



Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

NOTICE OF NO AUDIT REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by the auditor. The accompanying unaudited interim condensed financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants for a review of the interim financial statements by the entity's auditors.

GROUNDING LITHIUM CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Current assets		
Cash	\$ 590,687	\$ 658,016
Restricted cash	25,904	25,380
Short-term Investments (note 3)	-	2,250,000
Accounts receivable (note 14)	21,470	76,721
Prepaid expenses (note 5)	298,162	382,935
Total current assets	936,223	3,393,052
Property and equipment (note 6)	24,306	32,408
Right-of-use asset (note 7)	70,959	141,918
Exploration and evaluation assets (note 8)	2,911,964	2,461,365
Total non-current assets	3,007,229	2,635,691
Total assets	\$ 3,943,452	\$ 6,028,743
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 467,332	\$ 701,783
Lease liability (note 7)	83,331	104,033
Total current liabilities	550,663	805,816
Decommissioning liability (note 9)	7,440	8,492
Lease liability (note 7)	-	56,363
Total liabilities	558,103	870,671
Shareholders' Equity		
Share capital (note 10)	11,968,709	11,071,609
Warrants (note 10)	949,981	830,169
Contributed surplus (note 10)	1,232,490	611,447
Deficit	(10,765,831)	(7,355,153)
Total equity	3,385,349	5,158,072
Total liabilities and shareholders' equity	\$ 3,943,452	\$ 6,028,743

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

Nature of Operations and Going Concern (see note 1)

GROUNDING LITHIUM CORP.
CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Revenue				
Interest income (note 12)	\$ 428	\$ -	\$ 11,427	\$ -
	428	-	11,427	-
Expenses				
Investor relations	52,794	186,512	1,049,596	220,047
Share-based compensation (note 10)	212,432	68,020	621,706	197,128
Wages and benefits	98,964	178,643	540,181	438,519
Professional fees	124,304	158,920	386,876	522,297
Consulting fees	146,566	52,400	331,408	97,914
Other G&A expenses	58,555	87,368	209,129	166,182
Subsurface mineral lease rentals	61,749	46,772	195,537	92,740
Depreciation (notes 6 & 7)	26,353	2,118	79,061	5,438
Public listing fee (note 4)	-	2,764,530	-	2,764,530
Financing fees	-	(5,964)	-	227,520
Capital overhead recoveries	-	-	(868)	-
	781,717	3,539,319	3,412,626	4,732,315
Results from operating activities	781,289	3,539,319	3,401,199	4,732,315
Finance expense (note 12)	2,638	-	9,479	-
Loss before income taxes	783,927	3,539,319	3,410,678	4,732,315
Loss and comprehensive loss	\$ 783,927	\$ 3,539,319	\$ 3,410,678	\$ 4,732,315
Loss and comprehensive loss per share (note 10(c))				
Basic and diluted	\$ 0.01	\$ 0.09	\$ 0.05	\$ 0.15

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

GROUNDLED LITHIUM CORP.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Equity
Balance, at January 1, 2023	56,872,750	\$11,071,609	\$830,169	\$611,447	\$(7,355,153)	\$5,158,072
Issuance of common shares (note 10)	12,000,000	-	-	-	-	-
Issuance of common shares (note 10)	6,957,450	645,408	-	-	-	645,408
Warrants to be issued (note 10)	-	-	119,812	-	-	119,812
Shares issued for property acq. (note 10)	779,557	250,000	-	-	-	250,000
Exercise of finders' warrants (note 10)	4,116	1,692	-	(663)	-	1,029
Share-based compensation (note 10)	-	-	-	621,706	-	621,706
Loss and comprehensive loss	-	-	-	-	(3,410,678)	(3,410,678)
Balance at September 30, 2023	76,613,873	\$11,968,709	\$949,981	\$1,232,490	\$(10,765,831)	\$3,385,349

	Number of Shares	Share Capital	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 10)	17,979,032	3,216,246	-	-	3,216,246
Issuance of common shares (notes 4 & 10)	18,545,303	3,258,154	-	-	3,258,154
Share-based compensation (note 10)	-	-	197,128	-	197,128
Issuance of finders' warrants (note 10)	-	(112,935)	112,935	-	-
Loss and comprehensive loss	-	-	-	(4,732,315)	(4,732,315)
Balance at September 30, 2022	56,872,750	\$8,957,808	\$440,447	\$(5,108,925)	\$4,289,330

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

GROUNDING LITHIUM CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

<i>(unaudited)</i>	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2023	2022	2023	2022
Operating activities				
Loss for the period	\$ (783,927)	\$ (3,539,319)	\$ (3,410,678)	\$ (4,732,315)
Adjustments for:				
Share-based compensation (note 10)	212,432	68,020	621,706	197,128
Public listing fee (note 4)	-	2,764,530	-	2,764,530
Depreciation	26,353	2,118	79,061	5,438
Finance expense (including accretion)	2,638	-	9,479	-
Interest paid (note 12)	(173)	-	(261)	-
Changes in non-cash working capital (note 11)	(7,275)	(128,845)	12,317	(103,874)
Net cash used in operating activities	(549,952)	(833,496)	(2,688,376)	(1,869,093)
Financing activities				
Issuance of common shares (note 10)	645,408	1,800,875	645,408	3,178,746
Issuance of warrants (note 10)	119,812	-	119,812	-
Cash acquired in acquisition (note 4)	-	566,686	-	566,686
Exercise of finders warrants	-	-	1,029	-
Lease liability payments	(28,696)	-	(86,088)	-
Share issue costs	-	(80,000)	-	(80,000)
Changes in non-cash working capital (note 11)	-	80,000	-	80,000
Net cash from financing activities	736,524	2,367,561	680,161	3,745,432
Investing activities				
Expenditures on exploration and evaluation	(999)	(1,049,073)	(201,846)	(1,699,949)
Expenditures on property and equipment	-	(13,029)	-	(40,369)
Short-term investments	250,000	(2,250,000)	2,250,000	(2,250,000)
Changes in non-cash working capital (note 11)	4,160	18,034	(106,744)	35,584
Net cash used in investing activities	\$ 253,161	\$(3,294,068)	\$ 1,941,410	\$(3,954,734)
Change in cash and cash equivalents	\$ 439,733	\$ (1,760,003)	\$ (66,805)	\$ (2,078,395)
Cash and cash equivalents, beginning of period	176,858	2,009,843	683,396	2,328,235
Cash and cash equivalents, end of period	\$ 616,591	\$ 249,840	\$ 616,591	\$ 249,840
Cash and cash equivalents				
Unrestricted cash	\$ 590,687	\$ 224,807	\$ 590,687	\$ 224,807
Restricted cash – security for credit card	25,904	25,033	25,904	25,033
	\$ 616,591	\$ 249,840	\$ 616,591	\$ 249,840

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

GROUNDED LITHIUM CORP.

SELECTED NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month periods ended September 30, 2023 and September 30, 2022

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 acquiring, exploring and developing 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 – 5th Avenue S.W., in Calgary, Alberta and our registered office is at Suite 4000, 421 – 7th 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 nine-month period ended September 30, 2023, the Company incurred a net loss of \$3,410,678 and had net cash used in operating activities of \$2,688,376. In addition, the Company has a deficit of \$10,765,831.

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.

GROUNDED LITHIUM CORP.

SELECTED NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month periods ended September 30, 2023 and September 30, 2022

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These condensed interim financial statements are unaudited and have been prepared in accordance with IAS 34, "Interim Financial Reporting". The condensed consolidated interim financial statements do not include all the information and footnotes required by IFRS for a complete set of financial statements. The condensed interim financial statements have been prepared using the same accounting policies and methods of computation as disclosed in the Company's December 31, 2022 financial statements except as stated below and should be read in conjunction with those financial statements. The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts and expenses during the reported period. Actual results may differ from these estimates.

The condensed interim financial statements were authorized for distribution by the Company's Board of Directors on November 21, 2023.

3. 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.

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of year	\$ 2,250,000	\$ -
GIC, maturity date November 7, 2023 3.25%	(1,000,000)	1,000,000
GIC, maturity date November 9, 2023 3.25%	(750,000)	750,000
GIC, maturity date November 9, 2023 3.25%	(500,000)	500,000
Balance, end of period	\$ -	\$ 2,250,000

4. 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
Total net assets acquired	\$ 573,624
Consideration	
Shares issued (18,545,303 shares at \$0.18 per share)	\$ 3,338,154

GROUNDED LITHIUM CORP.
SELECTED NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month periods ended September 30, 2023 and for September 30, 2022

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.

5. PREPAID EXPENSES

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Investor relation fees	\$ 113,170	\$ 252,876
Subsurface mineral permit rentals	109,025	74,689
Insurance	37,899	25,206
Communications and software	18,303	833
Saskatchewan decommissioning deposit	10,200	10,200
Office lease deposit	9,565	19,131
Balance, end of period	\$ 298,162	\$ 382,935

6. PROPERTY AND EQUIPMENT

	Total
Cost	
Balance at December 31, 2021	\$ -
Additions	40,369
Balance at December 31, 2022	\$ 40,369
Additions	-
Balance at September 30, 2023	\$ 40,369
Accumulated depreciation:	
Balance at December 31, 2021	\$ -
Depreciation for the period	(7,961)
Balance at December 31, 2022	\$ (7,961)
Depreciation for the period	(8,102)
Balance at September 30, 2023	\$ (16,063)
Net carrying value:	
Balance at December 31, 2022	\$ 32,408
Balance at September 30, 2023	\$ 24,306

As at September 30, 2023, no impairment triggers were identified and therefore an impairment test was not performed.

GROUNDED LITHIUM CORP.
SELECTED NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month periods ended September 30, 2023 and for September 30, 2022

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company leases office space with a lease term from November 2022 to June 2024. Under IFRS 16, the office space is considered a right-of-use asset with an offsetting liability treatment associated with future lease payments. 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 \$28,696 in 2023 and \$57,392 in 2024.

Right-of-use Assets

	Total
Cost	
Balance at December 31, 2021	\$ -
Initial recognition	157,687
Depreciation for the period	(15,769)
Balance at December 31, 2022	\$ 141,918
Depreciation for the period	(70,959)
Balance at September 30, 2023	\$ 70,959

Lease Liability

	Total
Balance at December 31, 2021	\$ -
Initial recognition	157,687
Interest expense	2,709
Balance at December 31, 2022	\$ 160,396
Office rent payments	(86,088)
Interest expense	9,023
Balance at September 30, 2023	\$ 83,331

Leases

Statement of Financial Position

	September 30, 2023
Current lease liabilities	\$ 83,331
Non-current lease liabilities	-
Total	83,331

Results of Operations

	Nine months ended September 30, 2023
Interest expense of lease liabilities	\$ 9,023

GROUNDLED LITHIUM CORP.
SELECTED NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month periods ended September 30, 2023 and September 30, 2022

8. EXPLORATION AND EVALUATION ASSETS (“E&E”)

The following table summarizes the Company’s E&E asset expenditures in its Kindersley Lithium Project as at September 30, 2023:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Cost		
Balance, beginning of period	\$ 2,461,365	\$ 159,492
Property acquisition	428,328	-
Production testing/completions	23,168	538,969
Subsurface mineral permits	310	762,953
Drilling costs	40	991,524
Decommissioning asset	(1,247)	8,427
Balance, end of period	\$ 2,911,964	\$ 2,461,365

On March 16, 2023 the Company closed the 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 (before closing adjustments) was comprised of cash consideration of \$175,000 and the issuance of 779,557 Common Shares at a fair value of \$250,000. The transaction is accounted for as a property acquisition and is not a business combination.

Fair value of land acquired	Total
Purchase price	\$ 425,000
Closing adjustments	3,328
Total	\$ 428,328

Consideration	
Shares issued (779,557 shares at \$0.3207 per share)	\$ 250,000
Cash	178,328

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 operators’ wells within the greater Kindersley Lithium Project area, to better define grade and deliverability parameters. The majority of the costs were incurred for service rig time, production testing and equipment rentals.

As at September 30, 2023, no impairment indicators were identified and therefore an impairment test was not performed.

GROUNDING LITHIUM CORP.

SELECTED NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month periods ended September 30, 2023 and September 30, 2022

9. 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 September 30, 2023 to be approximately \$10,200 (December 31, 2022 - \$10,200) with the abandonment expected to commence in 2042. A discount rate of 3.81 percent (December 31, 2022 – 3.04 percent) and an inflation rate of 2.10 percent (December 31, 2021 – 2.10 percent) was used to calculate the decommissioning provision.

A reconciliation of the decommissioning provision is provided below:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of period	\$ 8,492	\$ -
Provisions made during the period	-	8,410
Change in discount rate	(1,247)	17
Accretion	195	65
Balance, end of period	\$ 7,440	\$ 8,492

10. 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 period.

a) Issued and outstanding

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of Common Shares	Amount	Number of Common Shares	Amount
Balance, beginning of period	56,872,750	\$ 11,071,609	20,348,415	\$ 2,596,343
Issue of Common Shares (i)	-	-	111,000	-
Issue of Common Shares (ii)	-	-	7,659,699	1,378,746
Issue of Common Shares (iii)	-	-	10,000,000	1,800,000
Issue of Common Shares (iv)	-	-	208,333	37,500
Shares exchanged on RTO	-	-	(38,327,447)	-
Shares issued by VAR (v)	-	-	38,327,447	-
Existing VAR shares (v)	-	-	18,545,303	3,258,154
Issue of Common Shares (vi)	12,000,000	-	-	2,169,831
Issue of Common Shares (vii)	779,557	250,000	-	-
Issue of Common Shares (viii)	4,116	1,692	-	-
Issue of Common Shares (ix)	6,957,450	645,408	-	-
Share issue costs	-	-	-	(168,965)
Balance, end of period	76,613,873	\$ 11,968,709	56,872,750	\$ 11,071,609

GROUNDING LITHIUM CORP.

SELECTED NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month periods ended September 30, 2023 and September 30, 2022

- (i) \$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;
- (ii) 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;
- (iii) On August 22, 2022, 10,000,000 common shares were issued at \$0.18 per share for proceeds of \$1,800,000;
- (iv) 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;
- (v) On August 22, 2022, Grounded closed an amalgamation agreement with a TSXV listed issuer. Pursuant to the terms of this agreement, each common share of Grounded was exchanged for 1 common share of the TSXV listed issuer resulting in a reverse takeover of the TSXV listed issuer by Grounded. On August 22, 2022, the TSXV listed issuer 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 of the TSXV listed issuer 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;
- (vi) 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 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. On January 5, 2023, the Company filed and obtained a receipt for the filing of the short-form prospectus with the non-brokered private placement of 12,000,000 Special Warrants;
- (vii) 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 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; and
- (viii) On March 17, 2023 4,116 common shares were issued at \$0.25 per share for proceeds of \$1,029 for the exercise of 4,116 finders' warrants. Upon exercise of the finders' warrants, \$663 was reclassified from contributed surplus to common shares.
- (ix) On September 26, 2023, the Company completed a \$765,220 non-brokered unit offering private placement of at a price of \$0.11 per unit. Each unit consists of one Common Share of the Company and one-half Common Share purchase warrant. Each warrant shall be exercisable to acquire one Common Share at a price of \$0.18 per warrant for a period of 24 months from the closing of the private placement. The \$765,220 of proceeds were allocated using the relative fair value method between the value of the common shares \$765,220 (6,957,450 common shares multiplied by the share price of \$0.11 per share when the private placement was announced) and the value of the warrants using Black Scholes model of \$119,812. The allocation resulted in \$645,408 being allocated to common shares and \$119,812 to warrants.

GROUNDED LITHIUM CORP.
SELECTED NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month periods ended September 30, 2023 and September 30, 2022

b) Share-based compensation plans

Stock Option Plan

In connection with closing of its reverse takeover of VAR on August 22, 2022, the Company adopted 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.

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:

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of Options	Weighted Average Exercise Price (\$/share)	Number of Options	Weighted Average Exercise Price (\$/share)
Balance, beginning of period	4,049,100	\$ 0.22	638,200	\$ 0.10
Granted (i)	-	-	894,300	0.18
Granted (ii)	-	-	50,000	0.25
Granted (iii)	-	-	466,600	0.18
Granted (iv)	-	-	2,000,000	0.29
Granted (v)	1,474,000	0.30	-	-
Balance, end of period	5,523,100	\$ 0.24	4,049,100	\$ 0.22
Exercisable, end of period	1,174,365	\$ 0.22	212,733	\$ 0.10

- (i) 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;
- (ii) 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;
- (iii) 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;

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For the nine-month periods ended September 30, 2023 and September 30, 2022

- (iv) 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; and
- (v) On February 8, 2023, the Company granted 1,474,000 stock options. The options granted are exercisable at an average price of \$0.30 per option and expire five years after their grant date. The options vest in equal 1/3 tranches on the 6, 12, and 18 month anniversaries from the date of issuance.

The following table summarizes information regarding stock options outstanding at September 30, 2023:

Options Outstanding at September 30, 2023			Options Exercisable at September 30, 2023		
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	3.2	\$0.10	212,733	\$0.10
\$0.18	1,360,900	3.3	\$0.18	453,634	\$0.18
\$0.25	50,000	3.3	\$0.25	16,667	\$0.25
\$0.29	2,000,000	4.1	\$0.29	-	-
\$0.30	1,474,000	4.4	\$0.30	491,331	\$0.30
	5,523,100	3.9	\$0.24	1,174,365	\$0.22

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Risk-free interest rate (%)	3.92	2.93
Expected life (years)	2	5
Expected volatility (%)	87	119
Expected forfeiture rate (%)	5	5
Expected dividend yield (%)	-	-
Fair value of stock options granted (\$/share)	0.15	0.19

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

Share-based compensation from options recognized in net loss for the three-month period ended September 30, 2023 was \$127,824 (September 30, 2022 - \$41,145).

Share-based compensation from options recognized in net loss for the nine-month period ended September 30, 2023 was \$394,486 (September 30, 2022 - \$119,450).

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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.

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

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of Performance Warrants	Weighted Average Exercise Price (\$/warrant)	Number of Performance Warrants	Weighted Average Exercise Price (\$/warrant)
Balance, beginning of period	3,360,000	\$ 0.75	638,200	\$ 0.56
Granted (i)	-	-	1,788,600	0.78
Granted (ii)	-	-	933,200	0.78
Balance, end of period	3,360,000	\$ 0.75	3,360,000	\$ 0.74
Exercisable, end of period	1,545,467	\$ 0.71	638,200	\$ 0.56

- (i) 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;
- (ii) 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:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Risk-free interest rate (%)	-	1.04
Expected life (years)	-	7
Expected volatility (%)	-	98
Expected forfeiture rate (%)	-	0
Expected dividend yield (%)	-	-
Fair value of warrants granted (\$/share)	-	0.10

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For the nine-month periods ended September 30, 2023 and September 30, 2022

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

Share-based compensation from performance warrants recognized in net loss for the three-month period ended September 30, 2023 was \$26,875 (September 30, 2022 - \$26,875).

Share-based compensation from performance warrants recognized in net loss for the nine-month period ended September 30, 2023 was \$79,749 (September 30, 2022 - \$77,677).

The following table summarizes information regarding performance warrants outstanding at September 30, 2023:

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	5.2	\$ 0.25	159,550	\$ 0.25
\$0.40	680,450	5.4	0.40	226,817	0.40
\$0.50	159,550	5.2	0.50	159,550	0.50
\$0.65	680,450	5.4	0.65	226,817	0.65
\$0.75	159,550	5.2	0.75	159,550	0.75
\$0.90	680,450	5.4	0.90	226,817	0.90
\$1.00	159,550	5.2	1.00	159,550	1.00
\$1.15	680,450	5.4	1.15	226,816	1.15
	3,360,000	5.4	\$ 0.75	1,545,467	\$ 0.71

Finders' Warrants

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

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of Performance Warrants	Weighted Average Exercise Price (\$/warrant)	Number of Performance Warrants	Weighted Average Exercise Price (\$/warrant)
Balance, beginning of period	2,351,862	\$ 0.19	801,749	\$ 0.18
Granted (i)	-	-	502,388	0.18
Granted (ii)	-	-	700,000	0.18
Granted (iii)	-	-	347,725	0.25
Exercised (iv)	(4,116)	(0.25)	-	-
Balance, end of period	2,347,746	\$ 0.19	2,351,862	\$ 0.19
Exercisable, end of period	2,347,746	\$ 0.19	2,351,862	\$ 0.19

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- (i) 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 the date of issuance. 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;
- (ii) 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;
- (iii) 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; and
- (iv) On March 17, 2023 4,116 finders' warrants were exercised at \$0.25 per share for proceeds of \$1,029. Upon the exercise of the finders' warrants, \$663 was reclassified from contributed surplus to common shares.

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Risk-free interest rate (%)	-	2.87
Expected life (years)	-	2
Expected volatility (%)	-	97
Expected forfeiture rate (%)	-	-
Expected dividend yield (%)	-	-
Fair value of warrants granted (\$/share)	-	0.11

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

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Warrants

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 under a short-form prospectus for which the Company obtained a receipt from the Alberta Securities Commission on January 5, 2023. Each Special Warrant entitled 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 can be exercised to acquire one Common Share at a price of \$0.50 per Warrant for a period of 24 months from the closing of the financing. 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 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.

On September 26, 2023, the Company completed a \$765,220 non-brokered unit offering private placement of at a price of \$0.11 per unit. Each unit consists of one Common Share of the Company and one-half Common Share purchase warrant. Each warrant shall be exercisable to acquire one Common Share at a price of \$0.18 per warrant for a period of 24 months from the closing of the private placement. The \$765,220 of proceeds were allocated using the relative fair value method between the value of the common shares \$765,220 (6,957,450 common shares multiplied by the share price of \$0.11 per share when the private placement was announced) and the value of the warrants using Black Scholes model of \$119,812. The allocation resulted in \$645,408 being allocated to common shares and \$119,812 to warrants.

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

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price (\$/warrant)	Number of Warrants	Weighted Average Exercise Price (\$/warrant)
Balance, beginning of period	12,000,000	\$ 0.50	-	\$ -
Issue of warrants	3,478,721	0.18	12,000,000	0.50
Exercised	-	-	-	-
Balance, end of period	15,478,721	\$ 0.43	12,000,000	\$ 0.50

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Risk-free interest rate (%)	4.93	4.10
Expected life (years)	2	2
Expected volatility (%)	79	95
Expected forfeiture rate (%)	-	-
Expected dividend yield (%)	-	-
Fair value of warrants granted (\$/share)	0.03	0.11

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

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Restricted Share Units

On February 8, 2023 the Company granted 1,018,000 Restricted Share Units (“RSU’s”) at \$0.30 per share to certain employees, officers and directors. RSU’s vest equally on the 12 and 24 month anniversaries from the date of the grant.

The following table summarizes the activity under the Company’s restricted share units:

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of Restricted Shares	Weighted Average Price (\$/RSU)	Number of Restricted Shares	Weighted Average Price (\$/RSU)
Balance, beginning of period	-	\$ -	-	\$ -
Granted	1,018,000	0.30	-	-
Balance, end of period	1,018,000	\$ 0.30	-	\$ -

Share-based compensation from restricted share units recognized in net loss for the three-month period ended September 30, 2023 was \$57,733 (September 30, 2022 - \$nil).

Share-based compensation from restricted share units recognized in net loss for the nine-month period ended September 30, 2023 was \$147,471 (September 30, 2022 - \$nil).

(c) Per share amounts

The Company calculates per share amounts based on the weighted average Common Shares outstanding for the three and nine months ended September 30, 2023 and for the three and nine months ended September 30, 2022. For both periods ended September 30, 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.

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Weighted average shares outstanding	70,034,345	40,308,155	69,436,671	31,728,257
Weighted average diluted shares outstanding	70,034,345	40,308,155	69,436,671	31,728,257
Net loss per share				
Net loss	\$ (783,927)	\$ (3,539,319)	\$ (3,410,678)	\$ (4,732,315)
Basic (\$/share)	(0.01)	(0.09)	(0.05)	(0.15)
Diluted (\$/share)	(0.01)	(0.09)	(0.05)	(0.15)

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11. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital comprise of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Change in receivables	\$ 17,138	\$ (58,488)	\$ 55,251	\$ (66,519)
Change in prepaid expense and deposits	(85,405)	2,303	84,773	(179,212)
Change in accounts payable and accrued liabilities	65,152	25,374	(234,451)	257,441
	\$ (3,115)	\$ (30,811)	\$ (94,427)	\$ 11,710
Change in operating non-cash working capital	(7,275)	(128,845)	12,317	(103,874)
Change in financing non-cash working capital	-	80,000	-	80,000
Change in investing non-cash working capital	4,160	18,034	(106,744)	35,584

Change in receivables does not include the \$6,938 of receivables that was acquired as part of the VAR amalgamation (note 4).

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 (note 10 (a)).

12. FINANCE INCOME (EXPENSE)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Finance income:				
Income on short-term investments	\$ 428	-	\$ 11,427	-
Finance expenses:				
Misc. interest	(173)	-	(261)	-
Interest on lease liabilities	(2,399)	-	(9,023)	-
Accretion on decommissioning	(66)	-	(195)	-
	(2,638)	-	(9,479)	-
Net finance (expense) income	\$ (2,210)	\$ -	\$ 1,948	\$ -

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13. COMMITMENTS

Grounded has commitments under operating leases for office space as follows:

2023 (three months remaining)	\$	28,696
2024		57,392
2025		-
2026		-
Thereafter		-
	\$	86,088

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

As at September 30, 2023, 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 at 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 risk.

(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 September 30, 2023, the Company had unrestricted, restricted cash and cashable GIC's of \$590,687 (December 31, 2022 \$2,933,396).

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. As at September 30, 2023, the Company had a receivable of \$21,470 (December 31, 2022 - \$76,721). The Company did not have any allowance for doubtful accounts as at September 30, 2023 and did not provide for any doubtful accounts nor was it required to write-off any of the receivable during the period ended September 30, 2023.

As at September 30, 2023, 100 percent of the Company's accounts receivable were under 90 days in age and considered collectible.

Aging		
Current (less than 90 days)	\$	21,470
Past due (over 90 days)		-
Total	\$	21,470

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(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company'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 September 30, 2023, the Company had a working capital surplus of \$385,560 (December 31, 2022 - \$2,587,236). At September 30, 2023, the Company had a cash equivalent balance of \$616,591 which is more than its current liabilities of \$550,663.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of September 30, 2023:

	Carrying amount	Contractual cash flows total	< 1 year	1 – 2 years	2 – 5 years	More than 5 years
Accounts payable and other liabilities	\$467,332	\$467,332	\$467,332	\$ -	\$ -	\$ -
Office lease liabilities	-	86,088	86,088	-	-	-

(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 period ended September 30, 2023.

(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

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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 or other financing structures. 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.

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.

15. RELATED PARTY TRANSACTIONS

During the period ended September 30, 2023, legal services totalling \$199,298 (September 30, 2022 - \$381,334) were provided by a law firm in which an Officer of the Company is a partner. As at September 30, 2023, there is \$43,633 (September 30, 2022 - \$109,929) included in accounts payable and accruals.

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