



**Financial Statements**

**For the Years Ended December 31, 2022 and 2021**



To the Shareholders of Grounded Lithium Corp.:

## **Opinion**

We have audited the financial statements of Grounded Lithium Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and December 31, 2021, and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2022 and the period from incorporation on October 26, 2020 to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and the period from incorporation on October 26, 2020 to December 31, 2021 in accordance with International Financial Reporting Standards.

## **Basis for Opinion**

We conducted our audits 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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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 in the financial statements, which indicates that the Company incurred net loss and had negative cash flows from operations during the period ended December 31, 2022 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 matter described below to be the key audit matters to be communicated in our report.

### ***Reverse Takeover Transaction***

#### ***Key Audit Matter Description***

During the year ended December 31, 2022, the Company completed a reverse takeover transaction ("RTO") as described in Note 7.

The reverse takeover transaction is a significant transaction which requires significant judgement and estimates in the determination of the applicable accounting treatment and valuation of the consideration paid. As a result, we consider this to be a key audit matter.

### *Audit Response*

We responded to this matter by performing procedures in relation to the measurement of the RTO and accounting determination. Our audit work in relation to this included, but was not restricted to, the following:

- Assessing whether the accounting treatment of the RTO should be in accordance with IFRS 2 - Share-Based Payment.
- Assessing the valuation of the common shares issued to affect the RTO and the accuracy of the corresponding listing expense.
- Performing procedures on the opening statement of financial position at the transaction date.

### **Other Information**

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

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Scott Laluk.

Calgary, Alberta

April 25, 2023

*MNP LLP*

Chartered Professional Accountants



**GROUNDED LITHIUM CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	December 31, 2022	December 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 658,016	\$ 2,328,235
Restricted cash	25,380	-
Short-term investments (note 6)	2,250,000	-
Accounts receivable	76,721	7,246
Prepaid expenses (note 8)	382,935	-
<b>Total current assets</b>	<b>3,393,052</b>	<b>2,335,481</b>
Property and equipment (note 9)	32,408	-
Right-of-use asset (note 10)	141,918	-
Exploration and evaluation assets (note 11)	2,461,365	159,492
<b>Total non-current assets</b>	<b>2,635,691</b>	<b>159,492</b>
<b>Total assets</b>	<b>\$ 6,028,743</b>	<b>\$ 2,494,973</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 701,783	\$ 144,856
Lease liability (note 10)	104,033	-
<b>Total current liabilities</b>	<b>805,816</b>	<b>144,856</b>
Decommissioning liability (note 12)	8,492	-
Lease liability (note 10)	56,363	-
<b>Total liabilities</b>	<b>870,671</b>	<b>144,856</b>
<b>Shareholders' Equity</b>		
Share capital (note 14)	11,071,609	2,596,343
Warrants (note 14)	830,169	-
Contributed surplus (note 14)	611,447	130,384
Deficit	(7,355,153)	(376,610)
<b>Total equity</b>	<b>5,158,072</b>	<b>2,350,117</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 6,028,743</b>	<b>\$ 2,494,973</b>

See accompanying notes which are an integral part of these financial statements.

**Nature of Operations and Going Concern** (see note 1)  
**Subsequent Events** (see note 21)

On Behalf of the Board:

"Signed" Dave Antony  
Director

"Signed" Mark McMurray  
Director

**GROUNDLED LITHIUM CORP.**  
**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**(Expressed in Canadian dollars)**

For the year ended December 31,	2022	2021
<b>Revenue</b>		
Interest income <i>(note 16)</i>	\$ 19,249	\$ -
	19,249	-
<b>Expenses</b>		
Public listing fee <i>(note 7)</i>	2,764,530	-
Investor relations	1,317,352	-
Professional fees	850,594	72,407
Wages and benefits <i>(note 17)</i>	778,426	-
Financing fees	314,451	202,261
Share-based compensation <i>(note 14)</i>	312,098	53,999
Other G&A expenses	310,424	11,765
Consulting fees	190,995	436
Subsurface mineral lease rentals	148,499	35,742
Depreciation <i>(note 9)</i>	23,730	-
Capital overhead recoveries	(17,640)	-
	6,993,459	376,610
Results from operating activities	6,974,210	376,610
Finance expense <i>(note 16)</i>	4,333	-
Loss before income taxes	6,978,543	376,610
<b>Loss and comprehensive loss</b>	<b>\$ 6,978,543</b>	<b>\$ 376,610</b>
Loss and comprehensive loss per share <i>(note 14(c))</i>		
Basic and diluted	\$ 0.18	\$ 0.11

*See accompanying notes which are an integral part of these financial statements.*

**GROUNDING LITHIUM CORP.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Expressed in Canadian dollars)**

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Equity
Balance at January 1, 2022	20,348,415	\$2,596,343	\$ -	\$130,384	\$376,610	\$2,350,117
Issuance of common shares (note 14)	17,979,032	3,216,246	-	-	-	3,216,246
Issuance of common shares (notes 7 and 14)	18,545,303	3,258,154	-	-	-	3,258,154
Shares to be issued (note 14)	-	2,169,831	-	-	-	2,169,831
Warrants to be issued (note 14)	-	-	830,169	-	-	830,169
Share-based compensation (note 14)	-	-	-	312,098	-	312,098
Issuance of finder's warrants (note 14)	-	(168,965)	-	168,965	-	-
Loss and comprehensive loss	-	-	-	-	6,978,543	(6,978,543)
<b>Balance at December 31, 2022</b>	<b>56,872,750</b>	<b>\$11,071,609</b>	<b>\$830,169</b>	<b>\$611,447</b>	<b>\$7,355,153</b>	<b>\$5,158,072</b>

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
At incorporation, October 26, 2020	-	\$ -	\$ -	\$ -	\$ -
Issuance of common shares (note 14)	20,348,415	2,652,748	-	-	2,652,748
Share-based compensation (note 14)	-	-	53,999	-	53,999
Issuance of finder's warrants (note 14)	-	(76,385)	76,385	-	-
Shares to be issued (note 14)	-	19,980	-	-	19,980
Loss and comprehensive loss	-	-	-	376,610	(376,610)
Balance at December 31, 2021	20,348,415	\$ 2,596,343	\$ 130,384	\$ 376,610	\$ 2,350,117

See accompanying notes which are an integral part of these financial statements.

**GROUNDLED LITHIUM CORP.**  
**STATEMENTS OF CASH FLOWS**  
**(Expressed in Canadian dollars)**

For the year ended December 31,	2022	2021
<b>Operating activities</b>		
Loss for the year	\$ (6,978,543)	\$ (376,610)
Adjustments for:		
Public listing fee ( <i>note 7</i> )	2,764,530	-
Share-based compensation ( <i>note 14</i> )	312,098	53,999
Depreciation ( <i>note 9</i> )	23,730	-
Finance expense ( <i>note 16</i> )	4,333	-
Interest paid ( <i>note 16</i> )	(1,559)	-
Changes in non-cash working capital ( <i>note 15</i> )	41,213	137,610
<b>Net cash used in operating activities</b>	<b>(3,834,198)</b>	<b>(185,001)</b>
<b>Financing activities</b>		
Issuance of common shares ( <i>note 14</i> )	5,348,577	2,533,728
Issuance of warrants ( <i>note 14</i> )	830,169	-
Cash acquired in acquisition ( <i>note 7</i> )	566,686	-
Issuance of promissory notes	-	139,000
Share issue costs ( <i>note 14</i> )	(80,000)	-
<b>Net cash from financing activities</b>	<b>6,665,432</b>	<b>2,672,728</b>
<b>Investing activities</b>		
Expenditures on exploration and evaluation ( <i>note 11</i> )	(2,293,446)	(159,492)
Expenditures on property and equipment ( <i>note 9</i> )	(40,369)	-
Purchase of short-term investments ( <i>note 6</i> )	(2,250,000)	-
Changes in non-cash working capital ( <i>note 15</i> )	107,742	-
<b>Net cash used in investing activities</b>	<b>\$ (4,476,073)</b>	<b>\$ (159,492)</b>
Change in cash	\$ (1,644,839)	\$ 2,328,235
Cash, beginning of year	2,328,235	-
Cash, end of year	\$ 683,396	\$ 2,328,235
<b>Cash and cash equivalents</b>		
Unrestricted cash	658,016	2,328,235
Restricted cash – security for credit cards	25,380	-
<b>Cash and cash equivalents</b>	<b>\$ 683,396</b>	<b>\$ 2,328,235</b>

See accompanying notes which are an integral part of these financial statements.

# **GROUNDED LITHIUM CORP.**

## **SELECTED NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Grounded Lithium Corp. (“Grounded” or the “Company”) was incorporated on October 26, 2020 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). The Company’s principal business is the acquiring, exploring and developing of mineral properties in Canada, with a specific focus on lithium. The development of these assets includes processes to purify and recover lithium metal directly from brine liquids. The Company owns and controls approximately 86,000 net hectares with plans to selectively grow this land position through subsequent transactions.

The head office is located at Suite 500, 400 – 5<sup>th</sup> Avenue S.W., in Calgary, Alberta and our registered office is at Suite 4000, 421 – 7<sup>th</sup> Ave SW, Calgary, Alberta.

#### ***Going Concern***

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is in the exploration stage and has not earned revenue from operations. During the year ended December 31, 2022, the Company incurred a net loss of \$6,962,774 and had net cash used in operating activities of \$3,834,198. In addition, the Company has a deficit of \$7,339,884.

The above factors indicate that a material uncertainty exists that may cast significant doubt about the Company’s ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company’s own resources and external market conditions.

The Company’s ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative obligations and continue its exploration activities in the 2023 fiscal year, is dependent upon management’s ability to obtain additional financing, through various means including, but not limited, to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favourable to the Company.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classifications used in the statements of financial position.

# **GROUNDING LITHIUM CORP.**

## **SELECTED NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

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### **2. BASIS OF PRESENTATION**

#### **a) Statement of compliance**

These financial statements have been prepared on a going concern basis in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect on January 1, 2022.

The financial statements were authorized for distribution by the Company's Board of Directors on April 25, 2023.

#### **b) Basis of measurement**

These financial statements are stated in Canadian dollars which is the Company's functional currency and were prepared on a going concern basis, under the historical cost convention except for financial instruments that have been measured at fair value.

Expenses in the statement of operations and comprehensive loss are presented as a combination of function and nature in conformity with industry practice. Share-based compensation and depreciation are presented on separate lines by their nature, while operating expenses and net general and administrative expenses are presented on a functional basis.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

#### **Cash**

Cash includes cash on hand at Canadian financial banking institutions.

When cash is not available for use directly by the Company to finance general operations as a result of contractual or other specific obligations, it is classified as Restricted Cash.

#### **Short-term investments**

Short term investments with original maturity dates of 365 days or less and are used by the Company in the management of short-term commitments.

#### **Exploration and evaluation ("E&E") assets**

E&E assets consist of mineral permit acquisition costs and exploration costs directly related to specific properties and are deferred, commencing on the date that the Company acquires legal rights to explore a mineral property, until technical and economic feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. All other costs, including administrative overhead, are expensed as incurred. E&E assets are not depreciated or depleted. If the properties enter the development phase, they will be reclassified from E&E assets and depletion will commence using the

# GROUNDING LITHIUM CORP.

## SELECTED NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

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unit of production basis based upon proven reserves. If the properties are sold or abandoned, these expenditures will be written off.

The Company currently has one Cash Generating Unit ("CGU") – Kindersley Lithium Project (2021 – 1 CGU). An impairment loss is recognized on the Company's E&E assets when the carrying amount of the asset, or its CGU, exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

### Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and impairment losses. Where an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items of property and equipment.

The cost of replacing an item within property and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed.

Depreciation is calculated at the following declining balance basis:

Office furniture and equipment	20 percent
Computer equipment	25 percent
Computer software	33 percent

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date.

### Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A lease liability is initially measured at the present value of the unpaid lease payments, discounted using the lessee's incremental borrowing rate applied to the lease liabilities. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease

# **GROUNDED LITHIUM CORP.**

## **SELECTED NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

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payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation or any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

### **Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. The estimated decommissioning provision is recorded as a liability in the period in which it is incurred, with a corresponding increase in the carrying amount of the related asset. Decommissioning provision is measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position using the risk free rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance cost and increases / decreases in the provision due to changes in estimated future cash flow are recorded as adjustments to the carrying amount of the related asset. The capitalized amount is depreciated along with the related asset using the unit-of-production method based on proved and probable reserves. Actual costs incurred upon the settlement of the decommissioning provision are charged against the decommissioning provision to the extent the provision was established.

### **Financial instruments**

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). Financial assets are categorized based on the Company's objective for the asset and the contractual cash flows. A financial asset is classified as amortized cost if the asset is held with the objective to collect contractual cash flows that are solely payments of principal and interest on principal amounts outstanding. A financial asset is classified as FVOCI if the asset is held with the objective to both collect contractual cash flows and sell the financial asset. All other financial assets are measured at FVTPL. Financial assets are assessed for impairment using an expected credit loss model. Trade and other receivables are classified and measured at amortized cost. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Transaction costs that are directly attributable to the acquisition or issue of a financial asset or a financial liability classified as FVTPL are expensed at inception of the contract. For a financial asset or a financial liability carried at amortized cost, transaction costs directly attributable to acquiring or issuing the asset or liability are added to, or deducted from, the fair value on initial recognition and amortized through net income or loss over the term of the financial instrument.



# GROUNDING LITHIUM CORP.

## SELECTED NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

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The measurement categories for each class of financial asset and financial liability are summarized in the following table:

<b>Financial Instrument</b>	<b>Classification</b>
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Prepaid expenses	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Financial instruments may be utilized by the Company to manage its exposure to commodity price fluctuations and foreign currency exposures. The Company's practice is not to utilize financial instruments for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Company considers all financial derivative contracts to be economic hedges. As a result, all financial derivative contracts are classified at fair value through profit or loss and are recorded on the statement of financial position at fair value. Transaction costs are recognized in profit or loss when incurred.

Impairment of financial assets is determined by calculating the expected credit loss ("ECL"). The Company measures an ECL allowance for trade and other receivables. The Company determines the ECL which is the probability of default events related to the financial asset by using historical realized bad debts and forward-looking information. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized with general and administrative expense in the statement of income or loss.

### **Share-based compensation**

Compensation expense associated with share-based compensation plans is recognized in profit or loss, over the vesting period of the plan, with a corresponding increase in contributed surplus. Compensation expense is based on the fair value of the equity based compensation at the date of the grant determined in part based on the Black-Scholes option pricing model. The amount recognized as an expense is adjusted to reflect the actual number of stock options for which the related service conditions are met. The amount of non-cash compensation expense for equity based plans is recognized in contributed surplus and is recorded as an increase in shareholders' equity when equity based compensation plans are exercised.

### **Income taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is also recognized in equity.

Current tax is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on laws enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if

## **GROUNDED LITHIUM CORP.**

### **SELECTED NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

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there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities when the Company intends to settle current tax liabilities and assets on a net basis, or when the tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **Per share information**

Basic per share amounts are calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted per share amounts are determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which consist of performance warrants and stock options granted to employees.

#### **Impairment**

##### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Impairment of financial assets is determined by calculating the expected credit loss ("ECL"). The Company measures an ECL allowance for trade and other receivables. The Company determines the ECL which is the probability of default events related to the financial asset by using historical realized bad debts and forward-looking information. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized with general and administrative expense in the statement of operations and comprehensive loss.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

##### Non-financial assets

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. E&E assets are assessed for impairment when they are reclassified to lithium properties and equipment, as lithium interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

## **GROUNDED LITHIUM CORP.**

### **SELECTED NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

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In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When testing lithium assets or lithium interests, the CGU is generally the field except where several field interests are grouped because cash inflows are interdependent.

Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGUs that are expected to benefit from the synergies of the combination. E&E assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering event and circumstances as well as on reclassification to lithium properties.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

#### *Non-current assets held for sale*

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured. Thereafter, generally, the assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on assets held for sale is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets or deferred tax assets which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as assets held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss. An impairment loss in respect of goodwill is not reversed.

#### **Finance income and expenses**

Finance income consists of interest income on funds invested. Interest income is recognized as it accrues in profit and loss, using the effective interest method.

Finance expense consists of interest expense on borrowings, accretion of the discount on provisions and impairment losses recognized on financial assets.

Borrowing costs incurred for the construction of qualifying assets, except E&E assets, are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in profit or loss using the effective interest method. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding borrowings during the year.

# **GROUNDING LITHIUM CORP.**

## **SELECTED NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

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Foreign currency gains and losses, reported under finance income and expenses, are reported on a net basis.

#### **4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenue and expenses for the period then ended. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 1 – nature of operations and going concern
- Note 11 – valuation of exploration assets
- Note 13 – deferred income taxes
- Note 14 – measurement of share-based payments

#### **Critical judgments in applying accounting policies**

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

##### ***Taxes***

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of deferred tax assets management judges is probable.

##### ***Financial instruments***

The Company is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

##### ***Going concern***

Management has applied judgment in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the year ended December 31, 2022. Management prepares the financial instruments on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to current and expected profitability, debt repayment schedules and potentials source of financing.

# **GROUNDED LITHIUM CORP.**

## **SELECTED NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

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### ***Impairment of exploration and evaluation assets***

The Company's exploration and evaluation assets are evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amounts is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amounts. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. Management's criteria for evaluating indications of impairment in the asset carrying values include both external and internal factors such as market and economic conditions, commodity prices, future plans for the Company's mineral properties and mineral resources and/or reserve estimates.

### ***Establishing CGU***

For the purpose of assessing impairment of its long-term assets, the Company determines the CGU, as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The determination of the CGU and the classification of the Company's assets to the determined CGU require significant judgment having a potentially significant incidence on the result of the subsequent impairment analysis. The Company periodically reviews the determination of the CGU and the corresponding grouping of the Company's assets, including its assets classified as common assets. Management has determined that the Company has one CGU.

### **Key sources of estimation uncertainty**

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these financial statements.

### ***Fair value of financial instruments***

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

### ***Share-based payments***

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires estimates as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the options, the Company's share price and its expected volatility, the risk-free interest rate and the expected dividends.

### ***Taxes***

Provisions for taxes are made using the best estimate of the amount expected to be paid based on qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

# GROUNDING LITHIUM CORP.

## SELECTED NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

### ***Property and equipment***

Estimation of recoverable quantities of proven and probable reserves include estimates and assumptions regarding future lithium prices, exchange rates, discount rates and production and transportation costs for future cash flows as well as the interpretation of complex geological and geophysical models and data. Changes in reported reserves can affect the impairment of assets, the decommissioning obligations, the economic feasibility of exploration and evaluation assets and the amounts reported for depletion, depreciation and amortization of property, plant and equipment. These reserve estimates are verified by third party professional engineers, who work with information provided by the Company to establish reserve determinations in accordance with National Instrument 43-101.

### ***Decommissioning liability***

The Company estimates the decommissioning obligations for lithium wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal cost, and the estimate of the liability specific discount rates to determine the present value of these cash flows.

## **5. DETERMINATION OF FAIR VALUES**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### **Cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities**

The fair value of cash, accounts receivable and accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2022 the fair value of these balances approximated their carrying value due to their short term to maturity.

### **Share-based payment transactions**

The fair value of employee stock options and performance warrants are measured in part using the Black-Scholes option pricing models. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate.

## **6. SHORT-TERM INVESTMENTS**

Short-term investments with original maturity dates of 365 days or less and are used by the Company in the management of short-term commitments.

	<b>Year ended December 31, 2022</b>	<b>Inception To December 31, 2021</b>
Balance, beginning of year	\$ -	\$ -
GIC, maturity date November 7, 2023 3.25%	1,000,000	-
GIC, maturity date November 9, 2023 3.25%	750,000	-
GIC, maturity date November 9, 2023 3.25%	500,000	-
Balance, end of year	\$ 2,250,000	\$ -

## GROUNDING LITHIUM CORP.

### SELECTED NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

#### 7. VAR RESOURCES CORP. AMALGAMATION

On August 22, 2022, VAR Resources Corp. ("VAR") was acquired by Grounded. Under the Amalgamation, pursuant to which, each common share of Grounded was exchanged for one common share of VAR resulting in a reverse takeover of VAR by Grounded. In connection with the Amalgamation, VAR amalgamated with Grounded and continued as a combined entity under the name "Grounded Lithium Corp". Following completion of the Amalgamation, Grounded shareholders held approximately 67% of the outstanding shares and provided the management and directorship of the ongoing entity. Consequently, Grounded is the continuing legal entity.

The Amalgamation was accounted for in accordance with guidance provided in IFRS 2, "Share-Based Payments" and IFRS 3, "Business Combinations". As VAR did not qualify as a business according to the definition in IFRS 3, this Amalgamation does not constitute a business combination but rather is treated as an issuance of shares by Grounded for the net assets of VAR and VAR's listing status.

Fair value of net assets acquired	Total
Cash	\$ 566,686
GST receivable	6,938
<b>Total net assets acquired</b>	<b>\$ 573,624</b>

Consideration	
Shares issued(18,545,303 shares at \$0.18 per share)	<b>\$ 3,338,154</b>

The excess of the transaction price over the cash balance and other net identifiable assets of \$2,764,530 is a cost of obtaining a listing. The Company incurred a finder fee of \$80,000 relating to the identification of the reverse takeover candidate resulting in a \$3,258,154 net addition to share capital.

#### 8. PREPAID EXPENSES

Prepaid expenses consist of various payments that will be amortized over the monthly period which they relate to:

	Year ended December 31, 2022	Inception To December 31, 2021
Investor relation fees	\$ 252,876	\$ -
Subsurface mineral permit rentals	74,689	-
Insurance	25,206	-
Office lease deposit	19,131	-
Saskatchewan Government abandonment deposit	10,200	-
Communications and software	833	-
Balance, end of year	<b>\$ 382,935</b>	<b>\$ -</b>

**GROUNDING LITHIUM CORP.**  
**SELECTED NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

**9. PROPERTY AND EQUIPMENT**

(\$)	Total
<b>Cost</b>	
Balance at December 31, 2021	\$ -
Additions	40,369
<b>Balance at December 31, 2022</b>	<b>\$ 40,369</b>
<b>Accumulated depreciation:</b>	
Balance at December 31, 2021	\$ -
Amortization for the year	(7,961)
<b>Balance at December 31, 2022</b>	<b>\$ (7,961)</b>
<b>Net carrying value:</b>	
Balance December 31, 2021	\$ -
Balance December 31, 2022	\$ 32,408

As at December 31, 2022, no impairment indicators were identified and therefore an impairment test was not performed.

**10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The Company leases office space with a lease term from November 2022 to June 2024. The lease payments are discounted using the Company's incremental borrowing rate of ten percent at the inception of the lease to calculate the lease liability. The undiscounted cash flows relating to the lease liabilities included in the statement of financial position are \$114,784 in 2023 and \$57,392 in 2024.

**Right-of-use Assets**

(\$)	Total
<b>Cost</b>	
Balance, December 31, 2021	\$ -
Initial recognition	157,687
Depreciation	(15,769)
<b>Balance at December 31, 2022</b>	<b>\$ 141,918</b>

**Lease Liability**

(\$)	Total
Balance, December 31, 2021	\$ -
Initial recognition	157,687
Office rent payments	-
Interest expense	2,709
<b>Balance at December 31, 2022</b>	<b>\$ 160,396</b>



**GROUNDING LITHIUM CORP.**  
**SELECTED NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

**Leases**

**Statement of Financial Position**

(\$)	<b>December 31, 2022</b>
Current lease liabilities	104,033
Non-current lease liabilities	56,363
<b>Total</b>	<b>160,396</b>

**Results of Operations**

(\$)	<b>Year ended December 31, 2022</b>
Interest expense of lease liabilities	2,709

**11. EXPLORATION AND EVALUATION ASSETS**

The following table summarizes the Company's E&E asset expenditures in its Kindersley Lithium Project as at December 31, 2022:

	<b>Year ended December 31, 2022</b>	Inception To December 31, 2021
<b>Cost</b>		
Balance, beginning of year	\$ 159,492	\$ -
Drilling costs	991,524	-
Subsurface mineral permits	762,953	159,492
Production testing/completions	538,969	-
Decommissioning asset	8,427	-
<b>Balance, end of year</b>	<b>\$ 2,461,365</b>	<b>\$ 159,492</b>

Exploration and evaluation assets consist of the Company's exploration projects for which the determination of proved or probable reserves is indeterminable at this time.

Production testing/completion costs relate to the Company's first lithium test well and fluid sampling from oil and gas operator's wells within the greater Kindersley Lithium Project area, to better define grade and deliverability parameters. The majority of the costs incurred for service rig time, production testing and equipment rentals.

As at December 31, 2022, no impairment indicators were identified and therefore an impairment test was not performed.

## GROUNDING LITHIUM CORP.

### SELECTED NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

#### 12. DECOMMISSIONING LIABILITY

The Company's decommissioning provision results from ownership interests in lithium assets including well site, gathering systems and processing facilities. The total provision is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company estimated the total undiscounted amount required to settle its decommissioning provision at December 31, 2022 to be approximately \$10,200 (December 31, 2021 - \$nil) with the abandonment expected to commence in 2042. A discount rate of 3.04 percent (December 31, 2021 – nil percent) and an inflation rate of 2.1 percent (December 31, 2021 – nil percent) was used to calculate the decommissioning provision.

A reconciliation of the decommissioning provision is provided below:

	Year ended December 31, 2022	Inception to December 31, 2021
Balance, beginning of year	\$ -	\$ -
Provisions made during the year	8,410	-
Change in discount rate	17	-
Accretion	65	-
Balance, end of year	\$ 8,492	\$ -

#### 13. DEFERRED INCOME TAXES

The provision for income taxes in the financial statements differs from the result which would have been obtained in applying the combined federal and provincial tax rate to the Company's earnings before income taxes. The difference results from the following items:

	Year ended December 31, 2022	Inception to December 31, 2021
Loss before taxes	\$ 6,978,543	\$ 376,610
Combined federal and provincial tax rate	23.0%	23.0%
Computed "expected" income tax reduction	1,605,065	86,620
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based compensation	(71,780)	(12,420)
Listing fee	(635,840)	-
Tax assets not recognized	(897,445)	(74,200)
Deferred income tax reduction	\$ -	\$ -

A summary of deferred tax assets (liabilities) as at December 31, 2022 and 2021 is provided below:

	Year ended December 31, 2022	Inception to December 31, 2021
Property, plant and equipment	\$ (135,004)	\$ (16,508)
Share issuance costs	135,004	16,508
	\$ -	\$ -

## GROUNDING LITHIUM CORP.

### SELECTED NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

A summary of unrecognized temporary differences at December 31, 2022 and 2021 is provided below:

	Year ended December 31, 2022	Inception to December 31, 2021
Non capital losses	\$ 4,067,620	\$ 160,802
Share issuance costs	240,979	161,809
	<b>\$ 4,308,599</b>	<b>\$ 322,611</b>

A summary of tax pools at December 31, 2022 is provided below:

	Amount	Maximum Annual Deduction
Canadian mining property	\$ 1,742,735	30%
Undepreciated capital cost	149,385	20% to 30%
Share issue costs	810,830	20%
Non-capital losses	4,067,620	100%
Total	<b>\$ 6,770,570</b>	

At December 31, 2022, the Company has non-capital losses of approximately \$4,067,620 available to shelter future taxable income. The non-capital loss carry-forwards will expire in 2041 if not utilized, subject to provisions of the Income Tax Act of Canada that may limit the Company's ability to utilize these losses.

#### 14. SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares. All issued shares are fully paid. No dividends were declared or paid in the year.

##### a) Issued and outstanding

	Year ended December 31, 2022		Inception to December 31, 2021	
	Number of Common Shares	Amount	Number of Common Shares	Amount
Balance, beginning of year	20,348,415	\$ 2,596,343	-	\$ -
Issue of Common Shares (i)	-	-	15,000	1,500
Issue of Common Shares (ii)	-	-	5,000,000	1
Issue of Common Shares (iii)	-	-	1,381,893	139,973
Issue of Common Shares (iv)	-	-	13,951,522	2,511,274
Issue of Common Shares (v)	111,000	-	-	19,980
Issue of Common Shares (vi)	7,659,699	1,378,746	-	-
Issue of Common Shares (vii)	10,000,000	1,800,000	-	-
Issue of Common Shares (viii)	208,333	37,500	-	-
Shares exchanged (ix)	(38,327,447)	-	-	-
Shares issued by VAR (ix)	38,327,447	-	-	-
Existing VAR shares (ix)	18,545,303	3,258,154	-	-
Shares to be issued (x)	-	2,169,831	-	-
Share issue costs	-	(168,965)	-	(76,385)
Balance, end of year	<b>56,872,750</b>	<b>\$ 11,071,609</b>	<b>20,348,415</b>	<b>\$ 2,596,343</b>

## **GROUNDED LITHIUM CORP.**

### **SELECTED NOTES TO INTERIM FINANCIAL STATEMENTS**

For the twelve month period ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

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- (i) On October 26, 2020, 15,000 common shares were issued at \$0.10 per share;
- (ii) On May 31, 2021, 5,000,000 common shares were issued for nominal consideration as part of the inaugural management capital structure;
- (iii) On July 15, 2021 and November 30, 2021, a total of 1,381,893 shares were issued upon two separate conversions of \$139,973 of promissory notes plus accrued interest held by related parties at conversion prices of \$0.10 and \$0.18;
- (iv) On December 20, 2021, 13,951,522 common shares were issued as part of the Company's inaugural external financing at a price of \$0.18 per share for aggregate proceeds of \$2,511,274;
- (v) \$19,980 at a price of \$0.18 per share was received prior to December 31, 2021 for shares that were subsequently issued in January 2022;
- (vi) The Company closed on additional tranches of common shares in January 2022 and February 2022 of 7,659,699 common shares at a price of \$0.18 per share for proceeds of \$1,378,746.
- (vii) On August 22, 2022 10,000,000 common shares were issued at \$0.18 per share for proceeds of \$1,800,000;
- (viii) On August 22, 2022, 208,333 common shares were issued at \$0.18 per share to satisfy the obligation owed to an arms-length party from an external financing;
- (ix) On August 22, 2022, VAR and Grounded closed an amalgamation agreement. Pursuant to the terms of this agreement, each common share of Grounded was exchanged for 1 common share of VAR resulting in a reverse takeover of VAR by Grounded. On August 22, 2022, VAR changed its name to Grounded Lithium Corp. and on August 22, 2022, the Company began trading on the TSXV under the symbol GRD.V. The Company issued 18,545,303 common shares to the former shareholders at \$ 0.18 per share (\$3,338,154) and the Company incurred a finder fee of \$80,000 relating to the identification of the reverse takeover candidate resulting in a \$3,258,154 addition to share capital ; and
- (x) On November 4, 2022, the Company completed a \$3.0 million non-brokered private placement of Special Warrants at a price of \$0.25 per Special Warrant. Each Special Warrant entitles the holder to one Unit of the Company, with each Unit consisting of one Common Share of the Company and one Common Share purchase Warrant. Each Warrant shall be exercisable to acquire one Common Share at a price of \$0.50 per Warrant for a period of 24 months from the closing of the Offering. The \$3.0 million of proceeds were allocated using the relative fair value method between the value of the common shares \$3,480,000 (12,000,000 common shares multiplied by the closing share price of \$0.29 per share when the private placement was announced) and the value of the warrants using Black Scholes model of \$1,311,484. The allocation resulted in \$2,169,831 being allocated to common shares and \$830,169 to warrants.

#### **b) Share-based compensation plans**

##### **Stock Option Plan (the "Plan")**

In connection with closing of its reverse takeover of VAR on August 22, 2022, the Company adopted the TSX Venture Issuer's equity incentive plan which was approved by TSX Venture Issuer's shareholders on August 18, 2022. The Plan provides flexibility to grant equity-based incentive awards in the form of stock options, as well as restricted share units, deferred share units and performance share units. The Plan is a fixed 20% plan, allowing for a maximum of 20% of the issued and outstanding common shares of the Company to be reserved for issuance. At August 22, 2022 there were 56,872,750 shares outstanding and therefore a maximum of 11,374,550 Shares may be issued upon exercise or settlement of all security-based compensation arrangements of the Company.

**GROUNDED LITHIUM CORP.**  
**SELECTED NOTES TO INTERIM FINANCIAL STATEMENTS**

For the twelve month period ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

Compensation costs attributable to stock options granted are measured at their fair value at the grant date and are expensed over the expected vesting time-frame with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid by the holder thereof together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The following table summarizes the activity under the Company's stock option plan:

	Year ended December 31, 2022		Inception to December 31, 2021	
	Number of Options	Weighted Average Exercise Price (\$/share)	Number of Options	Weighted Average Exercise Price (\$/share)
Balance, beginning of year	638,200	\$ 0.10	-	\$ -
Granted (i)	-	-	638,200	0.10
Granted (ii)	894,300	0.18	-	-
Granted (iii)	50,000	0.25	-	-
Granted (iv)	466,600	0.18	-	-
Granted (v)	2,000,000	0.29	-	-
Balance, end of year	4,049,100	\$ 0.22	638,200	\$ 0.10
Exercisable, end of year	212,733	\$ 0.10	-	\$ -

- (i) On November 30, 2021, the Company granted 638,200 stock options. The options granted are exercisable at an average price of \$0.10 per option and expire five years after their grant date. The options vest one-third of the total on each of the three consecutive anniversaries of the grants, subject to change of control provisions under the Stock Option Plan;
- (ii) On January 5, 2022, the Company granted 894,300 stock options. The options granted are exercisable at an average price of \$0.18 per option and expire five years after their grant date. The options vest one-third of the total on each of the three consecutive anniversaries of the grants, subject to change of control provisions under the Stock Option Plan;
- (iii) On January 10, 2022, the Company granted 50,000 stock options to certain freehold landowners. The options granted are exercisable at an average price of \$0.25 per option and expire five years after their grant date. The options vest one-third of the total on each of the three consecutive anniversaries of the grants, subject to change of control provisions under the Stock Option Plan; and
- (iv) On January 14, 2022, the Company granted 466,600 stock options. The options granted are exercisable at an average price of \$0.18 per option and expire five years after their grant date. The options vest one-third of the total on each of the three consecutive anniversaries of the grants, subject to change of control provisions under the Stock Option Plan.
- (v) On October 24, 2022, the Company granted 2,000,000 stock options. The options granted are exercisable at an average price of \$0.29 per option and expire five years after their grant date. The options vest one-third of the total on each of the three consecutive anniversaries of the grants, subject to change of control provisions under the Stock Option Plan.

**GROUNDING LITHIUM CORP.**  
**SELECTED NOTES TO INTERIM FINANCIAL STATEMENTS**

For the twelve month period ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

The following table summarizes information regarding stock options outstanding at December 31, 2022:

Options Outstanding at December 31, 2022				Options Exercisable at December 31, 2022	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (\$/share)	Number Exercisable	Weighted Average Exercise Price (\$/share)
\$0.10	638,200	3.9	\$0.10	212,733	\$ 0.10
\$0.18	1,360,900	4.0	\$0.18	-	-
\$0.25	50,000	4.0	\$0.25	-	-
\$0.29	2,000,000	4.8	\$0.29	-	-
	<b>4,049,100</b>	<b>4.4</b>	<b>\$0.22</b>	<b>212,733</b>	<b>\$ 0.10</b>

The weighted average fair value of each stock option granted and the assumptions used in the Black-Scholes option pricing model are as follows:

	Year ended December 31, 2022	Inception to December 31, 2021
Risk-free interest rate (%)	2.93	1.89
Expected life (years)	5	5
Expected volatility (%)	119	152
Expected forfeiture rate (%)	5	5
Expected dividend yield (%)	-	-
<b>Fair value of stock options granted (\$/share)</b>	<b>0.19</b>	<b>0.17</b>

Expected volatility is based on management's evaluation of comparable companies in the public markets.

Share-based compensation from options recognized in net loss during the period ended December 31, 2021 was \$39,758.

Share-based compensation from options recognized in net loss during the year ended December 31, 2022 was \$207,545.

**Performance Warrants**

The Company has issued performance warrants to certain directors, officers, employees and advisors of the Company.

Compensation costs attributable to performance warrants granted are measured at their fair value at the grant date and are expensed over the expected vesting time-frame with a corresponding increase to contributed surplus. Upon exercise of the performance warrants, consideration paid by the holder thereof together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

## GROUNDED LITHIUM CORP.

### SELECTED NOTES TO INTERIM FINANCIAL STATEMENTS

For the twelve month period ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

The following table summarizes the activity under the Company's performance warrants:

	Year ended December 31, 2022		Inception to December 31, 2021	
	Number of Performance Warrants	Weighted Average Exercise Price (\$/warrant)	Number of Performance Warrants	Weighted Average Exercise Price (\$/warrant)
Balance, beginning of year	638,200	\$ 0.63	-	\$ -
Granted (i)	-	-	638,200	0.63
Granted (ii)	1,788,600	0.78	-	-
Granted (iii)	933,200	0.78	-	-
Balance, end of year	3,360,000	\$ 0.75	638,200	\$ 0.63
Exercisable, end of year	159,550	\$ 0.25	-	\$ -

- (i) On November 30, 2021, the Company granted 638,200 performance warrants to employees, directors and advisors whereby the holder of the performance warrants can exercise 25% of the performance warrants at exercise prices of \$0.25, \$0.50, \$0.75 and \$1.00 respectively. The performance warrants vest fully on the date of grant and expire on November 30, 2028;
- (ii) On January 5, 2022, the Company granted 1,788,600 performance warrants to employees, directors and advisors whereby the holder of the performance warrants can exercise 25% of the performance warrants at exercise prices of \$0.40, \$0.65, \$0.90 and \$1.15 respectively. The performance warrants vest one-third of the total on each of the three consecutive anniversaries of the grants, subject to change of control provisions under the Stock Option Plan and expire on January 5, 2029;
- (iii) On January 14, 2022, the Company granted 933,200 performance warrants to employees, directors and advisors whereby the holder of the performance warrants can exercise 25% of the performance warrants at exercise prices of \$0.40, \$0.65, \$0.90 and \$1.15 respectively. The performance warrants vest one-third of the total on each of the three consecutive anniversaries of the grants, subject to change of control provisions under the Stock Option Plan and expire on January 14, 2029.

The weighted average fair value of each performance warrant granted and the assumptions used in the Black-Scholes option pricing model are as follows:

	Year ended December 31, 2022	Inception to December 31, 2021
Risk-free interest rate (%)	1.04	1.00
Expected life (years)	7	1
Expected volatility (%)	98	98
Expected forfeiture rate (%)	0	0
Expected dividend yield (%)	-	-
<b>Fair value of warrants granted (\$/share)</b>	<b>0.10</b>	<b>0.02</b>

Expected volatility is based on management's evaluation of comparable companies in the public markets.

## GROUNDING LITHIUM CORP.

### SELECTED NOTES TO INTERIM FINANCIAL STATEMENTS

For the twelve month period ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

Share-based compensation from performance warrants recognized a net loss during the period ended December 31, 2021 of \$14,241.

Share-based compensation from performance warrants recognized a net loss during the year ended December 31, 2022 of \$104,553.

The following table summarizes information regarding performance warrants outstanding at December 31, 2022:

Performance hurdle	Outstanding			Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (\$/share)	Number Exercisable	Weighted Average Exercise Price (\$/share)
\$0.25	159,550	5.9	\$ 0.25	159,550	\$ 0.25
\$0.40	680,450	6.0	0.40	-	-
\$0.50	159,550	5.9	0.50	159,550	0.50
\$0.65	680,450	6.0	0.65	-	-
\$0.75	159,550	5.9	0.75	159,550	0.75
\$0.90	680,450	6.0	0.90	-	-
\$1.00	159,550	5.9	1.00	159,550	1.00
\$1.15	680,450	6.0	1.15	-	-
	<b>3,360,000</b>	<b>6.0</b>	<b>\$ 0.75</b>	<b>638,200</b>	<b>\$ 0.63</b>

#### ***Finders' Warrants***

- (i) On December 20, 2021, 801,749 finders' warrants were granted and the corresponding value was included as an issuance cost. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.18 per share for a period of 2 years from August 22, 2022. The value attributed to the warrants based on the Black-Scholes model is \$76,385 and recorded in contributed surplus, as well as share issue costs.
- (ii) On January 14, 2022, 502,388 finders' warrants were granted and the corresponding value was included as an issuance cost. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.18 per share for a period of 2 years from August 22, 2022. The value attributed to the warrants based on the Black-Scholes model is \$47,959 and recorded in contributed surplus, as well as share issue costs.
- (iii) On August 22, 2022, 700,000 finders' warrants were granted and the corresponding value was included as an issuance cost. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.18 per share for a period of 2 years from the date of issuance. The value attributed to the warrants based on the Black-Scholes model is \$64,976 and recorded in contributed surplus, as well as share issue costs.
- (iv) On November 4, 2022, 347,725 finders' warrants were granted and the corresponding value was included as an issuance cost. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.25 per share for a period of 2 years from the date of issuance. The value attributed to the warrants based on the Black-Scholes model is \$56,030 and recorded in contributed surplus, as well as share issue costs.



**GROUNDING LITHIUM CORP.**  
**SELECTED NOTES TO INTERIM FINANCIAL STATEMENTS**

For the twelve month period ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

The following table summarizes the activity under the Company's finders' warrants:

	Year ended December 31, 2022		Inception to December 31, 2021	
	Number of Performance Warrants	Weighted Average Exercise Price (\$/warrant)	Number of Performance Warrants	Weighted Average Exercise Price (\$/warrant)
Balance, beginning of period	801,749	\$ 0.18	-	\$ -
Granted (i)	-	-	801,749	0.18
Granted (ii)	502,388	0.18	-	-
Granted (iii)	700,000	0.18	-	-
Granted (iv)	347,725	0.25	-	-
Balance, end of period	2,351,862	\$ 0.19	801,749	\$ 0.18
Exercisable, end of period	2,351,862	\$ 0.19	801,749	\$ 0.18

The weighted average fair value of each finders' warrant granted and the assumptions used in the Black-Scholes option pricing model are as follows:

	Year ended December 31, 2022	Inception to December 31, 2021
Risk-free interest rate (%)	2.87	0.9
Expected life (years)	2	2
Expected volatility (%)	97	101
Expected forfeiture rate (%)	-	-
Expected dividend yield (%)	-	-
<b>Fair value of warrants granted (\$/share)</b>	<b>0.11</b>	0.10

Expected volatility is based on management's evaluation of comparable companies in the public markets.

**GROUNDING LITHIUM CORP.**  
**SELECTED NOTES TO INTERIM FINANCIAL STATEMENTS**

For the twelve month period ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

**(c) Per share amounts**

The Company calculates per share amounts based on the weighted average Common Shares outstanding for the year ended December 31, 2022 and from inception to December 31, 2021. For both periods ended December 31, all the stock options, performance warrants and finders' warrants were anti-dilutive and were omitted from the weighted average number of diluted Common Shares outstanding calculation.

	Year ended December 31, 2022	Inception to December 31, 2021
Weighted average Common Shares outstanding	38,066,047	3,391,220
Dilutive stock options and performance warrants outstanding	-	-
Weighted average diluted Common Shares outstanding	38,066,047	3,391,220
Net loss per Common Share		
Net loss	\$ 6,978,543	\$ 376,610
Basic (\$/share)	0.18	0.11
Diluted (\$/share)	0.18	0.11

**15. SUPPLEMENTAL CASH FLOW INFORMATION**

Changes in non-cash working capital comprise:

	Year ended December 31, 2022	Inception to December 31, 2021
Change in receivables	\$ (62,537)	\$ (7,246)
Change in prepaid expenses and deposits	(382,935)	-
Change in accounts payable and accrued liabilities	594,427	144,856
	\$ 148,955	\$ 137,610
Change in operating non-cash working capital	41,213	137,610
Change in investing non-cash working capital	107,742	-

Change in receivables does not include the \$6,938 of receivables that was acquired as part of the VAR amalgamation (note 7).

Change in accounts payable and accrued liabilities does not include the \$37,500 of accrued liabilities that relate to the 208,333 common shares issued at \$0.18 per share to satisfy the obligation owed to an arm's length party from an external financing (note 14 (a)).

**GROUNDING LITHIUM CORP.**  
**SELECTED NOTES TO INTERIM FINANCIAL STATEMENTS**

For the twelve month period ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

**16. FINANCE INCOME (EXPENSE)**

	Year ended December 31, 2022	Inception to December 31, 2021
<b>Finance income:</b>		
Interest income on short-term investments	\$ 19,249	\$ -
<b>Finance expenses:</b>		
Non-deductible interest and penalties	(1,559)	-
Interest on lease liabilities	(2,709)	-
Accretion on decommissioning provision	(65)	-
	(4,333)	-
<b>Net finance income recognized in profit or loss</b>	<b>\$ 14,916</b>	<b>\$ -</b>

**17. PERSONNEL EXPENSES**

Remuneration of key management personnel during the year was as follows:

	Year ended December 31, 2022	Inception to December 31, 2021
Wages and salaries	\$ 778,426	\$ -
Share-based payments	230,373	41,583
<b>Total remuneration</b>	<b>\$ 1,008,799</b>	<b>\$ 41,583</b>

Key management personnel includes the Chief Executive Officer, Senior V.P. Corporate Development & Chief Financial Officer, V.P. of Operations, V.P. of Exploration, V.P. of Land and Regulatory and V.P. Geosciences.

For the year ended December 31, 2022, 2,432,200 stock options (2021 – 548,900) and 2,024,400 performance warrants (2021 – 548,900) were granted to key management personnel.

**18. COMMITMENTS**

Grounded has commitments under operating leases for office space, third-party engineering and investor relations as follows:

2023	\$ 859,228
2024	57,392
2025	-
2026	-
Thereafter	-
	<b>\$ 916,620</b>

# GROUNDING LITHIUM CORP.

## SELECTED NOTES TO INTERIM FINANCIAL STATEMENTS

For the twelve month period ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

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### 19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

As at December 31, 2022, the Company's financial instruments include cash, receivables, term deposits, trade payables and accrued liabilities. Cash and receivables are classified as financial assets at amortized cost. Trade payables and accrued liabilities are classified as amortized cost. The carrying value of these financial instruments approximates their fair value due to their short-term maturity.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

The Company's financial instruments are exposed to credit risk, liquidity risk and market risks.

#### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and receivables. The Company minimizes its exposure to credit risk by placing its cash with Canadian Schedule 1 chartered banks. As at December 31, 2022, the Company had unrestricted, restricted cash and cashable GIC's of \$2,933,396 (December 31, 2021 - \$2,328,235).

The Company's secondary exposure to credit risk is on its receivables. The risk is minimal as the receivables consist only of the refundable input tax credit with the Canadian Federal Government. As at December 31, 2022, the Company had a receivable of \$76,721 (December 31, 2021 - \$7,246). The Company did not have any allowance for doubtful accounts as at December 31, 2022 and did not provide for any doubtful accounts nor was it required to write-off any of the receivable during the period ended December 31, 2022.

As at December 31, 2022, 99 percent of the Company's accounts receivable were under 90 days in age and considered collectible.

<b>Aging</b>	
Current (less than 90 days)	\$ 76,656
Past due (over 90 days)	65
<b>Total</b>	<b>\$ 76,721</b>

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Grounded's financial liabilities on the balance sheet consist of accounts payable and accrued liabilities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company tries to achieve this by maintaining sufficient cash to cover current liabilities as they mature.

As at December 31, 2022, the Company had a working capital surplus of \$2,587,236 (December 31, 2021- \$2,190,625). At December 31, 2022, the Company had a cash equivalent balance of \$2,933,396, which is sufficient to pay its current liabilities of \$805,816 and to continue operations through 2023.

## GROUNDING LITHIUM CORP.

### SELECTED NOTES TO INTERIM FINANCIAL STATEMENTS

For the twelve month period ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of December 31, 2022:

	Accounting amount	Contractual cash flows total	< 1 year	1 – 2 years	2 – 5 years	More than 5 years
Accounts payable and other liabilities	\$701,783	\$701,783	\$701,783	\$ -	\$ -	\$ -
Office lease liabilities	160,396	172,176	114,784	57,392	-	-
Engineering	-	104,909	104,909	-	-	-
Investor relations	-	639,535	639,535	-	-	-

#### (c) Market risk

Market risk is the risk that fluctuations in currency rates, interest rates and commodity prices will affect a Company's income or the value of its financial assets and liabilities.

##### **Foreign currency exchange rate risk**

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

The Company's current operations are not exposed to significant foreign currency risk.

##### **Commodity price risk**

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices.

The Company's current operations are not exposed to significant commodity price risk.

##### **Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company had no debt outstanding during the year ended December 31, 2022.

#### (d) 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 its operations. The Company's policy and objective is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and contributed surplus, net of accumulated deficit. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company holds all surplus capital in cash accounts held with major financial institutions.

The Company has not paid or declared any dividends since inception, nor are any contemplated in the foreseeable future.

## GROUNDING LITHIUM CORP.

### SELECTED NOTES TO INTERIM FINANCIAL STATEMENTS

For the twelve month period ended December 31, 2022 and for the period from incorporation on October 26, 2020 to December 31, 2021

There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

#### 20. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022, legal services totalling \$627,743 (2021 - \$69,856) were provided by a law firm in which an Officer of the Company is a partner. As at December 31, 2022, there is \$266,317 (2021 - \$69,856) included in accounts payable and accrued liabilities.

During the period ended December 31, 2021, \$139,000 of promissory notes were issued to Officers and Directors of the Company which were later converted into shares of the Company at the face value of the promissory notes plus accrued interest at conversion prices of \$0.10 and \$0.18 (*Note 14*). At December 31, 2021 there are no promissory notes outstanding.

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers. During the years ended December 31, 2022 and 2021, the remuneration for key management personnel was as follows:

	Year ended December 31, 2022	Inception to December 31, 2021
Wages and salaries	\$ 778,246	\$ -
Share-based compensation	280,973	41,583
Total employee remuneration	\$ 1,059,219	\$ 41,583

Transactions with related parties are incurred in the normal course of business and initially measured at fair value.

#### 21. SUBSEQUENT EVENTS

On January 5, 2023, the Company filed and obtained a receipt for the filing of the short-form prospectus with our non-brokered private placement of 12,000,000 Special Warrants of the Company for gross proceeds of \$3,000,000 completed on November 4, 2022.

On February 8, 2023, the Company granted 1,474,000 stock options to certain officers, employees, directors and consultants of the Company at a strike price Of \$0.30 and a term of five years from the date hereof. The options vest in equal 1/3 tranches on the 6, 12, and 18 month anniversaries from the date of issuance. In addition, 1,018,000 Restricted Share Units ("RSU's") were granted to certain employees, officers and directors. RSU's vest equally on the 12 and 24 month anniversaries from the date of the grant.

On March 16, 2023, the Company announced the closing of its acquisition of an additional 33 sections (8,498 hectares) of acreage contiguous to the Company's existing landholdings in the Kindersley Lithium Project ("KLP") in Western Saskatchewan. The purchase price of \$425,000 was comprised of cash consideration of \$175,000 and the issuance of 779,557 shares based on the 10-day volume-weighted average trading price of the shares on the TSX Venture Exchange as of the closing date.