LITHIUMBANK RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

(Unaudited – Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW
OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of LithiumBank Resources Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. These unaudited condensed interim consolidated financial statements as at December 31, 2022 and for the three months then ended are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements.

LITHIUMBANK RESOURCES CORP.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	December 31, 2022 (unaudited) $	September 30, 2022 (audited) $
Assets			
Current assets			
Cash and cash equivalents	4	2,817,171	4,425,964
Goods and Services Tax receivable		49,741	42,011
Prepaid expenses and advances	5, 7	133,871	181,062
		3,000,783	4,649,037
Non-current assets			
Exploration and evaluation assets	6	4,133,298	3,584,516
Total Assets		7,134,081	8,233,553
Liabilities and Shareholders' Equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	310,920	293,530
Total Liabilities		310,920	293,530
Shareholders' Equity			
Share capital	8	15,985,905	15,985,905
Reserves	8	1,797,291	1,730,517
Deficit		(10,960,035)	(9,776,399)
Total Shareholders' Equity		6,823,161	7,940,023
Total Liabilities and Shareholders' Equity		7,134,081	8,233,553

Nature of operations and going concern (Note 1)
Subsequent events (Note 12)

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on February 23, 2023 and signed on its behalf by:

"Christopher Murray"
Director

"Steven Piepgrass"
Director

LITHIUMBANK RESOURCES CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended December 31, 2022 and 2021
(Unaudited – Expressed in Canadian dollars)

	Notes	Three Months Ended December 31, 2022 $	Three Months Ended December 31, 2021 $
Operating expenses			
Consulting fees	7	235,972	72,417
Directors' fees	7	81,000	-
Exploration and evaluation	6, 7	475,781	236,312
General and administration	7	125,002	59,740
Management fees	7	130,813	56,850
Professional fees		48,097	87,106
Share-based payments	8	66,774	-
Travel		40,801	11,371
		(1,204,240)	(523,796)
Other income (expense)			
Interest income		21,030	4,582
Foreign exchange loss		(426)	(274)
		20,604	4,308
Loss and comprehensive loss		(1,183,636)	(519,488)
Basic and diluted loss per common share		(0.03)	(0.02)
Weighted average number of common shares outstanding – basic and diluted		37,174,739	32,596,250

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

LITHIUMBANK RESOURCES CORP.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited – Expressed in Canadian dollars)

	Share Capital					
	Number of Shares #	Amount $	Subscriptions Received $	Reserves $	Deficit $	Shareholders' Equity $
Balance, September 30, 2021	32,596,250	10,085,816	635,641	5,343,615	(6,312,683)	9,752,389
Special warrants issued, net	-	-	-	2,136,845	-	2,136,845
Subscriptions received	-	-	(635,641)	-	-	(635,641)
Loss for the period	-	-	-	-	(519,488)	(519,488)
Balance, December 31, 2021	32,596,250	10,085,816	-	7,480,460	(6,832,171)	10,734,105
Balance, September 30, 2022	37,174,739	15,985,905	-	1,730,517	(9,776,399)	7,940,023
Share-based payments	-	-	-	66,774	-	66,774
Loss for the period	-	-	-	-	(1,183,636)	(1,183,636)
Balance, December 31, 2022	37,174,739	15,985,905	-	1,797,291	(10,960,035)	6,823,161

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

LITHIUMBANK RESOURCES CORP.

Condensed Interim Consolidated Statements of Cash Flows
For the three months ended December 31, 2022 and 2021
(Unaudited – Expressed in Canadian dollars)

	Three Months Ended December 31, 2022 $	Three Months Ended December 31, 2021 $
OPERATING ACTIVITIES		
Loss for the period	(1,183,636)	(519,488)
Add item not affecting cash:		
Shared-based payments	66,774	-
Changes in non-cash working capital items:		
Goods and Services Tax receivable	(7,730)	(20,264)
Prepaid expenses and advances	47,191	6,019
Accounts payable and accrued liabilities	17,390	(94,571)
Net cash used in operating activities	(1,060,011)	(628,304)
INVESTING ACTIVITY		
Acquisition of exploration and evaluation assets	(548,782)	(2,455,222)
Net cash used in investing activity	(548,782)	(2,455,222)
FINANCING ACTIVITY		
Proceeds from issuance of common shares, net	-	1,300,841
Net cash provided by financing activity	-	1,300,841
Change in cash and cash equivalents during the period	(1,608,793)	(1,782,685)
Cash and cash equivalents, beginning of the period	4,425,964	8,885,585
Cash and cash equivalents, end of the period	2,817,171	7,102,900

Supplemental disclosures with respect to cash flows

Non-cash investing and financing activities:		
Special warrants issuance costs included in accounts payable	-	200,362
Fair value of special compensation warrants	-	110,571

During the three months ended December 31, 2022 and 2021, the Company paid $nil in interest and taxes.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

LithiumBank Resources Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on May 31, 2019 and is a public company listed on the TSX Venture Exchange (the "TSXV") under the symbol "LBNK". In addition, the Company trades on the OTC Market trading platform in the United States under the trading symbol "LBNKF". The Company's registered and records office is located at 10th floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

The Company is a resource company with mineral properties in Alberta and Saskatchewan. The Company is in the process of exploring and developing its mineral properties. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Company to obtain necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each mineral property. Furthermore, the acquisition of title to mineral properties is a complicated and uncertain process, and while the Company has taken steps in accordance with normal industry standards to verify its title to the mineral properties in which it has an interest, there can be no assurance that such title will ultimately be secured. The carrying amounts of exploration and evaluation assets are based on costs incurred to date, and do not necessarily represent present or future values.

On July 13, 2021, the Company executed an amalgamation (the "Amalgamation") between a wholly owned subsidiary of the Company and LithiumBank Holdings Inc., formerly LithiumBank Resources Corp. ("LHI"). The Amalgamation was accounted for as a reverse takeover, whereby LHI is reflected as the accounting acquirer and the Company as the accounting acquiree.

These condensed interim consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from the carrying values as shown. These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and to develop profitable operations. As of December 31, 2022, the Company has accumulated a deficit of $10,960,035 (September 30, 2022 - $9,776,399) and working capital of $2,689,863 (September 30, 2022 - $4,355,507). Management estimates that the Company has sufficient working capital to support operations for the next twelve months. The condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and the Russian Federation regarding the situation in Ukraine, and potential economic global challenges, such as the risk of higher inflation and the energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business. To date, the impact on the Company's operations has been minimal; however, management continues to monitor the situation.

2. BASIS OF PREPARATION

[a] Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports, including International Accounting Standard 34 *Interim Financial Reporting*. Therefore, these condensed interim consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's consolidated financial statements as at September 30, 2022 and for the year then ended ("Annual Financial Statements"), which have been prepared in accordance with IFRS.

[b] Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

[c] Basis of consolidation

The Company's condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company, where control is achieved by the Company being exposed to, or having rights to, variable returns from its involvement with the entity and having the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases. As at December 31, 2022, the Company's wholly owned subsidiaries include LHI and 2277445 Alberta Ltd.

All intercompany transactions, balances, income and expenses are eliminated on consolidation.

[d] Critical accounting judgments, estimates and assumptions

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PREPARATION (CONTINUED)

[d] Critical accounting judgments, estimates and assumptions (continued)

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements:

i. The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty (Note 1).

ii. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

iii. Management is required to assess exploration and evaluation assets for impairment. As part of this assessment, management must make an assessment as to whether there are indicators of impairment. The Company considers both internal and external sources of information when assessing whether there are indications of impairment for the Company's exploration and evaluation assets. If there are indicators, management performs an impairment test on the major assets within this balance.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the current and next fiscal financial years:

i. The inputs used in valuing share-based payments are subject to estimation uncertainty. The Company uses the fair value method to account for all share-based awards granted, modified or settled, and the Black-Scholes option pricing model to determine the fair value of stock options granted. As such, a share-based payment is recorded based on the estimated fair value of options with a corresponding credit to reserves. Significant estimates in the Black-Scholes option pricing model include the risk-free interest rate, estimated annualized volatility and the expected life.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 3 of the Company's Annual Financial Statements as at September 30, 2022 and for the year then ended.

(Unaudited – Expressed in Canadian dollars)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash held in banks and a term deposit as follows:

	December 31, 2022 $	September 30, 2022 $
Cash	2,788,421	4,397,214
Term deposit	28,750	28,750
	2,817,171	4,425,964

As at December 31, 2022, the Company has one term deposit in the amount of $28,750 (September 30, 2022 - $28,750).

5. PREPAID EXPENSES AND ADVANCES

Prepaid expenses and advances consists of:

	December 31, 2022 $	September 30, 2022 $
Administration and insurance	48,501	47,254
Consulting	43,188	74,388
Property and geological advances	42,182	59,420
	133,871	181,062

6. EXPLORATION AND EVALUATION ASSETS

The Company owns a 100% interest in the following mineral claims. The following table summarizes the Company's exploration and evaluation assets transactions for the three months ended December 31, 2022 and the year ended September 30, 2022:

	Balance, September 30, 2021 $	Acquisition $	Impairment $	Balance, September 30, 2022 $	Acquisition $	Balance, December 31, 2022 $
Boardwalk – AB	13,625	1,875	-	15,500	-	15,500
Park Place – AB	16,000	14,375	-	30,375	5,000	35,375
Kakwa – AB	11,056	-	(11,056)	-	-	-
Nipisi – AB	9,406	-	(9,406)	-	-	-
Peace – AB	-	2,500	-	2,500	-	2,500
Simonette – AB	1,969	-	-	1,969	-	1,969
Swan Hills – AB	7,219	-	(7,219)	-	-	-
Valhalla – AB	7,069	-	(7,069)	-	-	-
Valleyview – AB	-	6,250	-	6,250	-	6,250
Estevan – SK	661,593	73,558	-	735,151	-	735,151
Kindersley – SK	-	1,463,875	-	1,463,875	453,536	1,917,411
South – SK	337,282	991,614	-	1,328,896	90,246	1,419,142
	1,065,219	2,554,047	(34,750)	3,584,516	548,782	4,133,298

(Unaudited – Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

On July 31, 2020 and amended November 26, 2021, in connection with certain consulting services, the Company granted, to a related party (Note 7), an overriding revenue royalty equal to 2% of the gross proceeds realized from the sale of all products produced on the claims. The amended agreement includes all claims acquired during the period commencing on the date of the original agreement and continuing for a period of twelve months thereafter and at any time as a result of the mineral sampling and resource determination program currently conducted in northeastern British Columbia.

The Company has a buy-back right whereby it can reacquire half of the royalty; thereby reducing the royalty percentage from 2% to 1% for aggregate consideration of $2 million given the volume of current and prospective future claims. The buy-back right shall be exercisable by the Company at any time.

Exploration Expenditures

The following table summarizes the Company's exploration expenditures:

	Three Months Ended December 31, 2022 $	Three Months Ended December 31, 2021 $
Geological and related	432,495	149,554
Other	2,992	9,871
Sampling and related	40,294	75,969
Travel	-	918
Total	475,781	236,312

7. RELATED PARTY TRANSACTIONS AND BALANCES

[a] Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Compensation to key management during the periods were as follows:

	Three Months Ended December 31, 2022 $	Three Months Ended December 31, 2021 $
Consulting fees	37,500	12,000
Directors' fees	81,000	-
Exploration and evaluation	37,500	18,750
General and administration	5,417	-
Management fees	130,813	56,850
Total	292,230	87,600

7. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

[b] Amounts due to related parties

As at December 31, 2022, included in accounts payable and accrued liabilities is $27,250 (September 30, 2022 - $18,538) owed to related parties. These amounts are unsecured, non-interest-bearing and due on demand.

[c] Advances to related parties

As at December 31, 2022, there was $11,875 (September 30, 2022 - $5,625) due from an officer of the Company included in prepaid expenses and advances. The amount is an advance for the acquisition of mineral claims on the Company's behalf.

[d] Other related party transactions

During the year ended September 30, 2022, the Company amended and replaced in its entirety an agreement granting a 2% overriding revenue royalty to 2271603 Alberta Ltd., a company owned by the Chief Executive Officer. The fair value of the overriding revenue royalty was determined to be $nil.

8. SHARE CAPITAL

[a] Authorized

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

[b] Issued and outstanding

As at December 31, 2022, there were 37,174,739 (September 30, 2022 - 37,174,739) common shares issued and outstanding.

<u>During the three months ended December 31, 2022</u>

No common shares were issued during the period.

<u>During the year ended September 30, 2022</u>

On January 28, 2022, 3,014,233 special warrants were automatically converted, for no additional consideration, into 3,014,233 common shares and 1,507,116 common share purchase warrants (Note 8(g)).

On February 16, 2022, 1,551,756 special warrants were automatically converted, for no additional consideration, into 1,551,756 common shares and 775,878 common share purchase warrants (Note 8(g)).

On April 19, 2022, the Company issued 12,500 common shares at $1.20 per share pursuant to the exercise of warrants for proceeds of $15,000.

(Unaudited – Expressed in Canadian dollars)

8. SHARE CAPITAL (CONTINUED)

[c] Common share purchase warrants

Common share purchase warrant transactions are summarized below:

	Number	Weighted Average Exercise Price $
Balance, September 30, 2021	3,863,125	1.20
Issued	2,282,994	2.00
Exercised	(12,500)	(1.20)
Balance, September 30, 2022	6,133,619	1.50
Expired	(3,850,625)	(1.20)
Balance, December 31, 2022	2,282,994	2.00

Common share purchase warrants issued and exercisable as at December 31, 2022 are as follows:

Date of Expiry	Number of Warrants Outstanding and Exercisable	Exercise Price $
February 16, 2025 [1]	1,507,116	2.00
February 16, 2025	775,878	2.00
	2,282,994	

[1] On May 18, 2022, the expiry date was extended from January 28, 2025 to February 16, 2025.

The remaining life of the common share purchase warrants at December 31, 2022 is 2.13 (September 30, 2022 - 0.93) years.

[d] Compensation warrants

	Number	Weighted Average Exercise Price $
Balance, September 30, 2021	724,039	1.03
Issued	124,140	1.50
Balance, September 30, 2022	848,179	1.10
Expired	(482,901)	(0.80)
Balance, December 31, 2022	365,278	1.50

Compensation warrants issued and exercisable as at December 31, 2022 are as follows:

Date of Expiry	Number of Warrants Outstanding and Exercisable	Exercise Price $
September 27, 2024	241,138	1.50
October 15, 2024	124,140	1.50
	365,278	

The weighted average remaining life of the compensation warrants as at December 31, 2022 is 1.76 (September 30, 2022 - 0.92) years.

(Unaudited – Expressed in Canadian dollars)

8. SHARE CAPITAL (CONTINUED)

[e] Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price of the Company's common shares.

A continuity of stock options is as follows:

	Number	Weighted Average Exercise Price $
Balance, September 30, 2021	3,259,625	0.35
Granted	200,000	1.50
Balance, September 30, 2022	3,459,625	0.42
Granted	100,000	1.50
Balance, December 31, 2022	3,559,625	0.43

Stock options issued and exercisable as at December 31, 2022 are as follows:

Expiry Date	Exercise Price $	Number of Options Issued	Number of Options Exercisable
April 1, 2023 (1)	0.20	500,000	500,000
April 1, 2023 (2)	0.80	75,000	75,000
May 27, 2023	0.80	100,000	100,000
June 23, 2023	0.10	300,000	300,000
March 25, 2024	1.50	200,000	150,000
October 28, 2025	0.20	1,595,000	1,595,000
December 1, 2025	1.50	100,000	100,000
September 6, 2026	0.80	689,625	689,625
		3,559,625	3,509,625

(1) On March 1, 2022, the Company amended the original expiry date of October 28, 2025 for 400,000 stock options to April 1, 2023. No incremental value was recognized.

(2) On March 1, 2022, the Company amended the original expiry date of September 6, 2026 to April 1, 2023. No incremental value was recognized.

As at December 31, 2022, the weighted average remaining life for outstanding stock options was 2.24 (September 30, 2022 - 2.46) years.

(Unaudited – Expressed in Canadian dollars)

8. SHARE CAPITAL (CONTINUED)

[e] Stock options (continued)

During the three months ended December 31, 2022, the Company granted 100,000 stock options to a consultant with an exercise price of $0.80. The stock options vested immediately and expire on December 1, 2025.

During the three months ended December 31, 2022, the Company recognized share-based payments of $66,774 (2021 - $nil) related to the vesting of stock options.

Weighted average assumptions used in calculating the fair value of share-based payments expense are as follows:

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
Risk-free interest rate	3.77%	n/a
Estimated annualized volatility	93.45%	n/a
Expected life (years)	2.93	n/a
Expected dividend yield	0%	n/a
Exercise price	$0.80	n/a
Fair value per option	$0.52	n/a

[f] Shares in escrow

As at December 31, 2022, the Company had 6,382,500 common shares held in escrow and 1,542,219 underlying common shares through warrants and stock options held in escrow. The escrow agreement provides for 10% of such securities to be released on the date on which the common shares are listed on the TSXV and 15% of such securities to be released every six months after the listing date (for a total of 36 months release period).

[g] Special warrants

Each special warrant entitled the holder thereof to receive, upon exercise, for no additional consideration, one unit of the Company, with each unit being comprised of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole underlying warrant entitled the holder thereof to acquire one common share in the capital of the Company at an exercise price of $2 until the date that is 36 months from the issuance of the underlying warrants.

Each special warrant automatically converted to one unit of the Company without payment of any additional consideration on the earliest of (a) the fifth business day after the date on which the Company obtains a receipt from the applicable securities commission(s) in Canada for the final prospectus qualifying the distribution of the common shares to be issued upon exercise or deemed exercise of the special warrants; and (b) the date that is four months and one day after the date of issuance of the special warrants.

	Number	Value, Net of Cost
Balance, September 30, 2021	3,014,233	3,909,899
Issued	1,551,756	2,026,274
Converted	(4,565,989)	(5,936,173)
Balance, September 30, 2022 and December 31, 2022	-	-

8. SHARE CAPITAL (CONTINUED)

[g] Special warrants (continued)

<u>During the year ended September 30, 2022</u>

On October 15, 2021, the Company completed a private placement of 1,551,756 special warrants of the Company at a price of $1.50 per special warrant for gross proceeds of $2,327,634.

In connection with the offering, the Company paid a total of $190,789 in issuance costs and issued a total of 124,140 compensation warrants with a fair value of $110,571 exercisable for $1.50 per compensation warrant. Each compensation warrant entitles the holder to acquire one common share in the capital of the Company and one-half of one common share purchase warrant with an exercise price of $2.

The fair value of the compensation warrants was determined using the Black-Scholes option pricing model under the following assumptions: a risk-free interest rate of 0.32%, annualized volatility of 95.51%, an expected life of 3 years, 0% dividend yield, a $1.50 exercise price and a $1.50 share price.

9. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure its ability to continue as a going concern in order to pursue the acquisition and development of mineral property interests. 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 is largely dependent upon external financings to fund activities. To carry out planned acquisition and development and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. 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 financing resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management during the three months ended December 31, 2022. The Company is not subject to externally imposed capital restrictions.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

[a] Fair value

IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs used in making fair value measurements as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities, either directly (i.e., as prices) or indirectly (i.e., from derived prices); and
- Level 3 – inputs for the asset or liability that are not based upon observable market data.

The fair value of cash and cash equivalents is based on Level 1 inputs. Accounts payable and accrued liabilities approximate fair values due to their short-term nature.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[a] Fair value (continued)

The Company's financial instruments are exposed to certain financial risks, which include foreign currency risk, interest rate risk, credit risk, liquidity risk and other price risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's exposure to these risks and its methods of managing the risks remain consistent.

[b] Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises for the Company from its cash and cash equivalents and Goods and Services Tax receivable. Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at a major Canadian financial institution. Management believes credit risk is nominal, as cash is held in a Canadian financial institution and Goods and Services Tax receivable is due from the Government of Canada.

The credit risk associated with cash and cash equivalents is minimized by ensuring that substantially all dollar amounts are held with a major financial institution with strong investment-grade ratings by a primary rating agency.

[c] Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company is reliant upon equity issuances as its sole source of cash. The Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its ongoing obligations. The Company continuously reviews its actual expenditures and forecasted cash flows and matches the maturity dates of its cash equivalents to capital and operating needs. The Company normally maintains sufficient cash to meet the Company's business requirements. As at December 31, 2022, the Company has a cash and cash equivalents balance of $2,817,171 (September 30, 2022 - $4,425,964). Management estimates these funds are sufficient to meet its current obligations. As of December 31, 2022, the Company has a working capital of $2,689,863 (September 30, 2022 - $4,355,507).

[d] Market risk

<u>Interest rate risk</u>

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Company's term deposit earns interest at prime less 2.4%. Fluctuations in the prime lending rate would have an insignificant impact on profit or loss in the period.

<u>Currency risk</u>

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company does not hold financial instruments in a foreign currency. As such, currency risk is insignificant.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[d] Market risk (continued)

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of lithium. The Company closely monitors commodity prices to determine appropriate courses of action to be taken.

11. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the exploration and evaluation of mineral properties. All the Company's exploration and evaluation assets are located in Canada.

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the Company issued 1,395,000 shares pursuant to the exercise of stock options for gross proceeds of $249,000.

The Board of Directors have approved the implementation of a new "fixed up to 20%" stock option plan (the "New Plan") to replace its existing "rolling up to 10%" stock option plan (the "Current Plan"). Under the New Plan, the Company may issue up to an aggregate of 7,700,000 stock options to purchase common shares in the capital of the Company (each an "Option"). Subsequent to December 31, 2022, the Company granted 3,250,000 stock options to certain directors, officers and consultants under a new fixed stock option plan. The stock options have an exercise price of $1.10 and an expiry date of January 27, 2028. The option grant is subject to the policies of the TSX Venture Exchange (the "TSXV") and the terms and conditions of the New Plan. The New Plan is subject to: (i) the approval of the TSXV; and (ii) the approval and ratification of shareholders of the Company, which approval will be sought at the Company's next annual general meeting of shareholders (the "Meeting"). At the Meeting, the Company will also seek disinterested shareholder approval and ratification of the Options granted under the New Plan.