BATTERY MINERAL RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in Canadian Dollars)

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Independent auditor's report

To the Shareholders of Battery Mineral Resources Corp.

Opinion

We have audited the consolidated financial statements of Battery Mineral Resources Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year 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 its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in out auditor's report.

Asset retirement obligation related to Punitaqui mine

Refer to Note 4 and 14 of the consolidated financial statements.

In 2021, the Company completed an asset acquisition of the Punitaqui Mining Complex in Chile, through a number of agreements with Minera Altos de Punitaqui Limited, their parent company Xiana Mining Inc. and their creditors, Bluequest Resources AG which resulted in the acquisition of the asset. During 2022, the Company obtained approval regarding transfer of the operational permits for the Punitaqui Mine which triggered the recording of an asset retirement obligation ("ARO") related to this mine.

The asset retirement obligation related to the Punitaqui mine was determined to be a key audit matter due to the fact that management's assessment process involves high estimation uncertainty and significant judgments with respect to estimated closure costs, timing, and discount rate assumptions.

Our audit procedures included, amongst other procedures:

- Understanding of the regulations for environmental liabilities in Chile, including confirmation with management's legal counsel regarding recognition point for the asset retirement obligation;
- Evaluated of the reasonableness of the inputs and assumptions used by management in calculating the asset retirement obligation in accordance with IFRS; and
- Considered and assessed the qualifications and objectivity of the third-party valuation expert utilized by management to estimate the asset retirement obligation.

Convertible debentures

Refer to Note 16 of the consolidated financial statements.

During the year, the Company issued convertible debentures with total proceeds of $10,375,460. The accounting for and valuation of the convertible debentures is complex due to significant judgement involved in determining the appropriate accounting treatment, including classification as debt or equity, whether the features give rise to derivatives, the discount rate used for measurement of the liability and determining the valuation of each element of the convertible notes.

The convertible debentures were determined to be a key audit matter due to the significant judgements and estimates involved in determining the appropriate accounting treatment.

Our audit procedures included, amongst other procedures:

- Obtained and reviewed the convertible debenture agreements;
- Evaluated the reasonableness of the accounting and impact of features in measuring the bifurcation and measurement of the components in accordance with IFRS; and
- Involved our valuation specialist in assessing the appropriateness of the discount rate used to measure the host liability instrument.

Other Matter

The consolidated financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 30, 2022.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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.

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 International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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 of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ingrid Holbik**.**

Grant Thornton LLP

Toronto, Canada
May 1, 2023

Chartered Professional Accountants
Licensed Public Accountants

BATTERY MINERAL RESOURCES CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at

Reported in CAD

	Note	December 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash		$ **4,254,172**	$ 2,629,995
Receivables	6	**3,178,208**	3,746,001
Prepaids		**227,321**	231,061
Assets included in disposal group held for sale	24	**-**	2,289,232
Total current assets		**7,659,701**	8,896,289
Non-current assets			
Property, plant and equipment	7	**53,088,950**	40,563,854
Intangible assets		**159,766**	181,623
Exploration advances		**-**	404,000
Exploration and evaluation assets	8	**46,654,978**	31,101,479
Total non-current assets		**99,903,694**	72,250,956
TOTAL ASSETS		$ **107,563,395**	$ 81,147,245
LIABILITIES			
Current liabilities			
Trade and other payables	9	$ **3,120,668**	$ 3,766,995
Income taxes payable		**2,924,326**	1,729,027
Current portion of lease liability	12	**284,526**	-
Current portion of loans and borrowings	15	**628,185**	527,831
Bridge loan	13	**2,073,146**	-
Current portion of deferred payments on acquisition	11	**1,846,486**	1,918,190
Liabilities related to disposal group held for sale	24	**-**	3,868,295
Other current liabilities	10, 17	**3,413,811**	281,283
Total current liabilities		**14,291,148**	12,091,621
Non-current liabilities			
Lease liability	12	**1,351,056**	-
Deferred payments on acquisition	11	**4,053,305**	5,079,310
Loans and borrowings	15	**2,411,173**	4,187,173
Convertible debenture	16	**10,049,611**	-
Asset retirement obligation	14	**10,918,524**	-
Total non-current liabilities		**28,783,669**	9,266,483
TOTAL LIABILITIES		**43,074,817**	21,358,104
EQUITY			
Share capital	17	**60,952,703**	60,952,703
Contributed surplus	16, 17	**24,195,021**	19,224,651
Accumulated other comprehensive loss		**(639,050)**	(3,864,284)
Deficit		**(20,020,096)**	(16,523,929)
TOTAL EQUITY		**64,488,578**	59,789,141
TOTAL LIABILITIES AND EQUITY		$ **107,563,395**	$ 81,147,245

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Subsequent events 25

Approved on behalf of the Board:

/s/ Lazaros Nikeas *\/s/ Stephen Dunmead*

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

BATTERY MINERAL RESOURCES CORP.

(Expressed in Canadian Dollars)

	Note	For the year ended December 31, 2022	For the year ended December 31, 2021
REVENUE			
Sales	18	$ **12,671,037**	$ 11,614,193
EXPENSES			
Cost of sales		**1,254,239**	512,447
Depreciation of equipment	7	**3,015,449**	3,614,523
Impairment of exploration and evaluation assets	8	**840,642**	2,401,695
Management fees	19	**1,584,481**	2,264,057
Operating and maintenance		**4,144,999**	4,969,353
Professional fees	19	**1,684,821**	1,132,547
Property examination costs		**-**	31,422
Restricted stock units expense	17	**2,231,206**	1,335,252
General and administration		**4,475,268**	3,804,914
Stock based compensation	17	**1,526,759**	1,122,661
Loss from operations		**(8,086,827)**	(9,574,678)
Additional depreciation on discontinued operations		**-**	(1,426,271)
Finance costs	11-16	**(2,448,008)**	(267,479)
Foreign exchange loss		**(620,376)**	(272,673)
Gain on disposal of assets held for sale	24	**3,633,322**	-
Gain on disposal of property and equipment	7	**4,834,165**	953,188
Other income (expense)		**498,237**	(1,610,373)
Loss for the year		$ **(2,189,487)**	$ (12,198,286)
Income tax expense	23	**(1,306,680)**	(1,553,835)
Loss for the year, after-tax		**(3,496,167)**	(13,752,121)
Loss attributable to non-controlling interest		**-**	423,547
Loss for the year attributable to common shareholders		$ **(3,496,167)**	$ (13,328,574)
Currency translation adjustment		**3,225,234**	(2,922,746)
Comprehensive loss for the year attributable to common shareholders		$ **(270,933)**	$ (16,251,320)
Loss per share			
Basic and diluted loss per ordinary share		$ **(0.02)**	$ (0.09)
Basic and diluted weighted average number of ordinary shares outstanding		**171,500,133**	158,099,142
Loss per share - attributable to common shareholders			
Basic and diluted loss per ordinary share		$ **(0.00)**	$ (0.10)
Basic and diluted weighted average number of ordinary shares outstanding		**171,500,133**	158,099,142

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

BATTERY MINERAL RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian Dollars, except where indicated)

	# of shares issued	Share capital	Contributed surplus	Receivable share subscriptions	Accumulated other comprehensive loss	Deficit	Total	Non-controlling interest and Cumulative translation adjustment	Total equity
		$	$	$		$	$	$	$
Balance at December 31, 2020 (Restated)	**128,618,485**	**35,239,267**	**19,299,570**	**400,001**	**(941,538)**	**(3,195,355)**	**50,801,945**	**2,872,281**	**53,674,226**
Shares issued for cash	1,497,192	973,175	-	-	-	-	973,175	-	973,175
Shares issued for flow through shares (Note 17)	3,799,566	2,806,799	-	-	-	-	2,806,799	-	2,806,799
Shares issued for settlement of the claim dispute in Idaho (Note 17)	200,000	130,000	-	-	-	-	130,000	-	130,000
Shares issued for historic property obligations (Note 17)	900,000	585,000	-	-	-	-	585,000	-	585,000
Shares issued related to Fusion amalgamation (Note 5)	3,100,000	2,015,000	-	-	-	-	2,015,000	-	2,015,000
Stock options related to Fusion amalgamation (Note 5)	-	-	38,725	-	-	-	38,725	-	38,725
Options exercised related to Fusion amalgamation (Note 5)	62,500	12,500	(32,271)	-	-	-	(19,771)	-	(19,771)
Shares issued to Weston for debtor in possession secured loan (Note 4, 17)	1,069,138	662,866	-	-	-	-	662,866	-	662,866
Shares issued for Chilean property acquisition (Note 4, 17)	20,086,936	12,822,485	-	-	-	-	12,822,485	-	12,822,485
Shares issued to Bluequest for Chilean property acquisition (Note 4, 10, 17)	10,000,000	6,200,000	-	-	-	-	6,200,000	-	6,200,000
Shares issued to Weston for Chilean property acquisition (Note 4, 17)	1,538,462	1,001,120	-	-	-	-	1,001,120	-	1,001,120
Flow through premium liability (Note 17)	-	(431,051)	-	-	-	-	(431,051)	-	(431,051)
Shares issue costs	-	(1,064,458)	-	-	-	-	(1,064,458)	-	(1,064,458)
Restricted share units (Note 17)	-	-	1,335,252	-	-	-	1,335,252	-	1,335,252
Stock options (Note 17)	-	-	1,122,661	-	-	-	1,122,661	-	1,122,661
Subscriptions received in advance (Note 17)	-	-	-	(400,001)	-	-	(400,001)	-	(400,001)
Loss for the year	-	-	-	-	-	(13,328,574)	(13,328,574)	(423,547)	(13,752,121)
Currency translation adjustment	-	-	-	-	(2,922,746)	-	(2,922,746)	-	(2,922,746)
Payout of minority ESI shareholders/ Derecognition of the NCI	-	-	(2,539,286)	-	-	-	(2,539,286)	(2,448,734)	(4,988,020)
Balance at December 31, 2021	**170,872,279**	**60,952,703**	**19,224,651**	**-**	**(3,864,284)**	**(16,523,929)**	**59,789,141**	**-**	**59,789,141**
Convertible debenture - equity (Note 16)	-	-	1,224,439	-	-	-	1,224,439	-	1,224,439
Convertible debenture issuance costs	-	-	(12,034)	-	-	-	(12,034)	-	(12,034)
Restricted share units (Note 17)	833,333	-	2,231,206	-	-	-	2,231,206	-	2,231,206
Stock options (Note 17)	-	-	1,526,759	-	-	-	1,526,759	-	1,526,759
Loss for the year	-	-	-	-	-	(3,496,167)	(3,496,167)	-	(3,496,167)
Currency translation adjustment	-	-	-	-	3,225,234	-	3,225,234	-	3,225,234
Balance at December 31, 2022	**171,705,612**	**60,952,703**	**24,195,021**	**-**	**(639,050)**	**(20,020,096)**	**64,488,578**	**-**	**64,488,578**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended December 31, 2022	Year ended December 31, 2021
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Net loss for the year	$ **(3,496,167)**	$ (13,752,121)
Items not affecting cash:		
Accretion	**1,758,916**	33,028
Depreciation	**3,015,449**	3,614,523
Impairment of exploration and evaluation assets	**840,642**	2,401,695
Listing expense for Fusion Amalgamation	**-**	1,985,907
Restricted stock units expense	**2,231,206**	1,335,252
Stock based compensation	**1,526,759**	1,122,661
Recognition of flow-through premium	**(214,541)**	(216,510)
Gain on revaluation of Fusion options	**-**	(32,271)
Gain on disposal of property plant and equipment	**(4,834,165)**	(953,188)
Gain on disposal of assets held for sale	**(3,633,322)**	-
Additional depreciation on discontinued operations	**-**	1,426,271
Unrealized foreign exchange	**500,543**	494,741
Changes in non-cash working capital items:		
Inventory	**(54,743)**	-
Receivables	**(612,982)**	(32,978)
Prepaid expenses	**18,404**	(140,021)
Trade and other payables	**(119,331)**	1,092,733
Income taxes payable	**1,056,998**	1,374,152
Deferred revenue	**239,478**	(2,780)
Other current liabilities	**1,664,770**	-
Proceeds from disposal of equipment	**-**	2,246,064
Net cash provided by (used in) continuing operating activities	**(112,086)**	1,997,158
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Acquisition of Punitaqui	**-**	(10,592,000)
Exploration and evaluation assets - Punitaqui	**(12,331,223)**	(5,711,267)
Exploration and evaluation assets - other	**(1,280,092)**	(5,000,298)
Acquisition of property, plant and equipment - spare parts	**-**	(1,783,246)
Other acquisition of property, plant and equipment	**(2,655,224)**	(1,409,999)
Purchase of intangible assets	**(89,238)**	(8,726)
Proceeds from disposal of capital assets	**8,494,300**	-
Proceeds from disposal of assets held for sale	**5,922,554**	-
Changes in non-cash working capital items:		
Receivables	**2,568**	(784,620)
Trade and other payables	**(3,006,605)**	(204,303)
Net cash provided by (used in) investing activities	**(4,942,960)**	(25,494,459)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Proceeds from issuance of shares issued for Chilean property acquisition	**-**	12,822,485
Proceeds from issuance of shares	**-**	973,175
Proceeds from issuance of flow-through shares	**-**	2,806,799
Shares issued to Weston Energy LLC	**-**	1,001,120
Proceeds from Fusion options exercised	**-**	51,225
Shares issue costs	**-**	(1,064,458)
Subscription receipts	**-**	(400,001)
Proceeds from loans and borrowings	**3,044,458**	711,001
Payments made to the minority shareholders of ESI	**-**	(4,988,020)
Proceeds from bridge loan	**2,055,550**	-
Repayment of long term debt	**(8,781,476)**	-
Proceeds from issuance of convertible debenture net of issue cost	**10,285,526**	-
Net cash provided by (used in) financing activities	**6,604,058**	11,913,326
Effects of exchange rate changes on cash and cash equivalents	**75,165**	248,399
Change in cash during the year	**1,624,177**	(11,335,576)
Cash, beginning of the year - continuing operations	**2,629,995**	4,168,118
Cash, beginning of the year - discontinued operations	**-**	9,797,453
Cash, beginning of the year	**2,629,995**	13,965,571
Cash, end of the year - continuing operations	**4,254,172**	2,629,995
Cash, end of the year	$ **4,254,172**	$ 2,629,995
Supplementary cash flow information:		
Interest paid	**(376,042)**	(267,747)
Interest received	**166,663**	130,026
Income taxes paid	**(250,930)**	(179,683)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Battery Mineral Resources Corp. (the "Company" or "BMR") was incorporated on November 26, 2019 under the laws of British Columbia, Canada. The Company's registered office and principal place of business is located at 1040 West Georgia Street, Suite 1900, Vancouver, BC V6E 4H3. On February 12, 2021, the Company completed a reverse takeover transaction with Fusion Gold Ltd. ("Fusion") (Note 5) to execute a share exchange that resulted in the Company's shareholders taking over Fusion (the "Transaction"). The Transaction was structured as a three-cornered amalgamation under the British Columbia Business Corporations Act pursuant to which the Company amalgamated with 1234525 B.C. Ltd. ("Fusion Subco"). The amalgamated entity became a wholly-owned subsidiary of Fusion and the security holders of the Company exchanged securities of the Company for securities of Fusion on a one-for-one basis (after a consolidation of Fusion's common shares on a 2:1 basis). As a result of the shareholders of the Company owning more shares in the combined entity, the Company was deemed to control the new entity and the continuing financial statements are those of the Company. On closing of the Transaction, Fusion changed its name to "Battery Mineral Resources Corp.". Trading of the Company's common shares on the TSX Venture Exchange ("TSXV") commenced on February 22, 2021, under ticker "BMR".

The Company holds resource interests including copper, cobalt, lithium, and graphite properties. On the basis of information obtained to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as exploration and evaluation properties represent net costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

The Company's principal business activities include the resumption of operations and production of copper concentrates in 2023 at the Punitaqui Mine Complex ("Punitaqui"), located in Chile, and the acquisition and exploration of mineral exploration and evaluation assets in Canada, the United States, Chile, and South Korea. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

On September 9, 2020, the Company completed the acquisition of an 89.2% interest in ESI Energy Services Inc. ("ESI"), a company in the business of selling and leasing backfill separation machines ("Padding Machines") to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors. ESI was considered to be held for sale and ESI and the Company were under common control as of December 31, 2020. Since the year ended December 31, 2021, the Company no longer considered ESI as an asset held for sale and as such has consolidated ESI and related entities.

At December 31, 2022, the Company had a working capital deficiency of $6,631,447 (2021 – working capital deficiency of $3,195,332). For the year ended December 31, 2022, the Company recorded a net loss of $3,496,167 (2021 - $13,328,574). For the year ended December 31, 2022, the Company recorded net cash outflow from operating activities of $112,086 (2021 – inflow of operating activities $1,997,158).

The above factors, together with the potential for additional unforeseen issues and delays in the realization of the potential benefits from the Company's capital projects, such as the Punitaqui Project, give rise to material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The business of mining and exploration involves a high degree of risk and there can be no assurance that exploration and development programs will result in profitable mining operations. The Company does not currently generate sufficient revenue to fund it's planned exploration and development activities, and will need to continue to obtain additional financing to execute such activities and discharge its day-to-day obligations. There is no assurance that the Company's funding initiatives will be successful, and these consolidated financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported consolidated statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements (“Financial Statements") have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Board of Directors on May 1, 2023.

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value through profit and loss (“FVTPL”). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These consolidated financial statements are presented in Canadian Dollars, unless otherwise noted, which is the functional currency of the parent.

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of North American Cobalt Inc. (Canada) and ESI Energy Services Inc. is the Canadian dollar. The functional currency of North American Cobalt Inc. (USA), Battery Mineral Resources (Nevada), Inc. and Ozzies, Inc. is the US dollar. The functional currency of Minera BMR SpA and Minera Altos de Punitaqui Ltda. is the Chilean peso. The functional currency of Opirus Minerals Group Pty Ltd. And Energy Services (Australia) Pty Ltd. is the Australian dollar. The functional currency of Battery Mineral Resources Korea is the South Korean won. The presentation currency of the Company is the Canadian dollar.

Basis of consolidation

These consolidated financial statements of the Company include the following wholly owned subsidiaries as follows:

Name of Subsidiaries	Principal Activity	Country of Incorporation
BMR Holdings Limited (formerly Battery Mineral Resources Corp.)	Intermediate Holding Company	Canada
North American Cobalt Inc. (formerly Battery Mineral Resources Limited)	Resource Exploration	Canada
North American Cobalt Inc.	Resource Exploration	USA
Battery Mineral Resources (Nevada), Inc.	Resource Exploration	USA
Opirus Minerals Group Pty Ltd.	Intermediate Holding Company	Australia
Battery Mineral Resources Korea (formerly Won Kwang Mines Inc.)	Resource Exploration	South Korea
ESI Energy Services Inc.	Oil and Gas Service Company	Canada
Ozzies, Inc. (formerly ESI Pipeline Services, Inc.)	Oil and Gas Service Company	USA
Energy Services (Australia) Pty Ltd.	Oil and Gas Service Company	Australia
Minera BMR SpA	Resource Exploration	Chile

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances have been eliminated upon consolidation. Assets, liabilities, income, and expenses of entities subject to consolidation are recorded from the date of acquisition to the date of disposal.

2. BASIS OF PREPARATION (cont'd…)

Critical estimates, judgements and assessments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events, or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may not have future economic benefits have been written off. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Asset acquisition

The Company accounted for the acquisition of certain mineral properties, plant and equipment related to the Punitaqui Mining Complex in Chile as an asset acquisition. Significant judgement and estimates were required to determine that the application of this accounting treatment was appropriate for the transaction. These included, among others, the determination that the assets together were not considered a business under IFRS 3 –Business Combinations as they did not have significant inputs, processes and outputs, that together constitute a business. In addition, the Company made estimates of allocation of consideration using estimates of fair values and future cash flows related to deferred consideration as part of the Punitaqui acquisition in Note 4.

Asset retirement obligation

The Company has an obligation related to reclamation and other closure activities related to the Punitaqui mine. The obligation is estimated by the Company using mine closure plans and external experts which includes the estimation of future costs, timing of expenditures, foreign exchange and discount rates. The obligations are dependent on the laws and regulations of the country in which the mine operates, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting natural resource extracting companies.

Convertible debentures

Convertible debentures issued by the Company represent compound financial instruments that require assessment whether the convertible component qualifies as equity or is considered a derivative liability. The instrument contains anti-dilution adjustments to the conversion price in the event of certain transactions. The features were assessed as anti-dilutive and therefore do not represent a derivative. Management has incorporated a market rate of interest to measure the host debt instrument and the residual is allocated to the equity conversion feature.

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

2. BASIS OF PREPARATION (cont'd…)

Critical estimates, judgements and assessments (cont'd…)

Acquisition of an associated company

The Company acquired 89.2% ownership of ESI on September 9, 2020. The process for determining whether the acquisition was an asset purchase versus a business acquisition was performed. Primary consideration was given to the Oil and Gas Padding Service Company and ESI was considered to meet the definition of a business. As both the Company and ESI were under common control by Yorktown Energy LLC ("Yorktown"). The acquisition of ESI was scoped out of IFRS 3 as the acquisition was a transaction under common control. On May 28, 2021, the Company acquired 100% of ESI common shares by completing a go private transaction.

Deferred tax

Deferred income tax assets are recorded to the extent that it is probable that the deductible temporary differences will be recoverable in future periods. The recoverability assessment involves a significant amount of estimation including an evaluation of when the temporary differences will reverse, an analysis of the amount of future taxable earnings, the availability of taxable profits to offset the tax assets when the reversal occurs and the application of tax laws. There are some transactions for which the ultimate tax determination is uncertain. To the extent that assumptions used in the recoverability assessment change, there may be a significant impact on the Consolidated Financial Statements of future periods.

Reverse takeover

On February 21, 2021, the Company and Fusion, completed the transaction which constituted a reverse takeover. Because of the transaction, the shareholders of the Company obtained control of Fusion, the combined entity, by obtaining control of the voting power of the Company and the resulting power to govern its financial and operating policies. The transaction was accounted for as a reverse takeover in accordance with the guidance provided in IFRS 2, Share-based Payments and IFRS 3, Business Combinations. As Fusion did not qualify as a business according to the definition in IFRS 3, the reverse takeover was not accounted for as a business combination. The consideration for the reverse takeover, being the equity instruments issued by the Company in return for the listing status, was based on the fair value of the common shares of Fusion. The difference between the consideration and the identifiable assets received was recognized in the statement of loss and comprehensive loss as listing expense.

Other estimates

Other significant estimates which could materially impact the financial statements include:

- The inputs used in accounting for share purchase option expense in the consolidated statements of loss; and
- The estimated useful lives of property, plant and equipment and intangibles which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss.

3. SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized in operations on a straight-line basis over the estimated useful lives of each part of an item of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are from three to five years commencing from the year the property, plant and equipment is available and put into use.

The cost of an item of property, plant and equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and for qualifying assets, the associated borrowing costs. Where an item of property, plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Costs incurred for major overhaul of existing equipment and sustaining capital are capitalized as property, plant and equipment and are subject to depreciation once they are available for use. Major overhauls include improvement programs that increase the productivity or extend the useful life of an asset beyond that initially envisaged. The costs of routine maintenance and repairs that do not constitute improvement programs are accounted for as a cost of inventory.

The carrying amounts of property, plant and equipment are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of mine or lease, whichever is shorter. Depreciation starts on the date when commissioning is complete and the asset is ready for its intended use. The major classes of property, plant and equipment are depreciated on a straight line or a declining-balance basis at the following annual rates:

Asset	Basis	Rate
Buildings	Straight-line	30-40 years
Padding equipment - non componentized	Straight-line	5-10 years
Padding equipment - major overhauls	Decline balance	5-10 years
Padding equipment - oil field service equipments	Straight-line	5-10 years
Motor vehicles	Straight-line	2-5 years
Computer equipment	Straight-line	2-5 years
Office furniture and equipment	Straight-line	5-10 years
Office equipment - Shop equipment	Straight-line	2-5 years
Right-of-use assets	Straight-line	5 years

Certain property, plant and equipment in the amount of $24,055,852 (2021 - $23,558,237) is related to the development of the Punitaqui mine and has not been put into use and therefore depreciation has not commenced on these assets. These assets are categorized as property plant and equipment.

Spare parts, materials and supplies are valued at the lower of weighted average cost and net realizable value, less any allowances for obsolescence, except for ESI and Ozzies Inc. which are valued using FIFO method. Replacement costs of materials and spare parts are generally used as the best estimate of net realizable value. As the spare parts inventory relates to equipment, the inventory amounts have been capitalized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred while the Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Costs incurred before the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss. All costs related to the acquisition and exploration of exploration and evaluation assets are capitalized on an individual prospect basis. Amounts received for the sale of exploration and evaluation assets and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Costs for a producing property will be amortized on a unit-of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, and the ability to obtain the necessary financing.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation asset costs or recoveries when the payments are made or received. When the option payments received exceed the carrying value of the related exploration and evaluation asset then the excess is recognized in profit or loss in the period the option receipt is recognized. Option receipts in the form of marketable securities are recorded at the quoted market price on the day the securities are received.

Revenue recognition

The Company earns revenue from the rental and sale of padding machines and oilfield service equipment related to the ESI business as described in Note 1. Revenue is recognized when there is a written arrangement in the form of a contract or purchase order with the customer, a fixed or determinable sales price is established with the customer, performance requirements are achieved, ultimate collection of the revenue is reasonably assured and when specific criteria have been met for each of the Company's activities as described below.

- Rental contracts of padding machines are assessed whether they are treated as operating lease or finance lease. A contract is classified as operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the underlying asset. A contract is classified as a finance lease if it transfers substantially all the risks and rewards to ownership of an underlying asset.

  Revenue from a month-to-month rental contract under operating lease is recorded as rental revenue starting when the equipment is delivered, when control of the goods has passed to the purchaser and collection is reasonably assured. Upon commencement of the rental contract, customers are invoiced in advance for equipment. Revenue from a contract under finance lease which gives the customer the right to purchase option is recorded at the inception of the lease at the fair value of the underlying asset, or, if lower, the present value of all payments accruing to the Company, discounted using a market rate of interest.

- Revenue on the sale of machines and spare parts are recognized when the physical delivery of the equipment has occurred. Mobilization and other services are also rendered. The service revenue is recognized over time, as the services are rendered, which typically occurs within one or a few days. Sales of spare parts not related to rented machines as mentioned above are reflected as revenue.

- Mobilization revenue relates to the delivery of equipment to and from work sites and is recognized as services are rendered and is measured at the gross amount as ESI in the principal.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Asset retirement obligation

The Company has an obligation for reclamation and other closure activities related to its mineral properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Because the obligations are dependent on the laws and regulations of the country in which the mine operates, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting natural resource extracting companies. As the estimate of obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of closure provisions. The reclamation and other closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company's policy for recording reclamation and other closure provisions is to establish provisions for future mine closure costs based on the present value of the future cash flows required to satisfy the obligations. This provision is updated as the estimate for future closure costs change. The amount of the present value of the provision is added to the cost of the related mineral assets and depreciated over the life of the mine. The provision is accreted to its future value over the life of mine through a charge to finance costs.

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets (which includes exploration and evaluation assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments

Financial instruments are measured on initial recognition at fair value, and, in the case of financial instruments other than those classified as ''fair value through profit and loss" ("FVTPL"), directly attributable transaction costs.

Recognition and measurement

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as FVTPL. The directly attributable transactions costs of financial assets and liabilities as at FVTPL are expensed in the period in which they are incurred. Subsequent measurement of financial assets and liabilities depends on the classification of such assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Classification of financial assets

Amortized cost: Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of financial assets is the amount at which the financial asset is measured at initial recognition minus the principal payments, plus the cumulative amortization using effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

The Company's financial assets measured at amortized costs primarily include cash and receivables included in current assets.

Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

Financial liabilities

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. Subsequently, they are classified and measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. The Company's financial liabilities which consist of trade and other payables, deferred payments on acquisition, loans and borrowings are classified as amortized cost.

Convertible debentures issued by the Company represent a compound financial instrument that includes the host debt component and the convertible component, with the proceeds received allocated between the two components at the date of issue. The liability and equity components of convertible debentures are presented separately on the consolidated balance sheet starting from initial recognition. The liability component is recognized initially at the fair value, by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method; the liability component is increased by accretion of the discounted amounts to reach the nominal value of the debentures at maturity. The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability from the amount of the debentures and is presented in shareholders' equity as equity component of convertible debenture. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry. A deferred tax liability is recognized with respect

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

to any temporary difference that arises from the initial recognition of the equity component separately from the liability component. The deferred tax is charged directly to the carrying amount of the equity component. Subsequent changes in the deferred tax liability are recognized through the consolidated statement of loss. Transaction costs are distributed between liability and equity on a pro-rata basis of their carrying amounts.

Fair values

IFRS establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – fair value measurements are quoted price (unadjusted) in active market for identical assets or liabilities

Level 2 – fair value measurement are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share purchase warrants and stock options, if any, are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Flow-through common shares

Flow-through common shares may be issued from time to time to finance a portion of the Company's exploration activities and results in the tax deductibility of the qualifying resource expenditures funded from the proceeds of the sale of such shares being transferred to the purchasers of the shares. Under IFRS, on the issuance of such shares, the Company bifurcates the flow-through shares into: a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a liability, and share capital. The Company estimates the portion of the proceeds attributable to the premium as being the excess of the subscription price over the fair value of the shares without the flow-through feature at the time of issuance. The premium is recorded as a deferred liability and is included in income at the time the qualified Canadian exploration expenditures as defined in the Income Tax Act (Canada) are incurred.

Share-based compensation

The Company's equity incentive plan is designed to advance the interests of the Company by encouraging employees, officers and directors to have equity participation in the Company through the acquisition of common shares. The types of awards available under the plan include options and restricted share units ("RSUs").

(i) Stock options

Stock options granted vest over a period of one to three years. Stock options have an exercise price of no less than the closing price of the common shares on the Toronto Stock Exchange Venture on the trading day immediately preceding the date on which the options are granted and are exercisable for a period not to exceed ten years. The cost of these stock options is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share capital (cont'd…)

(i) Stock options (cont'd…)

The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Annually, the estimated forfeiture rate is adjusted for actual forfeitures in the period.

Expected volatility is estimated with reference to the historical volatility of the share price of the Company. The costs are recognized over the vesting period of the option. The total amount recognized as share-based compensation expense is adjusted to reflect the number of options expected to vest at each reporting date. The corresponding credit for these costs is recognized in contributed surplus.

(ii) RSUs and PSUs

The RSUs and PSU's are awarded to executives and are measured at fair value at the date of the grant determined using the Black-Scholes option pricing model. The fair value of the estimated number of RSUs and PSU's awarded, that are expected to vest is recognized as share-based compensation expense over the vesting period of the RSUs and PSU's with a corresponding amount recorded in contributed surplus until the respective shares are issued in settlement of the RSUs and PSU's. The total amount is recognized as an expense. The corresponding credit for these costs is recognized in contributed surplus.

Leases

The Company initially recognizes a lease at its commencement date which is when an identified asset is made available for use. Right-of-use assets are measured at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date and any initial direct or estimated restoration costs. A right-of-use asset is then depreciated on a straight-line basis over the shorter of the asset's useful life or the lease term. Lease liabilities include the present value of future fixed payments, less any lease incentives receivable, and the exercise price of a purchase option if it is reasonably certain to be exercised. Future fixed lease payments are discounted using the Company's incremental borrowing rate. The term of each lease includes its non-cancellable period. The term may also include periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. After the commencement date, the lease liabilities are continuously measured to reflect changes in lease payments, discount rates or the leases' remaining term with an offsetting adjustment to right-of-use assets.

From time to time, the Company may enter into sale-leaseback transactions pursuant to which the Company sells a property to a third party and agrees to lease the property back for a certain period of time. To determine whether the transfer of the property should be accounted for as a sale, the Company evaluates whether it has transferred control to the third party in accordance with the revenue recognition guidance set forth in IFRS 15.

If the transfer of the asset is deemed to be a sale at market terms, the Company recognizes the transaction price for the sale based on the proceeds, derecognizes the carrying amount of the underlying asset and recognizes a gain or loss in the consolidated statements of loss and comprehensive loss for any difference between the carrying value of the asset and the transaction price. The Company then accounts for the leaseback in accordance with its lease accounting policy. If the transfer of the asset is determined not to be a sale at market terms, the Company accounts for the transaction as a financing arrangement, and accordingly no sale is recognized. The Company retains the historical costs of the property and the related accumulated depreciation on its books and continues to depreciate the property over the lesser of its remaining useful life or its initial lease term. The asset is presented within property and equipment, net on the consolidated statements of financial position. All proceeds from these transactions are accounted for as finance obligations and presented as non-current obligation on the consolidated statement of financial position. A portion of the lease payments is recognized as a reduction of the financing obligation and a portion is recognized as interest expense based on an imputed interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Intangible assets

Intangible assets represent patents which have a finite useful life and are amortized on a straight-line basis over their 12 year estimated useful life. The amortization expense on intangible assets is recognized in the consolidated statements of loss and comprehensive loss in depreciation and amortization. The estimated useful lives and amortization methods are reviewed annually and adjusted prospectively as appropriate. Any gain or loss arising on derecognition of an intangible asset is recognized in the consolidated statements of loss within gain or loss on asset disposals. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Business combinations

When there is an acquisition of a company, the transaction is determined to be either an asset acquisition or a business combination. Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

The fair value of assets acquired and liabilities assumed requires that management make judgments and estimates taking into account information available at the time of the acquisition about future events including, but not restricted to, estimates of mineral reserves and resources, exploration potential, future metal prices, future operating costs and capital expenditures and discount rates.

Where the Company determines that the purchase is not that of a business but rather an asset acquisition, the accounting is similar except for transaction costs are capitalized, deferred taxes are not recognized, and contingent consideration is not recognized until the payment is made.

Functional currency

Entities whose functional currencies differ from the presentation currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the reporting date, and income and expenses – at the average rate of the period. All resulting differences are recognized in other comprehensive loss as cumulative translation differences.

Transactions in foreign currencies are translated into the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the year ended December 31, 2022 and 2021, options were excluded from diluted loss per share as they proved to be anti-dilutive.

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Deferred tax

Deferred taxes are recognized in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company has not recognized any deferred tax assets for the periods presented.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

New standards and interpretations not yet adopted

Disclosure of Accounting Policies (Amendments to IAS 1)

The IASB has issued amendments to IAS 1 *Presentation of Financial Statements* which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies. The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards and interpretations not yet adopted (cont'd…)

Definition of Accounting Estimates (Amendments to IAS 8)

The IASB has issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IFRS 1 and IAS 12)

The IASB has issued amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 12 *Income Taxes* which clarify that the initial recognition exemption set out in IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

4. PUNITAQUI ACQUISITON

On May 28, 2021, the Company entered into a number of agreements with Minera Altos de Punitaqui Limited ("**MAP**"), their parent company Xiana Mining Inc. ("Xiana") and their creditors, Bluequest Resources AG ("**Bluequest**"), to acquire the rights to certain properties, plant and equipment related to the Punitaqui Mining Complex ("**Punitaqui**") in Chile.

Consideration included:

i. The issuance of 10,000,000 Common Shares to Bluequest equal to $6,200,000 (US$5,000,000);

ii. Contingent consideration of up to US$5,000,000 of additional payments subject to achieving certain production milestones at Punitaqui, with each milestone payment to be satisfied, at the election of Bluequest, by the payment of cash, the issuance of Common Shares at prevailing market prices (subject to a minimum issue price of C$0.41), or a combination of both. The milestone payments include: (i) an amount equal to US$2,000,000, payable 60 days following the date on which commercial restart is achieved, (ii) an amount equal to US$1,000,000, payable 60 days following the date on which the first production milestone is achieved, (iii) an amount equal to US$1,000,000, payable 60 days following the date on which the second production milestone is achieved, and (iv) an amount equal to US$1,000,000, payable 60 days following the date on which the third production milestone is achieved. The production milestones include the achievement of aggregate production equal to or greater than 291,600 tonnes for the commercial restart milestone, aggregate production of 583,200 tonnes for the first production milestone, aggregate production of 874,800 tonnes for the second production milestone, and aggregate production of 1,166,400 tonnes for the third production milestone. As of December 31, 2022, the Company continues to engage in discussions and negotiations with various counter-parties who have expressed an interest in potentially providing financing to be applied towards the re-start of production at Punitaqui. As of December 31, 2022, the aforementioned financing has not closed, nor has the Company's Board of Directors approved a re-start plan or budget for the Punitaqui project. The Company considers the aforementioned to be at least two critical factors requiring completion prior to the commencement of any re-start activities. Re-start activities, if completed, could potentially be followed by mining and production of minerals at the Punitaqui project. As an asset acquisition, the Company adopted the accounting policy choice not to recognize contingent consideration;

iii. Cash consideration of $180,000 to Bluequest;

iv. An upfront payment to MAP to satisfy certain creditors debts amounting to $4,510,000;

v. Future payments to MAP to satisfy certain creditors debts amounting to $8,080,000 over 23 quarterly installments beginning on June 30, 2021 (Note 10);

vi. $5,343,000 related to an option agreement to obtain ownership over all land and equipment;

vii. The issuance of 1,069,138 common shares to Weston Energy in exchange for the debtor in possession ("DIP") secured loan on MAP. These were exchanged at the market rate of the trading shares in a non-arms length transaction.

There were transaction costs of $559,000 which were capitalized to the assets. The assets acquired did not have processes capable of generating outputs, therefore did not meet the definition of a business in accordance with IFRS 3 Business Combinations and were accounted for an asset acquisition. The value of consideration paid after allocation to the other net assets acquired, was allocated to the property, plant and equipment based on their relative fair values on May 28, 2021.

The arrangement included a 99-year lease agreement, which exceeds the life of the assets, to access and utilize MAP's mining concessions, mineral properties, equipment, and water rights. This structure allows the Company to complete a pre-economic analysis and apply for the proper permits with the Chilean mining authorities, without assuming any potential unknown liabilities within MAP. MAP has granted a four-year call option to sell the entirety

(Expressed in Canadian Dollars)

4. PUNITAQUI ACQUISTION (cont'd…)

of the mining equipment properties to the Company, and the Company entered into a promissory purchase agreement for the equity of MAP for US$100 on the 10-year anniversary of this transaction. The consideration for the Punitaqui acquisition was:

Asset acquisition	
Cash consideration	10,033,000
Share issuance - DIP	663,000
Share issuance - Bluequest	6,200,000
Fair value of deferred consideration	8,080,000
Transaction cost	559,000
Fair value of consideration	**25,535,000**

The following table summarizes the fair values of the identifiable assets acquired and liabilities assumed:

Fair value of MAP:	
Land	8,564,000
Plant and equipment	16,121,000
VAT Receivable	850,000
Net identifiable assets equal to asset acquisition	**25,535,000**
Fair value of the Capital Inventory Acquired	
Capital Inventory cost	1,772,000
VAT Receivable	416,000
Total consideration paid	**2,188,000**

The Company has capitalized $559,000 as transaction costs, related to the Punitaqui acquisition.

Subsequent to the asset acquisition of MAP, the Company entered into an Inventory Purchase Agreement with MAP, to acquire all the spare parts located on the Punitaqui Mining Complex for total consideration of $2,188,000 (US$1,825,812).

(Expressed in Canadian Dollars)

5. REVERSE TAKEOVER TRANSACTION

On December 23, 2019, Fusion entered into a definitive amalgamation agreement with the Company, 1234525 B.C. Ltd., a newly incorporated wholly owned subsidiary of Fusion, and Weston Energy LLC ("Weston"). This agreement was amended on March 25, 2020, May 14, 2020, August 31, 2020, December 29, 2020, and January 31, 2021; together the definitive amalgamation agreement and the amendments are referred to hereinafter as the "New Definitive Agreement".

Pursuant to the agreement, Fusion acquired all of the issued and outstanding securities of BMR, by way of an amalgamation under the British Columbia Business Corporations Act pursuant to which BMR and Fusion Subco amalgamated, shareholders of BMR exchanged their shares of BMR for shares of Fusion on a one-for-one basis on a post-consolidation basis and BMR became a wholly-owned subsidiary of Fusion. Fusion further consolidated its common shares on a 2:1 basis (the "Consolidation"). In addition, upon closing of the Transaction, Fusion changed its name to "Battery Mineral Resources Corp.". On closing the Transaction, the Resulting Issuer met the TSXV's initial listing requirements for a Tier 1 or Tier 2 mining issuer. The impact of IFRIC 19 did not have a significant impact on the accounting for the consideration.

In connection with the Transaction, BMR completed a private placement of: (i) flow-through common shares of BMR at a price of $0.68 per share; and (ii) common shares of BMR at a price of $0.65 per share, to raise aggregate gross proceeds of $1,750,000. Shares issued under the private placement were immediately exchanged for one post-consolidation common share of Fusion upon closing of the Transaction (together, the "Concurrent Financing").

On February 15, 2021, the Company completed a reverse takeover transaction (“RTO”), with Fusion Gold Ltd. (Fusion), a TSX Venture Exchange listed company, to complete a share exchange that resulted in the Company’s shareholders taking over Fusion (the “Transaction”). The Transaction is intended to constitute Fusion's "qualifying transaction" and is structured as an amalgamation pursuant to which the Company amalgamated with 1234525 B.C. Ltd. The amalgamated entity become a wholly owned subsidiary of Fusion and the security holders of the Company exchanged securities of the Company for securities of Fusion on a one-for-one basis (after a consolidation of Fusion's common shares on a 2:1 basis). As a result of the shareholders of the Company own more shares in the combined entity, the Company is deemed to control the new entity and the continuing financial statements will be those of the Company. Trading of the Company’s common shares commenced on February 22, 2021.

As the Company was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. Fusion’s results of operations have been included since February 15, 2021. At the time of the transaction, Fusion’s assets consisted primarily of cash and it did not have any processes capable of generating outputs: therefore Fusion did not meet the definition of a business. Accordingly, as Fusion did not qualify as a business in accordance with IFRS 3 *Business Combinations,* the transaction did not constitute a business combination. The Transaction constituted a reverse acquisition of Fusion by the Company and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2 *Share-based payments* and IFRS 3 *Business combinations*.

Effective as at the date of closing, the fair value of the consideration deemed to be paid by the Company and the fair value assigned to Fusion’s identified assets acquired and liabilities assumed are presented below:

Cost of acquisition:		
Fair value of post-consolidation common shares retained by Fusion shareholders - 3,100,000 at $0.65	$	2,015,000
Fair value of Fusion stock options		38,725
Total consideration	$	**2,053,725**
Allocated as follows:		
Cash	$	60,963
Receivables		7,386
Trade and other payables		(531)
Net assets acquired	$	67,818
Allocation to listing expense		1,985,907
	$	**2,053,725**

During the year ended December 31, 2022, the Company incurred - $Nil (December 31, 2021 - $144,661) in professional fees, relating to the RTO.

(Expressed in Canadian Dollars)

6. RECEIVABLES

		31-Dec-22		31-Dec-21
Accounts receivable	**$**	**1,586,293**	$	1,623,632
Finance lease receivable		**1,123,597**		329,543
Sales or value added tax receivables		**468,318**		1,792,826
Total	**$**	**3,178,208**	$	3,746,001

7. PROPERTY PLANT AND EQUIPMENT

	Land and Buildings	Plant and Mining equipment	Padding equipment	Spare parts	Motor vehicles	Computer equipment	Office equipment	Right-of-use assets	Total
Cost									
At December 31, 2020	$ -	$ 47,420	$ -	$ -	$ 13,465	$ 48,727	$ 25,803	$ -	$ 135,415
Discontinued operations - opening balances	8,646,657	-	38,097,381	712,153	-	-	-	-	47,456,191
Continuing operations - additions	-	-	-	-	-	2,069	-	-	2,069
Punitaqui - additions	8,563,739	16,126,664	-	1,783,246	-	-	-	-	26,473,649
ESI - additions	130,358	-	1,274,483	5,158	-	-	-	-	1,409,999
ESI - disposals	(369,948)	-	(3,584,871)	-	-	-	-	-	(3,954,819)
ESI - re-class	(3,046,664)	-	-	-	-	-	-	-	(3,046,664)
Foreign currency translation adjustment	(963,751)	(1,773,782)	(185,518)	(194,434)	-	-	-	-	(3,117,485)
At December 31, 2021	**$ 12,960,391**	**$ 14,400,302**	**$ 35,601,475**	**$ 2,306,123**	**$ 13,465**	**$ 50,796**	**$ 25,803**	**$ -**	**$ 65,358,355**
Additions	6,121	2,147,856	1,514,914	572,874	5,810	70,910	-	542,414	4,860,899
Additions - Asset retirement obligation	-	9,702,357	-	-	-	-	-	-	9,702,357
Disposals	(4,174,713)	(85,208)	(1,264,215)	-	-	(19,059)	-	-	(5,543,195)
Foreign currency translation adjustment	614,863	1,968,296	2,073,349	136,317	272	5,822	5,043	-	4,803,962
At December 31, 2022	**$ 9,406,662**	**$ 28,133,603**	**$ 37,925,523**	**$ 3,015,314**	**$ 19,547**	**$ 108,469**	**$ 30,846**	**$ 542,414**	**$ 79,182,378**
Accumulated depreciation									
At December 31, 2020	$ -	$ (14,332)	$ -	$ -	$ (6,447)	$ (12,401)	$ (12,587)	$ -	$ (45,767)
Discontinued operations - opening balances	(3,635,601)	-	(19,712,265)	-	-	-	-	-	(23,347,866)
Continuing operations - depreciation	-	(13,443)	-	-	(3,068)	(11,661)	(6,432)	-	(34,604)
ESI - depreciation	(215,458)	-	(4,779,244)	-	-	-	-	-	(4,994,702)
ESI - disposals	324,447	-	2,334,918	-	-	-	-	-	2,659,365
ESI - re-class	757,432	-	-	-	-	-	-	-	757,432
Foreign currency translation adjustment	9,250	75	202,198	-	17	65	36	-	211,641
At December 31, 2021	**$ (2,759,930)**	**$ (27,700)**	**$ (21,954,393)**	**$ -**	**$ (9,498)**	**$ (23,997)**	**$ (18,983)**	**$ -**	**$ (24,794,501)**
Depreciation	(123,129)	(26,185)	(2,772,747)	-	(7,787)	(15,347)	(7,426)	(144,799)	(3,097,420)
Disposals	1,941,335	53,885	1,142,760	-	-	39,344	-	-	3,177,324
Foreign currency translation adjustment	(66,642)	-	(1,308,161)	-	-	(4,028)	-	-	(1,378,831)
At December 31, 2022	**$ (1,008,366)**	**$ -**	**$ (24,892,541)**	**$ -**	**$ (17,285)**	**$ (4,028)**	**$ (26,409)**	**$ (144,799)**	**$ (26,093,428)**
Carrying amounts									
At December 31, 2021	$ 10,200,461	$ 14,372,602	$ 13,647,082	$ 2,306,123	$ 3,967	$ 26,799	$ 6,820	$ -	$ 40,563,854
At December 31, 2022	**$ 8,398,296**	**$ 28,133,603**	**$ 13,032,982**	**$ 3,015,314**	**$ 2,262**	**$ 104,441**	**$ 4,437**	**$ 397,615**	**$ 53,088,950**

During the year ended December 31, 2022, the Company disposed plant and mining equipment, computer equipment, 3 padding equipment, and land and building located in Phoenix, AZ for combined proceeds of $8,494,300 resulting in a $4,834,165 gain. (See Note 12 for land and building sale). During the year ended December 31, 2021, the Company disposed several padding equipment for combined proceeds of $2,246,064 and recorded a gain of $953,188.

Certain property, plant and equipment in the amount of $24,055,852 (2021 - $23,558,237) is related to the development of the Punitaqui mine and has not been put into use and therefore depreciation has not commenced on these assets.

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

The following table represents expenditures incurred on the exploration and evaluation assets during the year ended December 31, 2022 and 2021:

	Canadian Cobalt Projects	U.S. Cobalt Projects	U.S. Lithium Projects	South Korea Graphite Projects	Chile Copper Punitaqui Project	Total
	$	$	$	$	$	$
Balance as December 31, 2020	**19,646,128**	**1,280,366**	**378,718**	**1,874,104**	**-**	**23,179,316**
Additions during the year	4,407,954	310,637	4,152	277,555	5,711,267	10,711,565
Impairment	(2,183,968)	-	-	(217,727)	-	(2,401,695)
Currency translation adjustment	-	-	-	-	(387,707)	(387,707)
Balance as December 31, 2021	**21,870,114**	**1,591,003**	**382,870**	**1,933,932**	**5,323,560**	**31,101,479**
Additions during the year	951,370	157,515	5,348	171,508	13,822,505	15,108,246
Impairment	(840,642)	-	-	-	-	(840,642)
Currency translation adjustment	-	39,576	7,597	27,359	1,211,363	1,285,895
Balance as December 31, 2022	**21,980,842**	**1,788,094**	**395,815**	**2,132,799**	**20,357,428**	**46,654,978**

Canadian Cobalt Projects

McAra Project area, Ontario Canada

The Company holds a 100% interest in the McAra project, located in Ontario, Canada. The property is subject to net smelter returns royalties ("NSR") ranging from 1% to 2% of which 1.5% can be acquired for $750,000.

The Company issued 62,000 common shares valued at $40,300, upon completion of the Transaction, related to the McAra Project historic property obligations (Note 17).

Gowganda Project area, Ontario Canada

The Company holds a 100% interest in certain claims the Gowganda project area, located in Ontario, Canada. The property is subject to NSR's ranging from 1% to 3% of which 0.5% to 1% of the royalty can be acquired for $250,000 to $1,000,000.

The Company issued 297,000 common shares valued at $193,050, upon completion of the Transaction, related to the Gowganda Project historic property obligations (Note 17).

Gowganda Transition-Claims, Ontario, Canada

On March 1, 2021, the Company and the Gowganda Transition optionor agreed to amend their March 2, 2019, agreement. Under the amendment, the Company has waived the work expenditure requirement for the second-year option of $1,000,000 and removed the requirement for the Company to expend funds on gold exploration going forward. The consideration received by the optionor includes second option payment of $150,000 and an additional $150,000 cash payment due on or before March 2, 2021, for the return of its Gowganda Gold property and the assignment of additional contiguous claims. The assigned claims include a 1% NSR to the Company.

As of March 3, 2022, the Company did not meet the exploration expenditure of $2,000,000. The Company had impaired 100% of the Gowganda Transition Project as of December 31, 2021 for $2,023,808. The Company terminated the Gowganda project earn-in option agreement on March 3, 2022.

During the year ended December 31, 2022, the Company incurred an additional impairment on the Gowganda Transition-Claims of $19,598 (December 31, 2021: $2,023,808).

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Fabre Project area, Quebec Canada

The Company holds a 100% interest in the Fabre project area located in Quebec, Canada.

The property is subject to a 2% gross smelter returns royalty ("GSR") of which 1% can be acquired for $1,000,000 and an additional 1% can be acquired for an additional $1,500,000.

Shining Tree Project area, Ontario Canada

The Company holds a 100% interest in the Shining Tree Project area, located in Ontario, Canada.

The property is subject to a 1% NSR of which 0.5% can be purchased for $250,000.

Elk Lake Project area, Ontario Canada

The Company holds a 100% interest in certain claims of the Elk Lake project area, located in Ontario, Canada.

The property is subject to NSR's ranging from 1% to 2% of which 0.5% to 1% of the royalty can be acquired for $250,000 to $1,000,000.

The Company issued 97,000 common shares valued at $63,050, upon completion of the Transaction, related to the Elk Lake Project historic property obligations (Note 17).

Elk Lake Project Area (Silverstrike property), Ontario, Canada

The Company has a purchase option agreement, with Ashley Gold Mines Limited ("Ashley") to acquire a 100% interest in the Silverstrike property, located in Ontario.

The property is subject to a 1% NSR of which 0.5% can be purchased for $1,000,000.

Elk Lake Project Area (Mapes-Johnson property), Ontario, Canada

The Company has a purchase option agreement, to acquire a 100% interest in the Mapes-Johnson property, located in Ontario.

The property is subject to a 1% NSR of which 0.5% can be purchased for $1,000,000.

Elk Lake Project (Sunvest property claims)

The Company has a joint venture agreement with Sky Gold Corp. (formerly Sunvest Minerals Corp.) and acquired a 60% interest in certain claims in the Sunvest property claims.

The Company can earn an additional 5% interest from Sky Gold through issuance of 150,000 common shares or payment of $45,000.

The property is subject to a 2% NSR of which 1% can be purchased for $500,000.

Wilder Project area, Ontario, Canada

Wilder Project area (Kell claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the Kell claims, located in Ontario.

The property is subject to a 1% NSR of which 1% can be purchased for $2,000,000.

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Canadian Cobalt Projects (cont'd…)

Wilder Project area (Thompson claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the Thompson claims, located in Ontario.

The property is subject to a 1% NSR of which 1% can be purchased for $2,000,000.

The Company issued 212,000 common shares valued at $137,800, upon completion of the Transaction, related to the Wilder Project historic property obligations (Note 17).

White Reserve Project area (White Reserve claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the White Reserve claims, located in Ontario.

The property is subject to a 1% NSR of which 1% can be purchased for $2,000,000.

The Company issued 12,000 common shares valued at $7,800, upon completion of the Transaction, related to the White Reserve Project historic property obligation (Note 17).

Iron Mask area (Brady claims and leases), Ontario, Canada

The Company had a purchase option agreement to acquire a 100% interest in the Brady Iron Mask claims and leases, located in Ontario.

The Company issued 200,000 common shares valued at $130,000, upon completion of the Transaction, related to the Iron Mask historic property obligation (Note 17).

During the year ended December 31, 2022, the Company has abandoned the Iron Mask projects and recorded impairment of $25,255 (December 31, 2021: $147,160).

Other Projects, Ontario Canada

The Company issued 20,000 common shares valued at $13,000, upon completion of the Transaction, related to the Other Projects historic property obligations (Note 17).

During the year ended December 31, 2022, the Company has abandoned the other projects and recorded impairment of $795,790 (December 31, 2021: $13,000).

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

U.S. Cobalt Projects

Bonanza Project, Idaho, USA

The Company holds a 100% interest in certain land tenure rights in the Bonanza Project in Idaho.

The property is subject to a 0.5% NSR which can be purchased for US$1,000,000.

As of December 31, 2021, the Company has reached an agreement relating to the settlement of the claim dispute in Idaho,The Company issued 200,000 common shares valued at $130,000, upon completion of the Transaction (Note 17). In exchange for the shares, the Company has received the right to all claims the US Company held in Idaho on the Bonanza Project, including the ones in dispute.

U.S. Lithium Projects

Amargosa Project area, Nevada, USA

The Company holds a 100% interest in certain land tenure rights in the Amargosa Project in Nevada.

The property is subject to a 5% GSR of which 2.5% can be purchased for US$7,000,000.

2.5% of the 5% GSR is held by an officer of the Company.

South Korea Graphite Projects

Geumam and Taehwa Projects, South Korea

The Company holds a 100% interest in two exploration stage graphite projects in the Geumam and Taehwa regions of South Korea. The Geumam and Taehwa projects are past producing mines.

During the year ended December 31, 2021, certain mining rights on the Geumam project expired and the Company subsequently recorded an impairment of $217,727.

Chile Copper Project

Punitaqui Mining Complex, Chile

The Company holds the rights to 100% equity interest in the Punitaqui in the Coquimbo region of Chile (Note 4).

Punitaqui includes a centralized process plant. The Company is currently modifying its existing tailings disposal permit while consolidating its various exploitation permits. Punitaqui is a past producing mining operation which consists of an integrated copper and gold mining complex including all required infrastructure and sources of water and power.

The copper-gold process plant that is classified as property, plant and equipment consists of a standard copper sulphide crush-grind-flotation circuit to produce a marketable copper-gold concentrate. Port facilities are available for shipping to domestic and foreign smelters.

(Expressed in Canadian Dollars)

9. TRADES AND OTHER PAYABLES

		31-Dec-22		31-Dec-21
Trade payables	$	**1,953,885**	$	2,368,299
Accrued liabillities		**1,166,783**		1,398,696
Total	$	**3,120,668**	$	3,766,995

10. OTHER CURRENT LIABILITIES

		31-Dec-22		31-Dec-21
VAT liability	$	**3,100,404**	$	-
Deferred revenue		**313,407**		66,742
Flow-through premium liability		**-**		214,541
Total	$	**3,413,811**	$	281,283

VAT liability

Following the acquisition of the Punitaqui Mining Complex, the Company filed an application with, and received approval from, the Chilean Ministry of Economy, Development and Tourism (the "Ministry of Economy") to participate in a VAT-recovery program set in place by the Chilean government to incentivize Chilean exports (the "VAT Program"). The VAT Program allows the Company to recover the VAT paid on goods and services purchased by the Company, in advance of achieving agreed-upon amounts of to-be-exported mineral concentrates. As of December 31, 2022, the Company recovered $3,100,404 under the VAT Program.

As part of the VAT Program, the Company issued, to the Chilean Treasury Department, promissory notes for the same amount of the VAT Recovered. The Promissory Notes guarantee the VAT Recovered in case the Company is not able to demonstrate to the Ministry of Economy that it has exported mineral concentrates having a minimum value of USD$35.1 million (the "Export Value"), by December 31, 2023. The Company does not estimate it will be able to achieve the Export Value by December 31, 2023. However, the Company has the right to file a request (the "Request"), with the Ministry of Economy, to extend the deadline to demonstrate the Export Value and intends to do so. Therefore, the Company has recorded a liability for VAT to be repaid.

Deferred revenue

Deferred revenue consists of spare parts and consumables related to rented machines that are invoiced in advance.

Flow-through premium liability

Pursuant to flow-through agreements, the Company was obligated to incur $2,806,799 in CEE. As at December 31, 2022, the Company has spent $2,137,431 in CEE and accordingly, the flow through premium liability was derecognized and recorded in profit or loss.

Balance as of December 31, 2020	$	**-**
Flow-through premium liability additions		**431,051**
Recognition of flow-through premium		**(216,510)**
Balance as of December 31, 2021	$	**214,541**
Flow-through premium liability additions		**-**
Recognition of flow-through premium		**(214,541)**
Balance as of December 31, 2022	$	**-**

(Expressed in Canadian Dollars)

11. DEFERRED PAYMENTS ON ACQUISITION

	31-Dec-22	31-Dec-21
Deferred payment at beginning of the year	$ **6,997,500**	$ -
Recognition of liability	**-**	8,080,195
Payments during the year	**(2,204,418)**	(574,656)
Accretion expense	**703,316**	33,028
Currency translation adjustment, net of foreign currency impact	**403,393**	(541,067)
Deferred payments at end of the year	$ **5,899,791**	$ 6,997,500
Current	**(1,846,486)**	(1,918,190)
Long term	**4,053,305**	5,079,310

The undiscounted amount of payments at inception was $10,625,167 and the liability was discounted at a rate of 11%. The undiscounted payments remaining as at December 31, 2022 is $7,391,420 (December 31, 2021 - $9,701,239).

(Expressed in Canadian Dollars)

12. LEASE LIABILITY

On June 10, 2022, the Company entered into a sale-leaseback agreement with an unrelated party involving land and building property located in Phoenix, AZ, USA. Under the arrangement, the property with a net book value of US$1,742,920 was sold for US$6,900,000 and leased back under a five-year lease agreement. The Company recorded a net sale proceeds of US$6,390,263 after deducting the sale-related expenses of US$509,736.

The Company used the net sale proceeds to pay off its two mortgage loans amounting to US$2,087,109 and US$1,200,000, the aggregate payment of which was US$3,358,459 after considering additional costs related to premature retirement of the loans (Refer to Note 15 on Loan and Borrowings).

At the inception of the lease, based on an incremental borrowing rate of 10.64%, the Company recognized a lease liability for the total lease payments amounting to $1,700,336, and a right-of-use asset on the leased property amounting to $429,500 to be depreciated over the term of the leaseback agreement. The Company recorded a gain of $4,689,491 on this sale and leaseback transaction.

As of December 31, 2022, depreciation of $49,426 on the right-of-use assets, and an interest of $103,143 on the lease were recorded. Total cash outflow for the lease during the year was $239,262 including interest. The carrying amount of right-of-use asset on the leased property as of December 31, 2022, was $397,615 and the lease liability was $1,635,582.

The maturity of the contractual undiscounted lease liabilities as of December 31, 2022, is presented below.

Year		Annual lease payments
2023	$	445,111
2024		458,464
2025		472,221
2026		486,387
2027		205,149
Total undiscounted lease liabilities as December 31, 2022	$	2,067,332
Interest on lease liabilities		(431,750)
Total present value of minium lease payments		1,635,582
Lease Liability - current portion		(284,526)
Lease Liability	$	1,351,056

There were no lease liabilities as of December 31, 2021.

(Expressed in Canadian Dollars)

13. BRIDGE LOAN

		31-Dec-22		31-Dec-21
Principal amount	**$**	**2,055,550**	$	-
Interest accrued		**17,596**		-
Total	**$**	**2,073,146**	$	-

A financing and security agreement (the “Loan Agreement”) was executed on October 20, 2022 between Weston Energy LLC (a related party), Battery Mineral Resources Corp. (the “Borrower”), and Ozzie's, Inc. (the “Guarantor”, and together with the Borrower, each an “Obligor” and together the “Obligors”). By means of this Loan Agreement, Weston Energy LLC agrees to advance to the Company one or more loans (the “Loans"), from time to time prior to the maturity date, in an aggregate principal amount not to exceed $4,000,000.

The outstanding principal balance of the Loans shall bear interest at the rate of (i) six percent (6%) per annum for the first sixty (60) days following the closing date and (ii) eight percent (8%) per annum at all times thereafter until repayment in full of all amounts payable hereunder. After the occurrence and during the continuance of any event of default hereunder, the loans shall bear interest at the rate described above plus an additional two percent (2%). The Company may prepay all or any part of the outstanding principal amount of each loan at any time without notice or penalty provided that such prepayment is accompanied by all accrued and unpaid interest on the principal amount prepaid; provided, however, that once repaid, no amounts borrowed hereunder may be reborrowed.

The entire principal amount of the Loans, together with all accrued and unpaid interest thereon and all other amounts payable hereunder (in each case as recorded in the Lender’s internal records), shall be due and payable on June 17, 2023 as amended on April 17, 2023.

14. ASSET RETIREMENT OBLIGATION

		31-Dec-22		31-Dec-21
Initial recognition	**$**	**9,640,033**	$	-
Changes in estimates		**62,324**		
Accretion expense		**49,676**		-
Foreign currency translation adjustment		**230,088**		-
Currency translation adjustment		**936,403**		-
Balance as December 31, 2022	**$**	**10,918,524**	$	**-**

On October 4, 2022, the Chilean mining authorities approved the transfer of the Punitaqui operational mining permits, which triggered the Company to recognize the asset retirement obligation arising from mining equipment and previously mined property interests. The provision consists primarily of costs associated with mine reclamation and closure activities. These activities, which tend to be site specific, generally include costs for decommissioning the mill complex and related infrastructure, physical and chemical stability of the tailings area and, post-closure site security and monitoring costs. The Company regularly reviews the estimate and considers such factors as changes in laws and regulations, and requirements under existing permits in determining the estimated costs.

The estimated undiscounted cash flows required to satisfy the reclamation and closure cost obligation as at December 31, 2022 were $13,704,012 (December 31, 2021 - Nil). The undiscounted cash flows were discounted using the ten-year Government of Chile Benchmark Bond rate of 2.03% for bonds issued in Chilean Units of Accounts (UF) (December 31, 2021 – $Nil) to arrive at a discounted cash flows of $10,918,524 (December 31, 2021 - $Nil).

(Expressed in Canadian Dollars)

15. LOANS AND BORROWINGS

		31-Dec-22		31-Dec-21
Mortgage – Phoenix (i)	$	-	$	2,687,966
Mortgage – Phoenix (ii)		-		1,521,360
		-		4,209,326
Less: Transaction cost		-		146,979
		-		4,062,347
Finance agreements (iii)		3,039,358		652,657
Total loans and borrowings		**3,039,358**		**4,715,004**
Less: current portion		628,185		527,831
Long-term portion	$	**2,411,173**	$	**4,187,173**

i. Mortgage – Phoenix mortgage was used to refinance a property in Phoenix, AZ, USA. The Company obtained the mortgage in the amount of US$2,197,5000 from a US bank at a fixed annual interest rate of 3.5%, an amortization of 20 years with a term of 5 years ending on December 16, 2025 with equal monthly installments of US$12,802 (principal and interest). The transaction costs were recorded as a contra liability and netted against the loan amount. The property refinanced was sold on June 10, 2022, and the sales proceeds were used to re-pay the mortgage immediately.

ii. Mortgage –Second mortgage on the Phoenix property in the amount of US$1,200,000 from a US bank at a fixed annual interest rate of 8.5% with a term of 2 years due on December 1, 2023. The Company was required to pay monthly an interest of $8,500 and an exit fee of $24,000 on repayment. The transaction costs were recorded as a contra liability and netted against the loan amount. This mortgage was also fully paid off on June 10, 2022, from the sale proceeds of the property discussed above.

iii. Finance agreements include five $US denominated loans outstanding as of December 31, 2022, relating to the purchase of five compact track loaders and two vehicles that were financed through dealers in 2019 through 2022 with lease agreements secured by Company equipment. Four of the loans have short terms ranging from two to four years with varying rates of interest to 7.62%. The largest of the loans is for a two-year term at an interest rate of $10.48% with monthly rental costs of $51,190.

16. CONVERTIBLE DEBENTURES

		31-Dec-22		31-Dec-21
Convertible unsecured subordinated debentures				
Issuance of convertible debentures	$	**10,285,526**	$	-
Equity component		**(1,224,439)**		-
Accretion expense		**988,524**		-
Total	$	**10,049,611**	$	-

During the year, the Company completed a non-brokered private placement of unsecured convertible debentures (the “Debentures”) for gross proceeds of $10,375,460. There were four tranches of Debentures, each with a three year term and bearing annual interest of 8%. The holder of any Debenture may, at its option, at any time from six months from the date of issuance, and prior to the close of business on the business day immediately preceding the Maturity Date, convert all, but not less than all, of the principal amount of the instrument into common shares of the Company at the conversion price of $0.65 per share.

The estimated fair value of the Debentures was calculated as $9,151,021 using a discount rate of 11-13% and $1,224,439 being allocated to the conversion feature. The effective interest rate of the Debentures were estimated to be 11.28-12.99%.

17. SHARE CAPITAL

a) Authorized share capital

The Company has authorized share capital of unlimited common shares without par value.

b) Share issuances

During the year ended December 31, 2022, the Company:

i. Issued 833,333 common shares that were exercised, related to the restricted stock units.

During the year ended December 31, 2021, the Company:

ii. Received $1,750,000 of subscription receipts consisting of flow-through and non flow-through shares as follows: 735,294 flow-through shares to be issued at an issuance price of $0.68 per flow-through share for proceeds of $500,000 and 1,923,077 common shares in the Company at an issuance price of $0.65 per share for proceeds of $1,250,000.

iii. Issued 200,000 common shares for consideration of $130,000, related to the settlement of the claim dispute in Idaho.

iv. Issued 900,000 common shares for consideration of $585,000 related to the historic property obligations.

v. Cancelled 425,885 common shares in relation to the Transaction.

vi. Exercised 62,500 options at $0.20 related to the Fusion amalgamation.

vii. Issued 3,100,000 common shares related to the share exchange that would result in the Company's shareholders taking over Fusion (Note 5).

viii. Issued 21,156,074 common shares for a cash consideration of $12,822,485 (consisting of C$815,130 and US$9,793,039) and non-cash consideration of $662,866 (US$555,952) related to Punitaqui acquisition. The non-cash consideration of 1,069,138 common shares were issued to Weston in exchange for the debtor in possession loan used to secure the rights to acquire Punitaqui (Note 4).

ix. Issued 10,000,000 common shares related to Bluequest for $6,200,000 (U$5,000,000) pursuant to a loan purchase agreement with Bluequest (Note 4).

x. Issued 1,538,462 common shares to Weston for additional proceeds of $1,001,120 (US$800,000), relating to the second and final tranche of the Punitaqui acquisition.

xi. Issued 1,388,888 flow-through shares ("Flow-Through Shares") at a price of $0.72 per Flow-Through Share for total gross proceeds of $999,999.

The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. to incur $999,999 of qualifying Canadian Exploration Expenses ("CEE") and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2021. The Company attributed a flow-through premium liability of $97,222 and reduced share capital by the same amount. Transaction costs relating to the Offering amounted to $60,000.

(Expressed in Canadian Dollars)

17. SHARE CAPITAL (cont'd…)

b) Share issuances (cont'd…)

xii. Issued 1,675,384 Flow-Through Shares at a price of $0.78 per Flow-Through Share for total gross proceeds of $1,306,800.

The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. to incur $1,306,800 of qualifying CEE and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2021. The Company attributed a flow-through premium liability of $311,770 and reduced share capital by the same amount. Transaction costs relating to the Offering amounted to $75,600.

xiii. The Company received $400,001 toward a private placement during the 2020 fiscal year, relating to the transaction with Fusion, which completed on February 12, 2021 (Note 5).

c) Restricted stock units

The Company adopted the restricted share units plan ("RSU's") to allow the Board of Directors to grant its officers, directors, and consultants of the Company non-transferable share units based on fair value of the units at the date of grant. The awards vest over a one or three year period and expire after eight years. The total RSU expense for the year ended December 31, 2022, was $2,231,206 (December 31, 2021: $1,335,252).

Movements in the number of restricted share units outstanding are as follows:

	RSU
Granted	6,250,000
Outstanding at December 31, 2021	6,250,000
Granted	2,280,832
Excercised	(833,333)
Outstanding at December 31, 2022	7,697,499

The weighted average share price at the date of exercise in 2022 was $0.34.

d) Stock options

The Company has an equity settled common share purchase plan (the "Stock Option Plan") under which the Board of Directors may grant options to purchase common shares to directors, officers, employees and independent contractors of the Company and/or its affiliates (collectively, the "Service Providers"). The maximum aggregate number of common shares under option at any time pursuant to the Stock Option Plan was 10% of the issued and outstanding common shares at the time of the grant.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Options	**Weighted average excercise price**
Outstanding at January 1, 2021		
Options assumed on the Fusion amalgamation	75,000	0.20
Excercised	(62,500)	0.20
Granted	6,250,000	0.84
Outstanding at December 31, 2021	6,262,500	0.84
Granted	3,120,832	0.65
Outstanding at December 31, 2022	9,383,332	0.78

(Expressed in Canadian Dollars)

17. SHARE CAPITAL (cont'd…)

d) Stock options (cont'd…)

The Company uses the Black-Scholes option pricing model to estimate the fair value for all stock-based compensation. The expected volatility assumption inherent in the pricing model is based on the historical volatility of comparable companies over a term equal to the expected term of the option granted. Total stock-based compensation expense for the year ended December 31, 2022, was $1,526,759 (December 31, 2021: $1,122,661). The weighted average share price at the date of exercise in 2021 was $0.20.

During the year ended December 31, 2022, the Company granted 3,120,832 stock options at a weighted average exercise price of $0.65 to directors, officers, employees, and Service Providers. The weighted average assumptions used in the stock option pricing model and the resulting weighted average fair values per option for the options granted during the year ended December 31, 2022 were as follows:

Risk-free rate:	3.23%
Expected life:	8 years (2,920,832)/ 1 year (200,000)
Expected volatility:	77.84 % based on comparable companies
Expected dividends:	Nil
Weighted average fair value per option:	$0.37
Forfeiture rate:	0%

During the year ended December 31, 2021, the Company granted 6,250,000 stock options at a weighted average exercise price of $0.84 to employees and consultants. The weighted average assumptions used in the stock option pricing model and the resulting weighted average fair values per option for the options granted during the year ended December 31, 2021 were as follows:

Risk-free rate:	1.22%
Expected life:	8 years (6,000,000)/ 5 years (250,000)
Expected volatility:	77.50% based on comparable companies
Expected dividends:	Nil
Weighted average fair value per option:	$0.43
Forfeiture rate:	0%

As of December 31, 2022, the Company had outstanding and exercisable stock options as follows:

	Options outstanding				Options exercisable		
Price	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average excerise price	Weighted-average Fair Value	Number excerisable	Weighted-average remaining contractual life (years)	Weighted-average exercise price
$0.20	12,500	0.72	0.20	-	12,500	0.72	0.20
$0.85	5,000,000	6.25	0.85	0.41	1,666,667	6.25	0.85
$0.85	1,000,000	6.50	0.85	0.65	333,333	6.5	0.85
$0.75	250,000	3.84	0.75	0.25	208,333	3.84	0.75
$0.65	270,832	7.01	0.65	0.29	-	-	-
$0.65	75,000	7.01	0.65	0.29	-	7.01	-
$0.65	200,000	0.16	0.65	0.04	150,000	0.16	0.65
$0.65	1,475,000	7.19	0.65	0.24	-	7.19	0.65
$0.65	1,100,000	7.33	0.65	0.24	-	-	-
	9,383,332	6.38	0.78	0.37	2,370,833	5.66	0.83

(Expressed in Canadian Dollars)

18. REVENUE

ESI's revenue during the year ended December 31, 2022 was comprised of the following:

		For the year ended December 31, 2022		For the year ended December 31, 2021
Machine Rental				
Padding machines				
Large padders	$	**2,938,625**	$	4,872,932
Small padders		**4,275,957**		3,939,905
Screening buckets		**683,733**		789,853
Other services		**370,122**		67,677
Rental revenue	$	**8,268,437**	$	9,670,367
Mobilization		**895,401**		732,536
Spare part sales		**733,432**		661,279
Machine sales		**2,077,895**		71,335
Other services		**695,872**		478,676
Other revenue	$	**4,402,600**	$	1,943,826
Total	$	**12,671,037**	$	11,614,193

For the year ended December 31, 2022, $7,105,519 (December 31, 2021 - $6,367,109) of revenue was derived from ten (December 31, 2021 – eight) customers that represented 56% (December 31, 2021 - 55%) of the Company revenue. As at December 31, 2022, $527,742 (December 31, 2021 - $305,541) from these customers was included in accounts receivable.

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management includes members of the Board of Directors, the Executive Chairman, the President and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel, which include the amounts disclosed above, during the year ended December 31, 2022 and 2021:

		For the year ended December 31, 2022		For the year ended December 31, 2021
Director fees	$	**361,777**	**$**	360,515
Management fees		**1,584,481**		2,170,518
Professional fees		**60,000**		135,000
Total	$	**2,006,258**	**$**	2,666,033

On May 26, 2021, the Company completed the acquisition of ESI concurrent with the completion of the ESI going private transaction. The result is the Company now owns 100% of the ESI common shares.

On May 28, 2021, the Company issued 1,069,138 common shares to Weston, who is a significant shareholder of the Company, valued at $662,866 (US$555,952) in exchange for the debtor in possession loan used to secure the rights to acquire Punitaqui (Note 4).

On July 5, 2021, the Company issued 1,538,462 common shares to Weston for additional proceeds of $1,001,120 (US$800,000), relating to the second and final tranche of the Punitaqui acquisition (Note 17).

During the year, Weston subscribed for $9,651,500 of the Debentures (Note 16).

On October 20, 2022, the Company entered into the Bridge Loan to borrow up to USD$4,000,000 from Weston. Proceeds from the Bridge Loan are received by the Company in one or more advances (each, an "Advance"). The Bridge Loan will mature on June 17, 2023 as amended on April 17, 2023.

19. RELATED PARTY TRANSACTION (cont'd…)

As of December 31, 2022, included in trade and other payables was $297,927 (December 31, 2021: $143,299) due to directors and officers of the Company.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

Fair values of financial assets and liabilities are determined based on available market information and valuation methodologies appropriate to each situation. Judgments are required in the interpretation of the market data to produce the most appropriate fair value estimates. The use of different market information and/or evaluation methodologies may have a material effect on the fair value amounts.

The Company's financial instruments consist of cash, receivables, and trade and other payables, deferred payments on acquisition, loans and borrowings, convertible debenture and bridge loan. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. The fair value of long-term debt approximates its carrying value as the contractual interest rates are comparable to current market interest rates. The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity, and commodity price.

Currency risk

The Company conducts exploration and evaluation activities in the United States, Canada, South Korea and Chile and exposed to risk due to fluctuations in the exchange rates for the Canadian and foreign currencies. As at December 31, 2022, the Company had foreign currency liabilities and foreign currency assets in United States Dollars ("USD"), Chilean Pesos ("CLP"), Australian Dollars ("AUD"), and Korean Won ("KRW"). Each 10% change in the foreign currencies relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately $681,658.

The table below shows the balances held in foreign currency;

December 31, 2022	USD $	KRW $	CLP $	Equivalent CAD $
Cash	2,372,523	13,620,195	104,353,533	3,395,112
Receivables	1,438,637	-	75,502,858	2,069,233
Prepaids	67,476	3,894,490	-	95,587
Trade and other payables	778,694	3,074,425	450,630,659	1,778,626
Income taxes payable	170,000	-	10,299,343	213,777
Bridge loan	1,530,675	-	-	2,073,146
Deferred payments on acquisition	524,049	-	437,929,602	5,899,791
Loans and borrowings	2,244,062	-	-	2,411,173
Net exposure	**(1,368,844)**	**14,440,260**	**(719,003,213)**	**(6,816,581)**

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company minimizes its credit exposure related to short term investments when applicable by selecting counterparties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper. The Company's cash is held in significant financial institutions and the Company considers this risk to be remote. The Company's receivables primarily include balances receivable from the government of Canada and Chile. The Company invests cash with financial institutions that are financially sound based on their credit rating.

(Expressed in Canadian Dollars)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Expected Credit Losses

The Company recognizes loss allowances for Expected Credit Losses (ECLs) on its financial assets measured at amortized cost. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses.

The following tables summarize the loss allowance calculation:

As at December 31, 2021	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	1.10%	2.00%	14.10%	20.40%	
Gross carrying amount ($)	395,457	775,204	81,330	346,219	
Loss allowance ($)	4,350	15,504	11,468	70,629	101,951

As at December 31, 2022	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.90%	1.90%	13.20%	33.50%	
Gross carrying amount ($)	423,489	275,605	7,576	980,372	
Loss allowance ($)	3,811	5,236	1,000	328,425	338,472

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, The Company's interest rate risk is minimal as there are no variable rate interest-bearing outstanding loans. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

Liquidity risk

Liquidity risk is the exposure of the Company to the risk of being unable to meet its financial obligations as they come due. The Company manages liquidity risk by monitoring and reviewing actual and forecasted cash flows to ensure there are available cash resources to meet these needs.

The Company expects that cash and cash flow from operations, will be sufficient to fund its presently anticipated requirements for investments in working capital and capital assets.

Contractual cash flow requirements as at December 31, 2022 were as follows:

	1 year $	2 year $	3 year $	4 year $	>4 years $	Total $
Long term debt	628,185	697,394	771,782	854,184	87,813	3,039,358
Trade payables	2,564,413	-	-	-	-	2,564,413
Income tax payables	2,924,326	-	-	-	-	2,924,326
Finance lease	284,526	330,339	381,695	439,219	199,803	1,635,582
Other current liabilities	3,100,404	-	-	-	-	3,100,404
Bridge Loan	2,073,146	-	-	-	-	2,073,146
Deferred payments on acquisition	1,846,486	810,661	810,661	810,661	1,621,322	5,899,791
Convertible debenture	-	-	10,049,611	-	-	10,049,611
Total	**13,421,486**	**1,838,394**	**12,013,749**	**2,104,064**	**1,908,938**	**31,286,631**

Commodity price risk

The ability of the Company to raise funds to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of copper, gold, cobalt, lithium, and graphite. The Company monitors copper, gold, cobalt, lithium, and graphite prices to determine the appropriate course of action to be taken.

(Expressed in Canadian Dollars)

21. SEGMENTED INFORMATION

Operating segments are determined by the way information is reported and used by the Company's Chief Operating Decision Maker ("CODM") to review operating performance. The Company monitors the operating results of its operating segments independently for the purpose of making decisions about resource allocation and performance assessment.

The Company operates in three segments, one segment being the acquisition and exploration of exploration and evaluations assets located in Canada, United States, Chile and South Korea and the second segment for the operations of ESI, located in Canada and United States and the third segment being the corporate head office located in Canada.

The following table presents geographic information regarding operating segments.

For the year ended December 31, 2021	ESI	Exploration and Evaluation Properties				Corporate	Total
		Canada	USA	South Korea	Chile		
Exploration and evaluation	-	21,870,114	1,973,873	1,933,932	5,323,560	-	**31,101,479**
Property, plant, equipment	16,943,337	44,696	-	10,787	23,565,034	-	**40,563,854**
Assets included in disposal group held for sale	2,289,232	-	-	-	-	-	**2,289,232**
Liabilities related to disposal group held for sale	3,868,295	-	-	-	-	-	**3,868,295**
Total assets	23,518,526	22,337,097	1,973,873	1,945,949	31,215,864	155,936	**81,147,245**
Total liabilities	11,300,789	33,054	-	258,930	729,877	9,035,454	**21,358,104**

For the year ended December 31, 2022	ESI	Exploration and Evaluation Properties				Corporate	Total
		Canada	USA	South Korea	Chile		
Exploration and evaluation	-	21,980,842	2,183,909	2,132,799	20,357,428	-	**46,654,978**
Property, plant, equipment	14,513,388	-	-	6,700	38,564,090	4,772	**53,088,950**
Total assets	25,119,316	21,977,537	2,183,909	2,158,582	55,280,536	843,514	**107,563,395**
Total liabilities	8,944,215	-	-	3,314	11,652,336	22,474,952	**43,074,817**

(Expressed in Canadian Dollars)

21. SEGMENTED INFORMATION (cont'd…)

For the year ended December 31, 2021	ESI	Exploration and Evaluation Properties				Corporate	Total
		Canada	USA	South Korea	Chile		
Revenue from contracts with customers	11,614,193	-	-	-	-	-	11,614,193
Total revenue	**11,614,193**	**-**	**-**	**-**	**-**	**-**	**11,614,193**
Depreciation of equipment	(3,603,035)	(11,488)	-	-	-	-	(3,614,523)
Impairment of exploration and evaluation assets	-	(2,401,695)	-	-	-	-	(2,401,695)
Management fees	(1,386,523)	-	-	-	-	(877,534)	(2,264,057)
Professional fees	-	-	(1,460)	-	-	(1,131,087)	(1,132,547)
Restricted stock units expense	-	-	-	-	-	(1,335,252)	(1,335,252)
Stock based compensation	-	-	-	-	-	(1,122,661)	(1,122,661)
Other costs and expenses	(8,038,369)	(10,454)	(12,280)	(1,114)	756	(1,256,675)	(9,318,136)
Gain (loss) from operations	**(1,413,734)**	**(2,423,637)**	**(13,740)**	**(1,114)**	**756**	**(5,723,209)**	**(9,574,678)**
Additional depreciation on discontinued operations	-	-	-	-	-	(1,426,271)	(1,426,271)
Foreign exchange (loss) /gain	(304,035)	-	(401,393)	74,539	358,216	-	(272,673)
Finance costs	(267,479)	-	-	-	-	-	(267,479)
Gain on disposal of property and equipment	953,188	-	-	-	-	-	953,188
Listing expenses	-	-	-	-	-	(1,985,907)	(1,985,907)
Other income and expenses	126,753	-	-	-	-	248,781	375,534
Gain (loss) for the year from continuing operations	**(905,307)**	**(2,423,637)**	**(415,133)**	**73,425**	**358,972**	**(8,886,606)**	**(12,198,286)**
Current income tax	(1,553,835)	-	-	-	-	-	(1,553,835)
Gain (loss) for the year from continuing operations, after-tax	**(2,459,142)**	**(2,423,637)**	**(415,133)**	**73,425**	**358,972**	**(8,886,606)**	**(13,752,121)**
Loss attributable to non-controlling interest	-	-	-	-	-	423,547	423,547
Cumulative translation adjustment	(208,299)	-	-	-	(2,714,447)	-	(2,922,746)
Total net income (loss)	**(2,667,441)**	**(2,423,637)**	**(415,133)**	**73,425**	**(2,355,475)**	**(8,463,059)**	**(16,251,320)**

Non-cash items in net income (loss):

For the year ended December 31, 2021	ESI	Exploration and Evaluation Properties				Corporate	Total
		Canada	USA	South Korea	Chile		
Accretion	-	-	-	-	(33,028)	-	(33,028)
Impairment of exploration and evaluation assets	-	(2,183,968)		(217,727)	-	-	(2,401,695)
Listing expense for Fusion Amalgamation	-	-	-	-	-	(1,985,907)	(1,985,907)
Restricted stock units expense	-	-	-	-	-	(1,335,252)	(1,335,252)
Stock based compensation	-	-	-	-	-	(1,122,661)	(1,122,661)
Recognition of flow-through premium	-	-	-	-	-	216,510	216,510
Gain on revaluation of Fusion options	-	-	-	-	-	32,271	32,271
Gain (loss) on disposal of equipment	953,188	-	-	-	-	-	953,188
Additional depreciation on discontinued operations	-	-	-	-	-	(1,426,271)	(1,426,271)
Unrealized forex translation loss (gain)	(304,035)	-	721	74,539	(268,486)	2,520	(494,741)
Total non- cash items in net income (loss)	**649,153**	**(2,183,968)**	**721**	**(143,188)**	**(301,514)**	**(5,618,790)**	**(7,597,586)**

(Expressed in Canadian Dollars)

21. SEGMENTED INFORMATION (cont'd…)

For the year ended December 31, 2022	ESI	Exploration and Evaluation Properties				Corporate	Total
		Canada	USA	South Korea	Chile		
Revenue from contracts with customers	12,671,037	-	-	-	-	-	12,671,037
Total revenue	**12,671,037**	**-**	**-**	**-**	**-**	**-**	**12,671,037**
Depreciation of equipment	(3,002,228)	(13,221)	-	-	-	-	(3,015,449)
Impairment of exploration and evaluation assets	-	(840,642)	-	-	-	-	(840,642)
Management fees	(549,638)	(59,864)	(435,450)	-	-	(539,529)	(1,584,481)
Professional fees	-	(20,000)	(6,847)	-	-	(1,657,974)	(1,684,821)
Restricted stock units expense	-	-	-	-	-	(2,231,206)	(2,231,206)
Stock based compensation	-	-	-	-	-	(1,526,759)	(1,526,759)
Other costs and expenses	(7,907,114)	(4,459)	(1,098)	(2,005)	(30,519)	(1,929,311)	(9,874,506)
Gain (loss) from operations	**1,212,057**	**(938,186)**	**(443,395)**	**(2,005)**	**(30,519)**	**(7,884,779)**	**(8,086,827)**
Foreign exchange (loss) /gain	23,517	-	(217,543)	75,226	(1,460,830)	959,254	(620,376)
Finance costs	(688,897)	-	-	-	(49,676)	(1,709,435)	(2,448,008)
Gain on disposal of assets held for sale	3,633,322	-	-	-	-	-	3,633,322
Gain on disposal of property and equipment	4,865,640	(31,475)	-	-	-	-	4,834,165
Other income and expenses	283,696	-	-	-	-	214,541	498,237
Gain (loss) for the year from continuing operations	**9,329,335**	**(969,661)**	**(660,938)**	**73,221**	**(1,541,025)**	**(8,420,419)**	**(2,189,487)**
Current income tax	(1,306,680)	-	-	-	-	-	(1,306,680)
Gain (loss) for the year from continuing operations, after-tax	**8,022,655**	**(969,661)**	**(660,938)**	**73,221**	**(1,541,025)**	**(8,420,419)**	**(3,496,167)**
Cumulative translation adjustment	783,861	-	47,173	27,359	2,366,841	-	3,225,234
Total net income (loss)	**8,806,516**	**(969,661)**	**(613,765)**	**100,580**	**825,816**	**(8,420,419)**	**(270,933)**

Non-cash items in net income (loss):

For the year ended December 31, 2022	ESI	Exploration and Evaluation Properties				Corporate	Total
		Canada	USA	South Korea	Chile		
Accretion	-	-	-	-	(752,796)	(1,006,119)	(1,758,915)
Impairment of exploration and evaluation assets	-	(840,642)	-	-	-	-	(840,642)
Restricted stock units expense	-	-	-	-	-	(2,231,206)	(2,231,206)
Stock based compensation	-	-	-	-	-	(1,526,759)	(1,526,759)
Recognition of flow-through premium	-	-	-	-	-	214,541	214,541
Gain (loss) on disposal of equipment	4,865,641	(31,475)	-	-	-	-	4,834,165
Gain on disposal of assets held for sale	3,633,322	-	-	-	-	-	3,633,322
Unrealized forex translation loss (gain)	33,747	-	(221,087)	73,559	(294,285)	(92,477)	(500,543)
Total non- cash items in net income (loss)	**8,532,710**	**(872,117)**	**(221,087)**	**73,559**	**(1,047,081)**	**(4,642,020)**	**1,823,963**

22. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the padding service business, acquisition and exploration of exploration and evaluation assets. The Board of Directors 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's capital consists of items included in shareholders' equity, debt facilities net of cash and short-term investments.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities.

The Company will continue to assess new properties and 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. The Company is not subject to externally imposed capital restrictions.

(Expressed in Canadian Dollars)

23. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

		Year ended December 31, 2022		Year ended December 31, 2021
Loss for the year	$	(2,189,487)	$	(12,198,286)
Statutory tax rate		27%		27%
Expected income tax (recovery)	$	(591,161)	$	(2,641,084)
Change in statutory, foreign tax, foreign exchange rates and other		(78,588)		190,307
Permanent differences		660,043		791,284
Deferred tax assets previously not recognized		(560,027)		-
Share issue cost		54		(295,729)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		1,573,736		(50,694)
Change in unrecognized deductible temporary differences		302,623		3,559,751
Total income tax expense (recovery)	**$**	**1,306,680**	**$**	**1,553,835**
Current income tax expense	**$**	**1,306,680**	**$**	**1,553,835**
Deferred income tax expense	**$**	**-**	**$**	**-**

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		Year ended December 31, 2022		Year ended December 31, 2021
Deferred tax assets (liabilities)				
Exploration and evaluation assets	$	4,388,000	$	1,666,000
Property and equipment		(1,314,000)		646,000
Share issue costs		1,986,000		232,000
Intangible assets		2,431,000		(2,000)
Accounts payable and other current liabilites		40,000		47,000
Non-bonus current state income tax		-		(43,000)
Unrealized foreign exchange gains/losses		(363,000)		193,000
Non-capital losses available for future period		8,036,000		2,820,000
		15,204,000		5,559,000
Unrecognized deferred tax assets		(15,204,000)		(5,559,000)
Net deferred tax assets	**$**	**-**	**$**	**-**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	Year ended December 31, 2022	Expiry Date Range	Year ended December 31, 2021	Expiry Date Range
Non-capital losses available for future periods	32,872,671	2026 to 2039	10,746,000	2026 to 2039
Canada	19,421,911	2026 to 2039	10,388,071	2026 to 2039
USA	13,348,138	-	258,925	-
Korea	101,598	-	94,608	-
Chile	-	-	3,620	-
Australia	1,024	No expiry date	1,025	No expiry date

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

(Expressed in Canadian Dollars)

24. DISPOSAL GROUP HELD FOR SALE

On November 1, 2022, the Company sold its property located in Leduc, Alberta which was recorded as asset held for sale on December 31, 2021, for a net sale proceeds of $5,922,554 after deducting the sale-related expenses of $327,446. The Company used the net sale proceeds to pay off its mortgage loan amounting to $3,786,263 after considering additional costs related to premature retirement of the loan.

Assets and liabilities of disposal group held for sale as at December 31, 2021 are as follows:

These assets were recorded at the lesser of their carrying amount and their fair value less cost to sell. No impairments were recorded on the assets held for sale as of December 31, 2022.

As of December 31, 2021		Cost	Accumulated Depreciation	Net Book value
Assets:				
Land – Leduc, Alberta		1,315,000	-	1,315,000
Building- Leduc, Alberta	$	1,731,664	757,432	974,232
Total assets held for sale	**$**	**3,046,664**	**757,432**	**2,289,232**
Liabilities held for sale	**$**	**-**	**-**	**3,868,295**

The Leduc mortgage in the amount of $4,000,000 from a Canadian credit union was obtained on December 31,2020 to refinance a property in Leduc, AB. The mortgage had a fixed annual interest rate of 3.3%, an amortization of 20 years, and a term of 5 years. Proceeds of the mortgage were used to refinance an existing mortgage on the property in the amount of $1,826,000 with variable interest rate of prime plus 2% (4.45%) and an amortization of 10 years on a previous mortgage held with a Canadian chartered bank. The transaction costs were recorded as a contra liability, netted against the loan amount and amortized over the term of the mortgage.

All disposal groups held for sale were disposed as of December 31, 2022.

25. SUBSEQUENT EVENTS

- On March 31, 2023, the Company settled the first year of interest on the Debenture by issuing 5,202,902 common shares to settle $830,038 of accrued interest owing to certain holders of Debentures of the Company.

- On April 3, 2023, the Company granted of a total of 2,330,000 Performance Share Units ("PSUs") to 13 management personnel, officers, and directors of the Company. The vesting for the PSUs shall be determined by the Company's stock close price. The PSUs will be fully vested on any single day that the Company's closing stock price reaches or exceeds $0.50, within the performance cycle, which commenced on March 30, 2023, and will end on March 30, 2026.

- On April 17, 2023, the Company amended the Bridge Loan to be extended to June 17, 2023.