

LITHIUMBANK RESOURCES CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2021 AND 2020

(Unaudited – Expressed in Canadian dollars)

LITHIUMBANK RESOURCES CORP.

// Condensed Consolidated Interim Statements of Financial Position
Unaudited – Expressed in Canadian dollars

	Notes	December 31, 2021 \$	September 30, 2021 \$
(unaudited)			
Assets			
Current assets			
Cash and cash equivalents	4	7,102,900	8,885,585
Goods and Services Tax receivable		76,779	56,515
Deposits	6	39,864	39,864
Prepaid expenses and advances		76,009	82,028
		7,295,552	9,063,992
Non-current assets			
Exploration and evaluation assets	5	3,520,442	1,065,219
Total Assets		10,815,994	10,129,211
Liabilities and Shareholders' Equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		81,889	376,822
Total Liabilities		81,889	376,822
Shareholders' Equity			
Share capital	7	10,085,816	10,085,816
Reserves	8	7,480,460	5,343,615
Subscriptions received		-	635,641
Deficit		(6,832,171)	(6,312,683)
Total Shareholders' Equity		10,734,105	9,752,389
Total Liabilities and Shareholders' Equity		10,815,994	10,129,211

Nature of operations and going concern (Note 1)

Subsequent events (Note 12)

These condensed consolidated interim financial statements were approved for issue by the Audit Committee on February 23, 2022 and signed on its behalf by:

"Paul Matysek"

Director

"Chris Murray"

Director

LITHIUMBANK RESOURCES CORP.

// Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
Unaudited – Expressed in Canadian dollars

	Notes	Three Months Ended December 31, 2021 \$	Three Months Ended December 31, 2020 \$
Operating expenses			
Consulting fees	6	72,417	79,704
Exploration and evaluation	5	217,562	61,133
General and administration		59,740	4,868
Management fees	6	75,600	30,500
Professional fees		87,106	34,268
Share-based payments	6, 7	-	293,325
Travel		11,371	-
		<u>(523,796)</u>	<u>(503,798)</u>
Other income (expense)			
Interest income		4,582	-
Foreign exchange loss		(274)	-
		<u>4,308</u>	<u>-</u>
Net loss and comprehensive loss		<u>(519,488)</u>	<u>(503,798)</u>
Basic and diluted loss per common share		<u>(0.02)</u>	<u>(0.02)</u>
Weighted average number of common shares outstanding – basic and diluted		32,596,250	20,654,348

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

LITHIUMBANK RESOURCES CORP.

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

	Share capital		Subscriptions Receivable \$	Reserves \$	Deficit \$	Shareholders' Equity \$
	Number of shares #	Amount \$				
Balance, September 30, 2020	19,200,000	1,016,637	-	-	(206,750)	809,887
Private placement	1,750,000	350,000	-	-	-	350,000
Share-based payment	-	-	-	293,325	-	293,325
Loss for the period	-	-	-	-	(503,798)	(503,798)
Balance, December 31, 2020	20,950,000	1,366,637	-	293,325	(710,548)	949,414
Shares issued for services received	100,000	80,000	-	-	-	80,000
Private placements	7,726,250	6,181,000	-	-	-	6,181,000
Share issuance costs	-	(597,821)	-	155,001	-	(442,820)
Reverse takeover transaction	3,820,000	3,056,000	-	210,024	-	3,266,024
Share-based payment	-	-	-	560,585	-	560,585
Special warrants, net	-	-	-	4,124,680	-	4,124,680
Subscriptions received	-	-	635,641	-	-	635,641
Loss for the period	-	-	-	-	(5,602,135)	(5,602,135)
Balance, September 30, 2021	32,596,250	10,085,816	635,641	5,343,615	(6,312,683)	9,752,389
Special warrants, 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

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

LITHIUMBANK RESOURCES CORP.

// Condensed Consolidated Interim Statements of Cash Flows
Unaudited – Expressed in Canadian dollars

	Three Months Ended December 31, 2021 \$	Three Months Ended December 31, 2020 \$
OPERATING ACTIVITIES		
Loss for the period	(519,488)	(503,798)
Add item not affecting cash:		
Shared-based payments	-	293,325
Changes in non-cash working capital items:		
Goods and Services Tax receivable	(20,264)	(9,627)
Prepaid expenses and advances	6,019	(25,038)
Accounts payable and accrued liabilities	(94,571)	7,877
Net cash used in operating activities	(628,304)	(237,261)
INVESTING ACTIVITY		
Acquisition of exploration and evaluation assets	(2,455,222)	(59,770)
Net cash used in investing activity	(2,455,222)	(59,770)
FINANCING ACTIVITY		
Proceeds from issuance of common shares, net	1,300,842	350,000
Net cash provided by financing activity	1,300,842	350,000
Change in cash and cash equivalents during the period	(1,782,685)	52,969
Cash and cash equivalents, beginning of the period	8,885,585	817,486
Cash and cash equivalents, end of the period	7,102,900	870,455
Cash paid for:		
Interest	-	-
Taxes	-	-
Non-cash investing and financing activities:		
Fair value of special broker warrants	110,571	-
Share issuance costs included in accounts payable	200,362	-

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

// Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

LithiumBank Resources Corp. (the “Company” or “LRC”) was incorporated under the *Business Corporations Act* (British Columbia) on May 31, 2019. The Company’s registered and records office is located at 10th floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

LRC 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 mineral properties are based on costs incurred to date, and do not necessarily represent present or future values.

These condensed consolidated interim 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 consolidated interim 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, 2021, the Company has accumulated a deficit of \$6,832,171 and working capital of \$7,213,663. Management estimates that the Company has sufficient working capital to support operations for the next twelve months. The condensed consolidated interim 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 COVID-19 pandemic continues to cause significant financial and social dislocation. The situation is dynamic and may cause a significant challenge for the Company to raise new equity. In the event of a prolonged continuation of the pandemic, it is not clear what the potential impact may be on the Company’s business, financial position and financial performance.

2. BASIS OF PREPARATION

[a] Statement of compliance

These condensed consolidated interim 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 consolidated interim 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 for the year ended

// Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

2. BASIS OF PREPARATION (CONTINUED)

[a] Statement of compliance (continued)

September 30, 2021 (“Annual Financial Statements”), which have been prepared in accordance with IFRS.

The accounting policies applied in preparation of these condensed consolidated interim financial statements are the same as those applied in the most recent Annual Financial Statements.

[b] Basis of measurement

These condensed consolidated interim 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 consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

[c] Functional and foreign currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s functional currency. Foreign currency transactions are translated into Canadian dollars using the exchange rates at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognized in the condensed consolidated interim statements of loss and comprehensive loss.

[d] Basis of consolidation

The Company’s condensed consolidated interim 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, 2021, the Company’s wholly owned subsidiary includes LHI and its 100% owned subsidiary, 2277445 Alberta Ltd.

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

[e] Critical accounting judgments, estimates and assumptions

The preparation of these condensed consolidated interim 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 consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim 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

// Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

2. BASIS OF PREPARATION (CONTINUED)

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

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.

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 consolidated interim 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. Judgement is required in determining whether deferred tax assets are recognized in the consolidated statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets.

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. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the consolidated statement of financial position could be impacted.
- ii. Recoverability of exploration and evaluation assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications 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.

// Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

2. BASIS OF PREPARATION (CONTINUED)

Estimation Uncertainty (continued)

- iii. 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 contributed surplus. 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 consolidated interim financial statements follow the same accounting principles and methods of application of those disclosed in note 3 of the Company's Annual Financial Statements as at September 30, 2021 and for the year then ended.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash held in banks and a term deposit.

	December 31, 2021	September 30, 2021
	\$	\$
Cash	7,074,078	8,856,801
Term deposit	28,822	28,784
	<u>7,102,900</u>	<u>8,885,585</u>

As at December 31, 2021, the Company has one term deposit in the amount of \$28,750 maturing on January 6, 2023 with interest at prime less 2.4%. During the three months ended December 31, 2021, the Company recognized total interest income of \$4,582, of which \$38 (December 31, 2020 - \$nil) is from a variable rate guaranteed investment certificate, and \$4,544 is from cash deposits (December 31, 2020 - \$nil).

// Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

5. EXPLORATION AND EVALUATION ASSETS

The following table summarizes the Company's exploration and evaluation assets transactions for the three months ended December 31, 2021 and the year ended September 30, 2021:

	Balance, September 30, 2019	Acquisition	Balance, September 30, 2020	Acquisition	Balance, September 30, 2021	Acquisition	Balance, December 31, 2021
Costs	\$	\$	\$	\$	\$	\$	\$
Fox Creek	-	16,000	16,000	-	16,000	-	16,000
Kakwa	-	-	-	11,056	11,056	-	11,056
Nipisi	-	-	-	9,406	9,406	-	9,406
Simonette	-	-	-	1,969	1,969	-	1,969
Sturgeon Lake	-	4,000	4,000	9,625	13,625	1,250	14,875
Swan Hills	-	-	-	7,219	7,219	-	7,219
Valhalla	-	-	-	7,069	7,069	-	7,069
Valleyview	-	-	-	-	-	6,250	6,250
Estevan	-	-	-	661,593	661,593	-	661,593
Kindersley	-	-	-	-	-	1,469,062	1,469,062
South (Saskatchewan)	-	-	-	337,282	337,282	978,661	1,315,943
Clarke Lake	-	-	-	-	-	-	-
	-	20,000	20,000	1,045,219	1,065,219	2,455,223	3,520,442

During the three months ended December 31, 2021, the Company acquired 100% interest in subsurface rights in the province of Saskatchewan. The Company paid a total of \$2,447,723 for these acquisitions.

During the three months ended December 31, 2021, the Company acquired additional claims in Valleyview and Sturgeon Lake for \$6,250 and \$1,250 respectively.

On July 31, 2020, in connection with certain consulting services, the Company granted, to a related party, an overriding revenue royalty equal to 2.0% of the gross proceeds realized from the sale of all products produced on the claims. This agreement was subsequently amended and replaced in its entirety on November 26, 2021, in order to more accurately reflect the intention of the parties. The amended agreement includes all claims acquired during the period commencing on the date of the original agreement and continuing for a period of 12 months thereafter and at any time as a result of the mineral sampling and resource determination program currently conducted in northeastern British Columbia.

Exploration Expenditures

The following table summarizes the Company's exploration expenditures:

	Three Months Ended December 31, 2021	Three Month Ended December 31, 2020
	\$	\$
Geological consulting and related	130,804	60,915
Other	9,871	-
Sampling and related	75,969	-
Travel	918	218
Total	217,562	61,133

// Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

6. 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, 2021	Three Months Ended December 31, 2020
	\$	\$
General consulting fees	12,000	30,994
Management fees	75,600	70,710
Share-based payments	-	197,755
Total	87,600	299,459

[b] Amounts due to related parties

As at December 31, 2021, there was \$11,723 (September 30, 2021 - \$18,455) owing to related parties which is included in accounts payable and accrued liabilities. These amounts are unsecured, non-interest-bearing and due on demand.

[c] Amounts due from related parties

As at December 31, 2021, there was \$39,864 (September 30, 2020 - \$nil) due from the Vice President of Operations included in deposits. The amount is a reimbursement to the Company for the deposit previously paid for the acquisition of claims.

7. SHARE CAPITAL

[a] Authorized

The authorized share capital of the Company as at December 31, 2021 and September 30, 2021 consists of an unlimited number of common shares without par value.

[b] Issued and outstanding

During the Period Ended December 31, 2021

There were no share issuances.

// Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

7. SHARE CAPITAL (CONTINUED)

[b] Issued and outstanding (continued)

During the Year Ended September 30, 2021

LHI issued 100,000 common shares with a grant date of April 28, 2021 and a fair value of \$80,000 for geological consulting services.

During the months of April and May 2021, LHI issued 7,726,250 units at a price of \$0.80 per unit, for gross cash proceeds of \$6,181,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of \$1.20 for a period of twelve months from the date of issue.

In connection with the financing, LHI issued a total of 482,901 compensation warrants, which are exercisable into one common share at a price of \$0.80 for a period of two years. LHI recognized \$155,001 as share issuance costs related to the compensation warrants, which were valued using the Black-Scholes option pricing model under the following assumptions: a risk-free interest rate of 0.49%, estimated annualized volatility of 104.81%, an expected life of one year, nil dividend yield and an exercise price of \$0.80.

LHI incurred additional cash share issuance costs of \$442,820.

During the months of October and November 2020, LHI completed non-brokered private placements and issued 1,750,000 common shares at a price of \$0.20 per share for total cash proceeds of \$350,000.

Post RTO

Pursuant to the RTO transaction on July 13, 2021, LRC issued 28,776,250 common shares to former shareholders of LHI in relation to the RTO transaction, which had a fair value of \$3,056,000.

[c] Common share purchase warrants

Common share purchase warrant transactions and the number of common share purchase warrants outstanding are summarized below:

	Number	Weighted Average Exercise Price \$
Balance, September 30, 2020	-	-
Issued	3,863,125	1.20
Balance, September 30, 2021 and December 31, 2021	3,863,125	1.20

// Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

7. SHARE CAPITAL (CONTINUED)

[c] Common share purchase warrants (continued)

Date of Expiry	Number of Outstanding and Exercisable Warrants	Exercise Price \$
April 16, 2022	2,022,500	1.20
April 28, 2022	1,066,875	1.20
May 3, 2022	773,750	1.20
Balance, December 31, 2021	3,863,125	

The remaining life of the common share purchase warrants at December 31, 2021 is 0.31 (September 30, 2021 - 0.56) years.

[d] Compensation warrants

	Number	Weighted Average Exercise Price \$
Balance, September 30, 2020	-	-
Issued	724,039	0.88
Balance, September 30, 2021	724,039	0.88
Issued (Note 8)	124,140	1.50
Balance, December 31, 2021	848,179	1.10

The remaining life of the compensation warrants as at December 31, 2021 is 1.67 (September 30, 2021 - 0.59) years.

[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.

// Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

7. SHARE CAPITAL (CONTINUED)

[e] Stock options (continued)

A continuity of stock options is as follows:

	Number	Weighted Average Exercise Price \$
Balance, September 30, 2020	-	-
Granted	3,259,625	0.35
Balance, September 30, 2021 and December 31, 2021	3,259,625	0.35

Stock options issued and exercisable as at December 31, 2021 is as follows:

Expiry Date	Exercise		Number of Options Exercisable
	Price \$	Number of Options Issued	
April 1, 2023	0.20	100,000	100,000
May 27, 2023	0.80	100,000	100,000
June 23, 2023	0.10	300,000	300,000
October 28, 2025	0.20	1,995,000	1,995,000
September 6, 2026	0.80	764,625	764,625
		3,259,625	3,259,625

As at December 31, 2021, the weighted average remaining life for outstanding stock options was 3.66 (September 30, 2021 - 3.91) years.

8. SPECIAL WARRANTS

On October 15, 2021, the Company completed the second tranche of its private placement of 1,551,756 special warrants of the Company (each, a "Special Warrant") at a price of \$1.50 per Special Warrant for gross proceeds of \$2,327,634.

Each Special Warrant will entitle 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 (an "Underlying Warrant"). Each whole Underlying Warrant entitles the holder thereof to acquire one common share in the capital of the Company at an exercise price of \$2.00 per Underlying Warrant until the date that is 36 months from the issuance of the Underlying Warrants.

Each Special Warrant will be automatically exercised for 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.

// Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

8. SPECIAL WARRANTS (CONTINUED)

In connection with the offering, the Company paid a total of \$190,789 in issuance costs and issued a total of 124,140 special broker warrants with a fair value of \$110,571 exercisable for \$1.50 per special broker warrant. Each special broker 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 \$2.00.

The fair value of the special broker 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, nil dividend yield, \$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, 2021. 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. The fair values of Goods and Services Tax receivable and accounts payable and accrued liabilities approximate fair values due to their short-term nature.

// Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

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.

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, 2021, the Company had a cash and cash equivalents balance of \$7,102,900. Management estimates these funds are sufficient to meet its current obligations.

[d] Market risk

i. Interest rate risk

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 2.2%. Fluctuations in the prime lending rate would have an insignificant impact on profit or loss in the period.

ii. Currency risk

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.

// Notes to Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2021 and 2020

Unaudited – Expressed in Canadian Dollars

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[d] Market risk (continued)

iii. 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, 2021:

- On January 28, 2022, 3,014,233 special warrants were automatically converted, for no additional consideration, into 3,014,233 common shares and 1,507,116.5 warrants.
- On January 31, 2022, the Company amended the terms of the first, second, and third tranche warrants as follows:
 - The expiry date of the first tranche warrants is extended from April 16, 2022 to October 16, 2022
 - The expiry date of the second tranche warrants, the second tranche broker warrants and the second tranche underlying broker warrants is extended from April 16, 2022 to October 16, 2022
 - The expiry date of the third tranche warrants, the third tranche broker warrants, and the third tranche underlying broker warrants is extended from May 3, 2022 to November 3, 2022.
- 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 warrants.