse acquisition for accounting purposes.

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 December 31, 2022, the Company had current assets of $32,491,801 and current liabilities of $2,119,504 (December 31, 2021 - $7,833,111 and $945,956 respectively) and an accumulated deficit of $26,904,752 (December 31, 2021 - $779,368). 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 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and include interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies set out were consistently applied to the period presented unless otherwise noted below.

### *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 year ended December 31, 2022 were reviewed, approved and authorized for issue by the Board of Directors of the Company on April 28, 2023.

## 3. SIGNFICANT ACCOUNTING POLICIES

*Cash and cash equivalents*

Cash and cash equivalents consist of highly liquid investments, such as guaranteed investment certificates (“GICs”) and deposit accounts with chartered banks, trust accounts held with lawyers, cashable within three months of the date of original issue.

*Short-term investments*

GICs with maturities over 90 days that are not redeemable are presented separately from cash and cash equivalents as short-term investments.

## 3. SIGNFICANT ACCOUNTING POLICIES (continued)

*Financial Assets and Liabilities*

Financial Assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement - financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss. The Company’s cash and cash equivalents, short-term investments and amounts receivable are recorded at amortized cost.

Subsequent measurement - financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of earnings (loss). The Company does not measure any financial assets at FVPL.

Subsequent measurement - financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of earnings (loss) when the right to receive payments is established.

## 3. SIGNFICANT ACCOUNTING POLICIES (continued)

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases, and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities and long-term loans payable, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term loans payable, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

*Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

## 3. SIGNFICANT ACCOUNTING POLICIES (continued)

*Exploration and evaluation expenditures*

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral property rights, property option payments and exploration and evaluation activities.

Once a project has been established as commercially viable, technically feasible and the decision to proceed with development has been approved by the Board of Directors, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production.

*Equipment*

Equipment is measured at cost less accumulated depreciation and accumulated impairment charges. The cost of equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated decommissioning and restoration costs associated with the asset.

On initial acquisition, equipment is measured at cost. In subsequent periods, equipment is stated at cost less accumulated depreciation and any impairment charges. Depreciation is provided so as to write off the costs, less estimated residual values of equipment using the straight-line method over their remaining useful lives, or the remaining life of the mine if shorter:

| | |
|---|---|
| Office furniture | 10 years |
| Computer and office equipment | 2 – 10 years |
| Field and lab equipment | 2 – 10 years |
| Vehicles | 10 years |
| Right-of-use assets | term of lease |

*Leases and right-of-use assets*

IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position. All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

leases of low value assets;
and leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. On initial recognition, the carrying value of the lease liability also includes amounts expected to be payable under any residual value guarantee; the exercise price of any purchase option granted if it is reasonably certain to assess that option; and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease; initial direct costs incurred; and the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

## 3. SIGNFICANT ACCOUNTING POLICIES (continued)

Lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement.

*Common shares*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares, warrants and share options are recognized as a deduction from equity, net of any tax effects.

*Foreign currency translation*

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

*Share-based payments*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options and warrants that expire after vesting, the recorded value is transferred to deficit.

*Income taxes*

Any income tax on profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income/loss, in which case the income tax is recognized in equity or other comprehensive income/loss.

## 3. SIGNFICANT ACCOUNTING POLICIES (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, on a non-discounted basis using tax rates at the end of the reporting period applicable to the period of expected realization. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

*Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All the Company's outstanding warrants were anti-dilutive for the year ended December 31, 2022 and 2021.

*Provisions*

(a) General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expense in the consolidated statement of loss.

(a) Rehabilitation provisions

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

## 3. SIGNFICANT ACCOUNTING POLICIES (continued)

The obligation generally arises when the asset is installed, or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in loss.

The Company does not currently have any such significant legal or constructive obligations and therefore, no rehabilitation provision has been recorded as at December 31, 2022 and 2021.

*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, 2022. 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.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was revised in January 2020 and July 2020 to (i) clarify 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 align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of a liability; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

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.

IAS 8 – Definition of Accounting Estimates (“IAS 8”) was amended in February 2021 to replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to management uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves management uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. IAS 8 is effective for annual periods beginning on or after January 1, 2023.

## 4. 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.

*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.

*Expressed in Canadian Dollars - Unaudited*

## 4. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES (continued)

*Contingencies*

Refer to Note 18.

## 5. ACQUISITION OF MGLIT

On October 21, 2021, Lithium Ionic Inc. acquired 99.9% of the issued and outstanding shares of MGLIT Empreendimentos Ltda. (“MGLIT”), a company incorporated on October 29, 2018 under Brazilian corporate law, in exchange for BRL999.00 ($227.00). MGLIT was acquired from a corporation controlled by an officer and director of the Company. The remaining 0.1% of the issued and outstanding shares was acquired on February 14, 2022 from an officer and director of Lithium Ionic. 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.

MGLIT is the holder of certain exploration permits located in Minas Gerais, Brazil. All the exploration permits are valid until September 27, 2024, except for one exploration permit which is valid until September 28, 2023.

## 6. REVERSE ACQUISITION

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□istoryical 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 (see Note 12). The value of the warrants was estimated using the Black-Scholes model (Note 13).

*Expressed in Canadian Dollars - Unaudited*

## 7. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

| | December 31, 2022<br>$ | December 31, 2021<br>$ |
|---|---|---|
| Cash | 992,788 | 7,788,687 |
| 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 | - |
| **Cash and cash equivalents** | **21,492,788** | **7,788,687** |
| | | |
| Guaranteed investment certificate ("GIC"), bearing an interest rate of 4.50%, maturing April 5, 2023 | 10,000,000 | - |
| **Short-term investments** | **10,000,000** | **-** |

## 8. EQUIPMENT

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

| | Office furniture | Computers & office equipment | Field and lab equipment | Leased vehicles | Software | Right-of-Use assets | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | | $ |
| Cost | | | | | | | |
| As at July 5, 2021 and December 31, 2021 | - | | - | - | - | - | - |
| Additions | 11,274 | 30,201 | 6,865 | 117,270 | 22,498 | 190,787 | 378,895 |
| **As at December 31, 2022** | **11,274** | **30,201** | **6,865** | **117,270** | **22,498** | **190,787** | **378,895** |
| | | | | | | | |
| Accumulated Depreciation | | | | | | | |
| As at July 5, 2021 and December 31, 2021 | - | | - | - | | | - |
| Depreciation | (374) | (1,320) | (339) | (7,818) | (1,875) | (21,427) | (33,153) |
| **As at December 31, 2022** | **(374)** | **(1,320)** | **(339)** | **(7,818)** | **(1,875)** | **(21,427)** | (33,153) |
| | | | | | | | |
| Net book value as at December 31, 2021 | - | | - | - | - | - | - |
| Net book value as at December 31, 2022 | 10,900 | 28,881 | 6,526 | 109,452 | 20,623 | 169,360 | 345,742 |

*Expressed in Canadian Dollars - Unaudited*

## 9. LEASE LIABILITY

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

| | | |
|---|---|---|
| As at July 5, 2021 and December 31, 2021 | $ | - |
| Leases assumed during the period | | 278,915 |
| Lease accretion | | 5,352 |
| Lease payments | | (35,669) |
| Foreign exchange | | (1,028) |
| **As at December 31, 2022** | **$** | **247,570** |

| | | |
|---|---|---|
| Current portion of lease liability | $ | 110,792 |
| Long-term portion of lease liability | $ | 136,778 |

MGLIT signed a lease agreement for a project base office located in Aracuai, Minas Gerais state ("MG") in Brazil. The agreement is for an indefinite term and management has assessed the termination date as December 31, 2024. Monthly rent payments are R$2,200 ($564). Future lease payments amount to R$52,800 ($13,527). An estimated incremental borrowing rate of 7.5% per annum was used.

MGLIT signed a lease agreement for a support warehouse located in Aracuai, MG. The agreement is for an indefinite term and management has assessed the termination date as December 31, 2024. Monthly rent payments are R$5,000 ($1,281). Future lease payments amount to R$120,000 ($30,744). An estimated incremental borrowing rate of 7.5% per annum was used.

MGLIT signed lease agreements for dormitories also located in Aracuai, MG. These agreements are for an indefinite term and management has assessed the termination date as December 31, 2024. Monthly rent payments for these total R$22,460 ($5,754). Future lease payments amount to R$539,040 ($138,102). An estimated incremental borrowing rate of 7.5% per annum was used.

MGLIT acquired two vehicles through financing agreements. Monthly payments are R$12,561 ($3,218) over a term of 36 months. Future lease payments amount to R$401,953 ($102,980). An incremental borrowing rate of 17% per annum was used.

## 10. ACQUISITION OF MINING LICENSES

In September 2022, the Company closed on a binding asset purchase agreement (the "Agreement") with Galvani Nordeste Mineracao Ltd. ("Galvani") and MGLIT, pursuant to which the Company acquired a 100% ownership interest in two lithium mining licenses (the "Licenses") in Minas Gerais, Brazil (the "Transaction").

Pursuant to the Agreement and in order to complete the Transaction, Lithium Ionic paid to Galvani:

- USD$100,000 ($129,400) on execution of the Agreement (paid June 2022, Note 11); and
- USD$3,210,000 ($4,210,397) on closing of the Transaction (paid September 2022, Note 11).

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 $Li_2O$ 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 December 31, 2022, no determination has been made in this regard and no amount has been accrued related to this contingent arrangement.

*Expressed in Canadian Dollars - Unaudited*

## 10. ACQUISITION OF MINING LICENSES (continued)

In December 2022, the Company, through MGLIT, acquired 3 mineral claims totaling 1,527 hectares from Mineracao Borges Ltda. Upon closing, the Company paid R$500,000 ($129,133) upon execution of the conveyance documents transferring the clams to MGLIT. 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 (approximately $3,850,000).

## 11. EXPLORATION AND EVALUATION EXPENSES

Lithium Ionic owns a 100% ownership interest in the Itinga lithium project in Brazil, comprising certain exploration permits, as well as the Galvani Licenses (Note 10), both located in Minas Gerais state (MG), Brazil.

Exploration and evaluation expenses are detailed in the following table.

| | For the year ended December 31, 2022 | For the period July 5, 2021 (date of incorporation) to December 31, 2021 |
|---|---|---|
| Mining licenses (Note 10) | $ 4,468,929 | $ - |
| Drilling and geophysics | 3,176,766 | - |
| Labour | 100,774 | - |
| Land management fees, taxes and permits | 134,862 | 11,092 |
| Professional fees | 63,090 | - |
| Project overhead costs | 231,639 | - |
| Technical reports | 1,510,228 | 16,245 |
| Travel, meals and accomodation | 184,610 | - |
| **Total exploration and evaluation expenses** | **$ 9,870,898** | **$ 27,337** |

*Expressed in Canadian Dollars - Unaudited*

## 12. COMMON SHARES

### Authorized

On December 31, 2022, the authorized share capital consisted of an unlimited number of common shares without par value.

| | Number of shares outstanding | | Amount |
|---|---|---|---|
| Balance, July 5, 2021 | - | $ | - |
| Incorporation (i) | 31,100,001 | | 3 |
| Private placement (ii) | 40,310,000 | | 8,062,000 |
| Issance costs (ii) | - | | (455,480) |
| Private placement - Shares issued for services (iii) | 300,000 | | 60,000 |
| Private placement - Finder's warrants valuation (ii) | - | | (179,241) |
| **Balance, December 31, 2021** | **71,710,001** | | **7,487,282** |
| Reverse takeover transaction (Note 1 and (iv)): | 7,499,992 | | 5,250,000 |
| Conversion of subscription receipts (iv) | 20,000,000 | | 14,000,000 |
| Subscription receipts (iv) | 1,257,370 | | - |
| Broker warrants valuation (iv) | - | | (364,000) |
| Issuance costs (iv) | - | | (322,070) |
| Private placement (v) | 15,625,000 | | 25,000,000 |
| Broker warrants valuation (v) | - | | (549,375) |
| Issuance costs (v) | - | | (1,656,997) |
| Exercise of options (vi) | 430,000 | | 306,400 |
| Valuation allocation of exercise of options | - | | 171,823 |
| Exercise of warrants (vii) | 556,992 | | 267,183 |
| Valuation allocation of exercise of warrants | - | | 121,629 |
| **Balance, December 31, 2022** | **117,079,355** | **$** | **49,711,875** |

(i) On July 5, 2021, the Company issued 31,100,001 common shares at $0.0000001 per share for gross proceeds of $3 upon its incorporation. A total of 23,500,001 common shares were issued to directors and or officers of the Company for gross proceeds of $2.

(ii) On December 1, 2021, the Company completed the first tranche of a private placement financing by issuing 24,950,000 common shares at a price of $0.20 per share for gross proceeds of $4,990,000.

In December 2021, the Company completed the second and final tranche of a private placement financing by issuing 15,360,000 common shares at a price of $0.20 per share for gross proceeds of $3,072,000.

In connection with the offering, the Company paid $1,505 in filing fees, $169,425 in advisory fees, $284,550 in finder’s fees and issued 2,372,750 non-transferable finder’s warrants. Each finder warrant is exercisable into one common share of the Company at a price of $0.20 per warrant until December 1, 2023. The grant date fair value of the finder’s warrants issued was estimated at $179,241 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.20; expected volatility of 68% based on the volatility of comparable companies; risk-free interest rate of 0.95%, and an expected life of 2 years.

## 12. COMMON SHARES (continued)

(iii) In December 2021, the Company issued 300,000 common shares to settle amounts related to services received from vendors. Such shares were measured at $60,000, based on the value of shares issued in the previous private placement.

(iv) On February 8, 2022, the Company and Lithium Ionic Inc. (the “Target”) closed their brokered private placements (collectively, the "Offering") of subscription receipts (the "Subscription Receipts") by issuing an aggregate of 20,000,000 Subscription Receipts at a price of $0.70 each, for gross proceeds of $14,000,000.

Pursuant to the reverse acquisition transaction: (i) each of the 16,645,356 subscription receipts of the Target issued to investors (“Target Subscription Receipts”) and the 1,064,845 subscription receipts of the Target issued to the agents (the “Agents’ Target Subscription Receipts”), were exchanged for one (1) Company Share; and (ii) each of the 3,354,644 subscription receipts of POCML 6 Inc. issued to investors (“POCML 6 Inc. Subscription Receipts”) and the 192,525 subscription receipts of POCML 6 Inc. issued to the agents (the “Agents’ POCML 6 Inc. Subscription Receipts”, together with the Target Subscription Receipts, the Agents’ Target Subscription Receipts and POCML 6 Inc. Subscription Receipts, the “Subscription Receipts”) were converted into one (1) Company Share.

In connection with this transaction, the Company incurred the following costs:

- The issuance of an aggregate of 1,257,370 subscription receipts to the agents, valued at $880,159 based on the subscription receipt price.
- The issuance of an aggregate of 1,399,999 broker warrants, each exercisable to acquire one common share at a price of $0.70 until May 19, 2024. The fair value of the broker warrants issued was estimated at $364,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 65% based on volatilities of comparable companies; risk- free interest rate of 3.85%, and an expected life of 2 years.
- Cash payments of $322,070.

(v) On October 5, 2022, the Company closed a brokered private placement by issuing 15,625,000 common shares of the Company at a price of $1.60 per share for gross proceeds of $25,000,000. In connection with this financing, the Company paid a cash fee equal to 6% of the gross proceeds to the agents, as well as issuing 937,500 broker warrants, each of which entitle the holder to purchase one common share of the Company at an exercise price of $1.60 expiring October 5, 2024. The fair value of the broker warrants was estimated at $549,375 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 68% based on volatilities of comparable companies; risk- free interest rate of 1%, and an expected life of 2 years.

The Company also incurred legal and regulatory costs such that total cash payments including the cash broker fee was $1,656,997.

(vi) During the year ended December 31, 2022, 430,000 of the Company’s stock options were exercised at a weighted-average price of $0.71 per common share, generating proceeds of $306,400.

(vii) During the year ended December 31, 2022, 556,992 warrants were exercised at a weighted-average price of $0.48 per common share, generating proceeds of $267,183.

*Expressed in Canadian Dollars - Unaudited*

## 13. EQUITY RESERVES

### Warrants

The changes in warrants issued during the periods ended December 31, 2022 and 2021 are as follows:

| | Number of warrants | Weighted average exercise price | Value of warrants |
|---|---|---|---|
| Balance, July 5, 2021 | - | $ - | $ - |
| Granted, December 2021 - Broker warrants (10(ii)) | 2,372,750 | 0.20 | 179,241 |
| Balance, December 31, 2021 | **2,372,750** | **$ 0.20** | **$ 179,241** |
| Exchanged, May 2022 - POCML 6 acquisition | 55,192 | 0.16 | 29,909 |
| Granted, May 2022 - Broker warrants (10(iv)) | 1,399,999 | 0.70 | 364,000 |
| Granted, October 2022 - Broker warrants (10(v)) | 937,500 | 1.60 | 549,375 |
| Exercised, June 2022 (10(vi)) | (556,992) | 0.48 | (121,629) |
| **Balance, December 31, 2022** | **4,208,449** | **$ 0.64** | **$ 1,000,896** |

Pursuant to the Transaction, the Company issued 55,192 warrants, each exercisable to acquire one common share at a price of $0.10 until April 5, 2023. The fair value of the warrants issued was estimated at $29,909 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 69% based on volatilities of comparable companies; risk- free interest rate of 2.70%, and an expected life of approximately 0.9 year.

The following table summarizes the warrants outstanding as of December 31, 2022:

| 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 | |
| 2,176,750 | 2,176,750 | 1-Dec-21 | 1-Dec-23 | 0.20 | 164,435 | 68% | 0.95% | 2.00 | 0% |
| 9,200 | 9,200 | 19-May-22 | 5-Apr-23 | 0.16 | 4,985 | 69% | 2.70% | 0.88 | 0% |
| 1,084,999 | 1,084,999 | 19-May-22 | 19-May-24 | 0.70 | 282,101 | 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% |
| **4,208,449** | **4,208,449** | | | | **1,000,896** | | | | |

The weighted-average remaining contractual life of the warrants as of December 31, 2022 is 1.22 years (December 31, 2021: 1.92 years).

*Expressed in Canadian Dollars - Unaudited*

## 13. EQUITY RESERVES (continued)

### Share-based payments

The changes in stock options issued during the periods ended December 31, 2022 and 2021 are as follows:

| | Number of options | Weighted average exercise price | Value of options |
|---|---|---|---|
| Balance, July 5, 2021 and December 31, 2021 | - | $ - | $ - |
| Granted | 12,007,000 | 1.01 | 6,945,065 |
| Exercised | (430,000) | 0.71 | (171,823) |
| **Balance, December 31, 2022** | **11,577,000** | **$ 1.02** | **$ 6,773,242** |

On April 20, 2022, the Company granted a total of 6,720,000 stock options to directors, officers and consultants of the Company, pursuant to its stock option plan. The options vested immediately and may be exercised at a price of $0.70 per option until April 20, 2027. The grant date fair value of the options issued was estimated at $2,636,256 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 65% based on the volatility of comparable companies; risk-free interest rate of 2.63%, and an expected life of 5 years. Directors and officers were granted 5,750,000 options with a fair value of $2,255,725.

On June 1, 2022, the Company granted a total of 2,950,000 stock options to directors, officers and consultants of the Company, pursuant to its stock option plan. The options vested immediately and may be exercised at a price of $1.24 per option until June 1, 2027. The grant date fair value of the options issued was estimated at $2,081,815 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 66% based on the volatility of comparable companies; risk-free interest rate of 2.86%, and an expected life of 5 years. Directors and officers were granted 2,330,000 options with a fair value of $1,644,281.

On June 13, 2022, the Company granted a total of 250,000 stock options to a consultant of the Company, pursuant to its stock option plan. The options vested immediately and may be exercised at a price of $1.06 per option until June 13, 2027. The grant date fair value of the options issued was estimated at $209,425 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 66% based on the volatility of comparable companies; risk-free interest rate of 3.48%, and an expected life of 5 years.

On August 5, 2022, the Company granted a total of 150,000 stock options to consultants of the Company. The options vested immediately and may be exercised at a price of $1.22 per option until August 5, 2027. The grant date fair value of the options issued was estimated at $105,750 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 67% based on the volatility of comparable companies; risk-free interest rate of 2.9%, and an expected life of 5 years.

On November 3, 2022, the Company granted a total of 1,937,000 stock options to directors, officers and consultants of the Company. The options vested immediately and may be exercised at a price of $1.69 per option until November 3, 2027. The grant date fair value of the options issued was estimated at $1,911,819 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 67% based on the volatility of comparable companies; risk-free interest rate of 3.59%, and an expected life of 5 years. Directors and officers were granted 1,720,000 options with a fair value of $1,697,640.

*Expressed in Canadian Dollars - Unaudited*

## 13. EQUITY RESERVES (continued)

During the year ended December 31, 2022, 430,000 of the Company's options were exercised at a weighted-average exercise price of $0.71 generating proceeds of $306,400 (period ended December 30, 2021: no options exercised). The Company's weighted average share price at the time of the option exercises was $1.56.

For the year ended December 31, 2022, $6,945,065 (July 5 to December 31, 2021: $nil) in share-based compensation has been recognized in the consolidated statements of loss and comprehensive loss.

Options outstanding as of December 31, 2022 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% |
| 2,940,000 | 2,940,000 | 1-Jun-22 | 1-Jun-27 | 1.24 | 2,074,758 | 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% |
| **11,577,000** | **11,577,000** | | | | **6,773,242** | | | | |

## 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.

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 years ended December 31, 2022 and 2021.

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.

## 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, and accounts payable and accrued 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 December 31, 2022, the Company's financial instruments that are carried at fair value, being short-term investments, 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.

(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 December 31, 2022 and 2021, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

**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 |

**December 31, 2021**

| | Brazilian reals | US dollars |
|---|---|---|
| Cash | $ 41,368 | $ - |
| Accounts payable and accrued liabilities | (12,703) | - |
| | $ 28,665 | $ - |

A 10% strengthening (weakening) of the Canadian dollar against the Brazilian real would decrease (increase) net loss and comprehensive loss by approximately $40,000 (December 31, 2021 - $3,000).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss and comprehensive loss by approximately $1,000 (December 31, 2021 - $nil).

(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 December 31, 2022, the Company had a cash balance of $31,492,788 (December 31, 2021 - $7,788,687) to settle current liabilities of $2,119,504 (December 31, 2021 - $945,956). The Company’s trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

(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 years ended December 31, 2022 and 2021, the remuneration of directors and other key management personnel is as follows:

| | For the year ended December 31, 2022 | For the period July 5, 2021 (date of incorporation) to December 31, 2021 |
|---|---|---|
| Management and Consulting fees | $ 3,608,768 | $ 653,326 |
| Share-based compensation | 5,597,646 | - |
| Total | **$ 9,206,414** | **$ 653,326** |

As at December 31, 2022, an amount of approximately $1,250,000 (December 31, 2021 - $450,000), 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 year ended December 31, 2022, the Company paid $7,500 to Troilus Gold Corp. for office space and administrative services. 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.

In connection with the July 5, 2021 incorporation of the Company, 23,500,001 common shares were issued to directors and or officers of the Company for gross proceeds of $2.

Acquisition of MGLIT – see Note 3.

*Expressed in Canadian Dollars - Unaudited*

## 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 December 31, 2022 and 2021:

| **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 | $ | 1,474,097 | $ | 1,958,712 |
| Lease liability | | 247,570 | | - | | 247,570 |
| **Total Liabilities** | **$** | **732,185** | **$** | **1,474,097** | **$** | **2,206,282** |

| **December 31, 2021** | | **Brazil** | | **Canada** | | **Total** |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ | 41,368 | $ | 7,747,319 | $ | 7,788,687 |
| Amounts receivable | | - | | 43,424 | | 43,424 |
| Prepaid expenses | | - | | 1,000 | | 1,000 |
| **Total Assets** | **$** | **41,368** | **$** | **7,791,743** | **$** | **7,833,111** |
| | | | | | | |
| Accounts payable and accrued liabilities | $ | 12,703 | $ | 933,253 | $ | 945,956 |
| **Total Liabilities** | **$** | **12,703** | **$** | **933,253** | **$** | **945,956** |

The following table summarizes the loss by geographic segment for the periods ended December 31, 2022 and 2021:

| **December 31, 2022** | | **Brazil** | | **Canada** | | **Total** |
|---|---|---|---|---|---|---|
| Other income | $ | (2,531) | $ | (456,999) | $ | (459,530) |
| Exploration and evaluation expenses | | 9,870,898 | | - | | 9,870,898 |
| General and administrative expenses | | 43,326 | | 9,520,499 | | 9,563,825 |
| Share-based payments | | - | | 6,945,065 | | 6,945,065 |
| Depreciation | | 33,153 | | - | | 33,153 |
| Accretion expense | | 5,352 | | - | | 5,352 |
| Foreign exchange (gain) | | 124,851 | | (8,230) | | 116,621 |
| **Loss** | **$** | **10,075,049** | **$** | **16,000,335** | **$** | **26,075,384** |

| **December 31, 2021** | | **Brazil** | | **Canada** | | **Total** |
|---|---|---|---|---|---|---|
| Exploration and evaluation expenses | | 27,337 | | - | | 27,337 |
| General and administrative expenses | | 9,192 | | 741,251 | | 750,443 |
| Foreign exchange loss | | 1,588 | | - | | 1,588 |
| **Loss** | **$** | **38,117** | **$** | **741,251** | **$** | **779,368** |

*Expressed in Canadian Dollars - Unaudited*

## 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.

### Management Contracts

The Company is party to certain management contracts. As of December 31, 2022, these contracts require payments of approximately $3,390,000 (December 31, 2021 - $1,293,000) 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 $1,764,000 (December 31, 2021 - $646,500) pursuant to the terms of these contracts as of December 31, 2022. As a triggering event has not taken place on December 31, 2022, these amounts have not been recorded in these consolidated financial statements.

### Other

See Notes 1, 9 and 10.

## 19. INCOME TAXES

### *Provision for income taxes*

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% were as follows:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| (Loss) before income taxes | (26,125,385) | (779,368) |
| Expected income tax recovery based on statutory rate | (6,923,000) | (207,000) |
| Adjustment to expected income tax benefit: | | |
| Share-based payments | 1,840,000 | - |
| Expenses not deductible for tax purposes | 1,230,000 | - |
| Change in Benefit of tax assets not recognized | 3,853,000 | 207,000 |
| Deferred income tax provision (recovery) | - | - |

*Expressed in Canadian Dollars - Unaudited*

## 19. INCOME TAXES

### *Deferred Income taxes*

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Non-capital loss carry-forwards - Canada | 5,856,000 | 862,000 |
| Share issue costs - Canada | 2,087,000 | 508,000 |
| Tax losses - Brazil | 9,853,000 | - |
| | 17,796,000 | 1,370,000 |

Non-capital losses in Canada expire in 2042. Tax losses in Brazil expire in 2037.

The potential future benefit of these losses has not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

## 20. SUBSEQUENT EVENTS

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;
- 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.

## 20. SUBSEQUENT EVENTS (continued)

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.

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 ($2,797,709) 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.

Subsequent to the end of the year, 212,813 warrants were exercised for proceeds of $54,163 and 100,000 stock options were exercised for $124,000. As well, 200,000 stock options were granted at an exercise price of $2.89 expiring in February 2028.