BATTERY MINERAL RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Canadian Dollars)

Independent auditor's report

To the Shareholders of Battery Mineral Resources Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Battery Mineral Resources Corp. and its subsidiaries (together, the Company) as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of loss and other comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

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

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

Emphasis of matter – Restatement Comparative Information

We draw attention to Note 4 to the consolidated financial statements, which explains that certain comparative information for the year ended December 31, 2020 has been restated. Our opinion is not modified in respect of this matter.

The consolidated financial statements for the year ended December 31, 2020 excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 4, 2021.

As part of our audit of the consolidated financial statements for the year ended December 31, 2021, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended December 31, 2020. Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

Other information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Ryan Lundeen.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
May 30, 2022

BATTERY MINERAL RESOURCES CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

As at

Reported in CAD

	Note	December 31, 2021	Restated - Note 4 December 31, 2020
ASSETS			
Current assets			
Cash	7	$ **2,629,995**	$ 4,168,118
Receivables	8	**3,746,001**	54,113
Prepaids	9	**231,061**	15,499
Assets included in disposal group held for sale	25, 26	**2,289,232**	36,132,697
Total current assets		**8,896,289**	40,370,427
Non-current assets			
Property, plant and equipment	10	**40,563,854**	89,648
Intangible assets		**181,623**	-
Exploration advances	11	**404,000**	666,097
Exploration and evaluation assets	12	**31,101,479**	23,179,316
Total non-current assets		**72,250,956**	23,935,061
TOTAL ASSETS		$ **81,147,245**	$ 64,305,488
LIABILITIES			
Current liabilities			
Trade and other payables	13, 18	$ **5,685,185**	$ 904,802
Flow-through premium liability	16	**214,541**	-
Income taxes payable		**1,729,027**	183,000
Deferred revenue	14	**66,742**	-
Current portion of long-term debt	15	**527,831**	-
Liabilities related to disposal group held for sale	25, 26	**3,868,295**	9,543,460
Total current liabilities		**12,091,621**	10,631,262
Non-current liabilities			
Contingent payments on acquisition	13, 18	**5,079,310**	-
Loans and borrowings	15	**4,187,173**	-
Total non-current liabilities		**9,266,483**	-
TOTAL LIABILITIES		**21,358,104**	10,631,262
EQUITY			
Share capital	16	**60,952,703**	35,239,267
Contributed surplus	14, 16	**19,224,651**	19,299,570
Subscriptions received in advance	16	**-**	400,001
Non-controlling interest on held for sale disposal group	26	**-**	2,872,281
Accumulated other comprehensive loss		**(3,864,284)**	(941,538)
Deficit		**(16,523,929)**	(3,195,355)
TOTAL EQUITY		**59,789,141**	53,674,226
TOTAL LIABILITIES AND EQUITY		$ **81,147,245**	$ 64,305,488

Nature of operations and going concern	1
Contingent liabilities	23
Subsequent events	27

Approved on behalf of the Board:

/s/ Lazaros Nikeas *S/ Stephen Dunmead*

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	For the year ended December 31, 2021	Restated - Note 4 For the year ended December 31, 2020
REVENUE			
Sales	17	$ **11,614,193**	$ -
COSTS AND EXPENSES			
Cost of sales		**512,447**	-
Consulting fees		**263,228**	7,701
Depreciation of equipment	10	**3,614,523**	10,385
Director fees	18	**360,515**	96,045
Foreign exchange (gain) / loss		**272,673**	9,264
Impairment of exploration and evaluation assets	12	**2,401,695**	2,396,642
Investor relations		**477,656**	-
Management fees	18	**2,264,057**	445,989
Operating and maintenance		**4,969,353**	-
Professional fees	18	**1,132,547**	1,158,724
Property examination costs		**31,422**	193,111
Restricted stock units expense	16	**1,335,252**	-
Stock based compensation	16	**1,122,661**	-
Selling, general and administration		**2,703,515**	104,057
Loss from operations		**(9,847,351)**	(4,421,918)
Additional depreciation on discontinued operations		**(1,426,271)**	-
Finance and other income		**126,753**	-
Finance and other costs		**(267,479)**	-
Gain on disposal of property and equipment		**953,188**	-
Gain on revaluation of Fusion options		**32,271**	-
Listing expenses	6	**(1,985,907)**	-
Recognition of flow-through premium	16	**216,510**	549,564
Loss for the year from continuing operations		$ **(12,198,286)**	$ (3,872,354)
Current income tax	22	**1,553,835**	-
Loss for the year from continuing operations, after-tax		$ **(13,752,121)**	$ (3,872,354)
Income from discontinued operation, after-tax	26	**-**	1,040,940
Loss / (income) from discontinued operation attributable to non-controlling interest	26	**423,547**	(112,422)
Total loss for the year attributable to common shareholders		$ **(13,328,574)**	$ (2,943,836)
Currency translation attributable to Chile		**(2,714,447)**	-
Currency translation attributable to ESI		**(208,299)**	(1,055,536)
Comprehensive loss attributable to non-controlling interest		**-**	113,998
Loss and comprehensive loss for the year attribuable to common shareholders		$ **(16,251,320)**	$ (3,885,374)
Loss per share - continuing operations			
Basic and diluted loss per ordinary share		$ **(0.09)**	$ (0.04)
Basic and diluted weighted average number of ordinary shares outstanding		**158,099,142**	105,566,748
Loss per share - discontinued operations			
Basic and diluted gain per ordinary share		$ **0.00**	$ 0.01
Basic and diluted weighted average number of ordinary shares outstanding		**158,099,142**	105,566,748
Loss per share - attributable to common shareholders			
Basic and diluted loss per ordinary share		$ **(0.08)**	$ (0.03)
Basic and diluted weighted average number of ordinary shares outstanding		**158,099,142**	105,566,748

BATTERY MINERAL RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars, except where indicated)

	# of shares issued	Share capital	Contributed surplus	Contingently issuable shares	Receivable share subscriptions	Accumulated other comprehensive loss	Deficit	Total	Non-controlling interest	Total equity
		$	$	$	$		$	$	$	$
Balance at December 31, 2019	91,887,870	11,335,824	-	-	1,100,000		(251,519)	12,184,305	-	12,184,305
										-
Shares issued for cash	4,130,615	2,685,000	-	-	(1,300,000)	-	-	1,385,000	-	1,385,000
Shares issued to Weston for cash	2,600,000	1,727,690	-	-	-	-	-	1,727,690	-	1,727,690
Share issue costs	-	(9,247)	-	-	-	-	-	(9,247)	-	(9,247)
Shares issued to Yorktown for ESI (Note 25)	30,000,000	19,500,000	-	-	-	-	-	19,500,000	-	19,500,000
Contingently issuable shares on acquisition of ESI	-	-	-	11,250,000	-	-	-	11,250,000	-	11,250,000
Capital contribution from Yorktown related to ESI (Note 14, 25)	-	-	10,000,000	-	-	-	-	10,000,000	-	10,000,000
Contingently issuable shares re-allocated to contributed surplus	-	-	11,250,000	(11,250,000)	-	-	-	-	-	-
Excess of consideration over net assets acquired - ESI	-	-	(1,950,430)	-	-	-	-	(1,950,430)	-	(1,950,430)
Non-controlling interest on acquisition of ESI	-	-	-	-	-	-	-	-	3,486,944	3,486,944
Subscription receipts (Note 16)	-	-	-	-	200,000	-	-	200,000	-	200,000
Subscriptions received in advance (Note 16)	-	-	-	-	400,001	-	-	400,001	-	400,001
Loss for the year	-	-	-	-	-	-	(3,872,354)	(3,872,354)	-	(3,872,354)
Income from discontinued operation, after-tax	-	-	-	-	-	-	928,518	928,518	112,422	1,040,940
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(613,087)	(613,087)
Currency translation adjustment on discontinued operation	-	-	-	-	-	(941,538)	-	(941,538)	(113,998)	(1,055,536)
Balance at December 31, 2020 (Restated - Note 4)	**128,618,485**	**35,239,267**	**19,299,570**	**-**	**400,001**	**(941,538)**	**(3,195,355)**	**50,801,945**	**2,872,281**	**53,674,226**
Shares issued for cash	1,497,192	973,175	-	-	-	-	-	973,175	-	973,175
Shares issued for flow through shares (Note 16)	3,799,566	2,806,799	-	-	-	-	-	2,806,799	-	2,806,799
Shares issued for settlement of the claim dispute in Idaho (Note 12, 16)	200,000	130,000	-	-	-	-	-	130,000	-	130,000
Shares issued for historic property obligations (Note 12, 16)	900,000	585,000	-	-	-	-	-	585,000	-	585,000
Shares issued related to Fusion amalgamation (Note 6)	3,100,000	2,015,000	-	-	-	-	-	2,015,000	-	2,015,000
Stock options related to Fusion amalgamation (Note 6)	-	-	38,725	-	-	-	-	38,725	-	38,725
Options exercised related to Fusion amalgamation (Note 6)	62,500	12,500	(32,271)	-	-	-	-	(19,771)	-	(19,771)
Shares issued to Weston for debtor in possession secured loan (Note 5, 16)	1,069,138	662,866	-	-	-	-	-	662,866	-	662,866
Shares issued for Chilean property acquisition (Note 5, 16)	20,086,936	12,822,485	-	-	-	-	-	12,822,485	-	12,822,485
Shares issued to Bluequest for Chilean property acquisition (Note 5, 14,16)	10,000,000	6,200,000	-	-	-	-	-	6,200,000	-	6,200,000
Shares issued to Weston for Chilean property acquisition (Note 5, 16)	1,538,462	1,001,120	-	-	-	-	-	1,001,120	-	1,001,120
Flow through premium liability (Note 16)	-	(431,051)	-	-	-	-	-	(431,051)	-	(431,051)
Shares issue costs	-	(1,064,458)	-	-	-	-	-	(1,064,458)	-	(1,064,458)
Share-based payments (Note 16)	-	-	2,457,913	-	-	-	-	2,457,913	-	2,457,913
Subscriptions received in advance (Note 16)	-	-	-	-	(400,001)	-	-	(400,001)	-	(400,001)
Loss for the year	-	-	-	-	-	-	(13,328,574)	(13,328,574)	(423,547)	(13,752,121)
Translation gain/(loss) recognition on BMR Chile	-	-	-	-	-	(2,714,447)	-	(2,714,447)	-	(2,714,447)
Cumulative translation adjustment on ESI	-	-	-	-	-	(208,299)	-	(208,299)	-	(208,299)
Payout of minority ESI shareholders/ Derecognition of the NCI (Note 26)	-	-	(2,539,286)	-	-	-	-	(2,539,286)	(2,448,734)	(4,988,020)
Balance at December 31, 2021	**170,872,279**	**60,952,703**	**19,224,651**	**-**	**-**	**(3,864,284)**	**(16,523,929)**	**59,789,141**	**-**	**59,789,141**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended December 31, 2021	Restated - Note 4 Year ended December 31, 2020
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the year	$ (13,752,121)	$ (3,872,354)
Items not affecting cash:		
Accretion	33,028	-
Depreciation	3,614,523	10,385
Impairment of exploration and evaluation assets	2,401,695	2,396,642
Listing expense for Fusion Amalgamation	1,985,907	-
Share-based payments	2,457,913	-
Recognition of flow-through premium	(216,510)	(549,564)
Gain on revaluation of Fusion options	(32,271)	-
Gain on disposal of capital assets	(953,188)	-
Additional depreciation on discontinued operations	1,426,271	-
Unrealized foreign exchange	494,741	-
Changes in non-cash working capital items:		
Receivables	(32,978)	419,754
Prepaid expenses	(140,021)	35,667
Trade and other payables	1,092,733	76,400
Income taxes payable	1,374,152	-
Deferred revenue	(2,780)	-
Proceeds from disposal of equipment	2,246,064	-
Net cash provided by (used in) continuing operating activities	1,997,158	(1,483,070)
Net cash provided by (used in) discountinued operating activities	-	1,479,972
Net cash provided by (used in) operating activities	1,997,158	(3,098)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Acquisition of Punitaqui	(10,592,000)	-
Exploration and evaluation assets - Punitaqui	(5,711,267)	-
Exploration and evaluation assets - other	(5,000,298)	(4,690,963)
Acquisition of property, plant and equipment - spare parts	(1,783,246)	-
Other acquisition of property, plant and equipment	(1,409,999)	
Restricted cash	-	1,100,000
Additions of intangible assets	(8,726)	-
Changes in non-cash working capital items:		
Receivables	(784,620)	-
Trade and other payables	(204,303)	-
Net cash provided by (used in) continuing investing activities	(25,494,459)	(3,590,963)
Net cash provided by (used in) discontinued investing activities	-	1,982,570
Net cash provided by (used in) investing activities	(25,494,459)	(1,608,393)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Proceeds from issuance of shares issued for Chilean property acquisition - cash	12,822,485	-
Proceeds from issuance of shares	973,175	3,112,690
Proceeds from issuance of flow-through shares	2,806,799	-
Shares issued to Weston Energy LLC	1,001,120	-
Proceeds from Fusion options exercised	51,225	-
Share issue costs	(1,064,458)	(9,247)
Subscription receipts	(400,001)	200,000
Subscriptions received in advance	-	400,001
Proceeds from the current portion of long-term debt	527,831	-
Proceeds from the non-current portion of long-term debt	183,170	-
Payments made to the minority shareholders of ESI	(4,988,020)	-
Net cash provided by (used in) continuing financing activities	11,913,326	3,703,444
Net cash provided by (used in) discontinued financing activities	-	3,879,317
Net cash provided by (used in) financing activities	11,913,326	7,582,761
Effects of exchange rate changes on cash and cash equivalents	248,399	(385,260)
Change in cash during the year	(11,335,576)	5,586,010
Cash, beginning of the year - continuing operations	4,168,118	469,112
Cash, beginning of the year - discontinued operations	9,797,453	7,910,449
Total cash, beginning of the year	13,965,571	8,379,561
Cash, end of the year - continuing operations *	2,629,995	4,168,118
Cash, end of the year - discontinued operations *	-	9,797,453
Total cash, end of the year	$ 2,629,995	$ 13,965,571
Supplementary cash flow information:		
Interest paid	(267,747)	(31,725)
Interest received	130,026	469
Income taxes paid	(179,683)	(29,803)

* Refer to note 7

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Battery Mineral Resources Corp. (the “Company”) was incorporated on November 26, 2019 under the laws of British Columbia, Canada. The Company's registered office and principal place of business is located Suite 400 – 744 West Hastings Street, Vancouver, BC V6C 1A5.

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

The Company’s principal business activities include the potential resumption of operations and production of copper concentrates in 2022 at the recently acquired Punitaqui Mine Complex and the acquisition and exploration of mineral exploration and evaluation assets in Canada, the United States, Chile, and South Korea. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

On September 9, 2020, the Company completed the acquisition of an 89.2% interest in ESI Energy Services Inc. (“ESI”) (Note 25), a company in the business of supplying backfill separation machines ("Padding Machines") to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors. ESI was considered to be held for sale and ESI and the Company are under common control as of December 31, 2020. For the year ended December 31, 2021, the Company no longer considers ESI as an asset held for sale and as such has consolidated ESI and related entities.

On February 12, 2021, the Company completed a reverse takeover transaction with Fusion Gold Ltd. (“Fusion”) (Note 6).

On May 26, 2021, the Company completed the acquisition of ESI concurrent with the completion of the ESI going private transaction. The result is the Company now owns 100% of the ESI common shares (Note 25, 26).

On May 28, 2021, the Company’s wholly-owned Chilean subsidiary Minera BMR SpA completed the asset acquisition from Minera Altos de Punitaqui Limitada (“MAP”), a wholly-owned subsidiary of Xiana Mining Inc., of the Punitaqui Exploration Mining Complex (“Punitaqui”), a previous producing copper-gold mine located in the Coquimbo region of Chile (Note 5, 13, 17).

At December 31, 2021, the Company had a working capital deficiency (current assets less current liabilities) of $3,195,332 (working capital surplus, December 31, 2020 of $29,739,165). For the year ended December 31, 2021, the Company recorded a net loss of $13,328,574 (2020 net loss of $2,943,836). For the year ended December 31, 2021, the Company recorded net cash inflow from operating activities of $1,997,158 (2020 net cash flow used in operating activities of $3,098).

During 2021, management began to assess the financing alternatives that may be available to the Company in order to complete the ramp up and commence production from the Punitaqui mine, with an emphasis on alternatives that do not include the issuance of new equity. Such alternatives include, but are not limited to, a concentrate offtake prepayment financing, a private debt financing, or a financing by way of a sale of a royalty interest over the potential future production from the mine, among others. The Company is currently working to complete further mine planning analysis, which is expected to provide an indication of the amount and timing of the required funding. On July 16, 2021 the Company engaged JDS Energy & Mining Inc. to provide services to the Company in connection with the aforementioned mine planning analysis.

1. NATURE OF OPERATIONS AND GOING CONCERN (cont'd.)

ESI owns a real estate property located in Leduc, AB, which has a mortgage loan outstanding. The Leduc mortgage contains a debt covenant stipulating a minimum debt service coverage ratio of 1.25:1 ("DSCR"). As of December 31, 2021, the DSCR was estimated by ESI to be approximately -2.41:1. As such, ESI believes that as of the aforementioned date, it was in breach of the debt covenant in relation to the mortgage loan secured by ESI's property in Leduc, AB. ESI has submitted its unaudited financial statements to the mortgage lender; however, as of May 1, 2022, ESI has not received any notice from the mortgage lender notifying ESI that it has breached the debt covenant. Per the mortgage loan agreement, ESI is required to submit audited financial statements to the mortgage lender prior to June 30, 2022.

The mortgage lender has the contractual right to demand immediate payment of all loans and credits in full any time there is a breach of terms, and failing repayment of the mortgage loan by ESI, the mortgage lender has the right to realize on the mortgage loan by taking ownership of the Leduc, AB property which is a security for the mortgage loan.

The Leduc, AB property was actively being marketed as of December 31, 2021. ESI believes that, should it be successful in selling the Leduc, AB property, the expected net proceeds from the sale will allow ESI to repay the balance of the mortgage loan and any interest owing. There can be no assurances that the Leduc, AB property will be sold within a timeline that will allow ESI to cure the covenant breach, if at all. Even if the Leduc, AB property is sold within a timeline that allows ESI to cure the covenant breach, there can be no assurances that the net proceeds from the sale will be sufficient to allow ESI to repay the balance of the mortgage loan and any interest owing.

The above factors, together with the Company's working capital deficiency and the potential for additional unforeseen issues and delays give rise to material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 1, "Presentation of Financial Statements" and utilize accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Approval of the financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2022.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

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

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

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

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

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (cont'd.)

Basis of consolidation

These consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries as follows:

			Proportion of Ownership Interest and Voting Power Held Incorporation	
Name of Subsidiaries	**Principal Activity**	**Country of Incorporation**	**December 31, 2021 %**	**December 31, 2020 %**
BMR Holdings Limited (formerly Battery Mineral Resources Corp.)	Intermediate Holding Company	Canada	100	100
North American Cobalt Inc. (formerly Battery Mineral Resources Limited)	Resource Exploration	Canada	100	100
North American Cobalt Inc.	Resource Exploration	USA	100	100
Battery Mineral Resources (Nevada), Inc.	Resource Exploration	USA	100	100
Opirus Minerals Group Pty Ltd.	Intermediate Holding Company	Australia	100	100
Battery Mineral Resources Korea (formerly Won Kwang Mines Inc.)	Resource Exploration	South Korea	100	100
ESI Energy Services Inc. ("ESI") *	Oil and Gas Service Company	Canada	100	89.2
Ozzies, Inc. (formerly ESI Pipeline Services, Inc.)*	Oil and Gas Service Company	USA	100	89.2
Energy Services (Australia) Pty Ltd.*	Oil and Gas Service Company	Australia	100	89.2
Minera BMR SpA	Resource Exploration	Chile	100	-

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

* Note: ESI and related subsidiaries are classified as assets held for sale in these financial statements (Note 25 and 26) as at December 31, 2020.

2. BASIS OF PREPARATION (cont'd…)

Significant estimates

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

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

Estimates are made when applying accounting policies. The critical estimates that have the most significant effects on the amounts recognized in the consolidated financial statements are as follows:

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

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

Deferred revenue

Spare parts and consumables related to rented machines are invoiced in advance for the full value of the spare parts and consumables delivered. Payments for spare parts and consumables delivered are recorded as deferred revenue. Upon return of the rented equipment, the customer is refunded the value of any spare parts and consumables returned, less a restocking fee.

Deferred revenue consisted of advances received by the Company in consideration for future commitments to deliver ore extracted from the Company's exploration and evaluation assets. As deliveries are made, the Company would record a portion of the deferred revenue as sales, based on a proportionate share of deliveries made compared with the total estimated contractual commitment. The Company was to earn into ownership in a mill and determined there was no financing component.

2. BASIS OF PREPARATION (cont'd…)

Significant judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are, but are not limited to, as follows:

Determination of functional currency

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

Acquisition of an associated company

The Company acquired 89.2% ownership of ESI on September 9, 2020 (Note 25). The process for determining whether the acquisition was an asset purchase versus a business acquisition was performed. Primary consideration was given to the Oil and Gas Padding Service Company and ESI was considered to meet the definition of a business. As both the Company and ESI were under common control by Yorktown Energy LLC ("Yorktown"), the acquisition of ESI was scoped out of IFRS 3 as the acquisition was a transaction under common control. The Company's intent, on the acquisition date, was to sell ESI to a third party within the next 12 months and accordingly has recorded the investment in ESI as a non-current asset held for sale and discontinued operations as at December 31, 2020

Shares issued to acquire ESI and contingently issuable shares were valued based on the most recent third-party financing. Contingently issuable shares were also based on probability of occurrence as further disclosed in Note 26.

On May 28, 2021, the Company acquired 100% of ESI common shares by completing a go private transaction.

Asset Acquisition

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

Deferred tax

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. There are usually a number of tax matters under review; therefore, income taxes are subject to measurement uncertainty.

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

2. BASIS OF PREPARATION (cont'd…)

Reverse takeover

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

3. SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

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

Spare parts materials and supplies are valued at the lower of weighted average cost and net realizable value, less any allowances for obsolescence. Replacement costs of materials and spare parts are generally used as the best estimate of net realizable value.

Exploration and evaluation assets

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

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

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

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

In 2021, the Company determined that the sale of ESI was no longer highly probable and thereafter ESI is no longer classified as held for sale in 2021. The below accounting policies are applicable to the Company in 2021 as ESI is now a consolidated entity.

i. Property, plant and equipment

   Property, plant and equipment are stated at historical cost net of accumulated depreciation and impairment losses.

   The cost of an item of property, plant and equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Assets held for sale (cont'd…)

use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and for qualifying assets, the associated borrowing costs.

Where an item of property, plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

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

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

Asset	Basis	Rate
Buildings	Straight-line	30-40 years
Padding equipment non-componentized	Straight-line	5-10 years
Padding equipment componentized	Declining balance	2.5-10 years
Major overhauls	Declining balance	5-10 years
Oilfield service equipment	Straight-line	5-10 years
Office furniture & equipment	Straight-line	2-5 years
Shop equipment	Straight-line	2-5 years

ii. Revenue recognition

Rental revenue from padding machines and oilfield service equipment is recognized with the passage of time under month-to-month contracts, starting when the equipment is delivered, which is the time control of the goods has passed to the purchaser and collection is reasonably assured. Upon commencement of the rental contract, customers are invoiced in advance for equipment.

Spare parts and consumables related to rented machines are invoiced in advance for the full value of the spare parts and consumables delivered. Payments for spare parts and consumables delivered are recorded as deferred revenue. Upon return of the rented equipment, the customer is refunded the value of any spare parts and consumables returned, less a restocking fee.

Sales of spare parts not related to rented machines as mentioned above are reflected as revenue. Revenue on the sale of machines and spare parts are recognized when the control of the goods passes to the customer, collection is reasonably assured and generally when physical delivery has occurred. Contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year are not expected to occur. As a result, there is no adjustment to any of the transaction prices for the time value of money. Mobilization and other services are also rendered. The revenue is recognized over time, as the services are rendered, which typically occurs within one or a few days.

For the mobilization revenue, ESI acts as a principal, as a result of which presentation of mobilization revenue is at gross. The Company uses the following practical expedients:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Assets held for sale (cont'd…)

- Applies the requirements of the revenue standard to a portfolio of similar contracts (or similar performance obligations) because there is an expectation that the effects on the financial statements will not materially differ from applying the guidance to the individual contracts (or individual performance obligations).

- Does not adjust the promised amount of consideration for the effects of a significant financing component because there is an expectation, at contract inception, that the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.

- Where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of completed performance to date, revenue is recognized in the amount to which the Company has a right to invoice.

Impairment of assets

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

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

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

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Intangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share capital

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

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

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the issuance date, the balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves.

Flow-through common shares

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

Share-based compensation

The Company uses the fair value-based method of accounting for stock options granted to employees and directors and for compensatory warrants. Under this method, the fair value of the stock options and compensatory warrants are determined using the Black-Scholes option pricing model. The fair value of stock options is recognized to expense over the vesting period, and the fair value of compensatory warrants is recognized as share issuance costs, with the offsetting credit to reserves. If the stock options or warrants are exercised, the proceeds are credited to share capital and the fair value of the options or warrants exercised are reclassified from reserves to share capital.

Basic and diluted loss per share

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial assets which consist of cash, restricted cash, and receivables are classified as amortized cost.

Financial liabilities

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

Impairment of financial assets

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

Income taxes

Current income tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes (cont'd…)

Deferred tax

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

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

Upcoming accounting standards, and pronouncements

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16): The amendments prohibit an entity from deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This amendment is effective for the Company's annual reporting period beginning January 1, 2022. The Company is in the process of assessing the impact of the adoption of this amendment.

(Expressed in Canadian Dollars)

4. PRIOR YEAR RESTATEMENT

Restatement of the Acquisition of the Disposal Group Held for Sale (ESI Energy Services Inc.)

During the year end of 2021, the Company identified that they had incorrectly accounted for the acquisition of ESI in the 2020 Consolidated Financial Statements. As a result, the Company has restated it's 2020 Consolidated Statements of Financial Position, Consolidated Statements of Loss and Comprehensive Loss, Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flows.

Reconciliation of the Consolidated Statements of Financial Position:

i. Reconciliation of the Consolidated Statements of Financial Position:

	As at December 31, 2020			
	Previously reported	Restatement adjustment	Restated	Note
ASSETS				
Current assets				
Assets included in disposal group held for sale	-	36,132,697	36,132,697	1
Total current assets	**4,237,730**	**36,132,697**	**40,370,427**	
Non-current assets				
Assets included in disposal group held for sale	41,638,421	(41,638,421)	-	1
Total non-current assets	**65,573,482**	**(41,638,421)**	**23,935,061**	
TOTAL ASSETS	**69,811,212**	**(5,505,724)**	**64,305,488**	
LIABILITIES				
Current liabilities				
Liabilities related to disposal group held for sale	-	9,543,460	9,543,460	1
Total current liabilities	**1,087,802**	**9,543,460**	**10,631,262**	
Non-current liabilities				
Liabilities related to disposal group held for sale	9,543,460	(9,543,460)	-	1
Total non-current liabilities	**9,543,460**	**(9,543,460)**	**-**	
TOTAL LIABILITIES	**10,631,262**	**-**	**10,631,262**	
EQUITY				
Contributed surplus	32,408,573	(13,109,003)	19,299,570	2
Non-controlling interest	2,766,011	106,270	2,872,281	3
Accumulated other comprehensive loss	-	(941,538)	(941,538)	4
Deficit	(11,633,902)	8,438,547	(3,195,355)	5
TOTAL EQUITY	**59,179,950**	**(5,505,724)**	**53,674,226**	
TOTAL LIABILITIES AND EQUITY	**69,811,212**	**(5,505,724)**	**64,305,488**	

1. Assets included in disposal group held for sale and liabilities related to disposal group held for sale were reclassified from non-current to current. The fair value was in excess of the original carring amount and therefore, no adjustment was required.

2. Contributed surplus was reduced by $13,109,003 as the accounting treatment for goodwill and the excess purchase price were removed and the dividend received from ESI was eliminated on consolidation, as ESI aquistion was determined to be a common controlled transaction.

3. Non-controlling interest was increased as the removal of goodwill increased non-controlling interest and recalculating the cumulative translation adjustment as of December 31, 2020, lead to an increase in non-controlling interest of $106,270.

4. Accumulated other comprehensive loss increased as the Company recognized the 89.2% cummulative translation adjustment relating to ESI as of December 31, 2020.

5. Deficit decreased as the Company derognized the remeasurement loss on ESI as of December 31, 2020.

(Expressed in Canadian Dollars)

4. PRIOR YEAR RESTATEMENT (cont'd…)

Reconciliation of the Consolidated Statements of Loss and Comprehensive Loss:

	For the year ended December 31, 2020			
	Previously reported	**Restatement adjustment**	**Restated**	**Note**
Remeasurement loss on disposal group held for sale after common control adjustment	(8,841,196)	8,841,196	-	1
Total discontinued operation	**(7,800,256)**	**8,841,196**	**1,040,940**	
Discontinued operation allocated to non-controlling interest	(410,018)	297,596	(112,422)	2
Loss for the year	**(12,082,628)**	**9,138,792**	**(2,943,836)**	
Currency translation attributable to discontinued operation	700,245	(1,755,781)	(1,055,536)	3
Comprehensive loss attributable to noncontrolling interest	-	113,998	113,998	3
Loss and comprehensive loss for the year	**(11,382,383)**	**7,497,009**	**(3,885,374)**	
Loss per share - Discontinued operations				
Basic and diluted loss per ordinary share	(0.11)	0.12	0.01	

1. The remeasurement loss on disposal group held for sale after common control adjustment was previosuly recorded to equity. The amount has been adjusted as the acquisition has been accounted for as a common control transaction and there are no remeasurement gains or losses.

2. The discontinued operation allocated to non-controlling interest has been adjusted to reflect the impact of the restatement adjustments that impact non-controlling interest.

3. The cumulative translation adjustment has been adjusted to reflect the impact of the restatement adjustments that impacted ESI's cumulative translation adjustment.

Reconciliation of the Consolidated Statements of Changes in Equity:

	As at December 31, 2020					
	Contributed surplus	Accumulated other comprehensive loss	Deficit	**Total**	Non-controlling interest	**Total equity**
Previously reported	32,408,573	-	(11,633,902)	**56,413,939**	2,766,011	**59,179,950**
Restatement adjustment	(13,109,003)	(941,538)	8,438,547	**(5,611,994)**	106,270	**(5,505,724)**
Restated	19,299,570	(941,538)	(3,195,355)	**50,801,945**	2,872,281	**53,674,226**

(Expressed in Canadian Dollars)

4. PRIOR YEAR RESTATEMENT (cont'd…)

Reconciliation of the Consolidated Statements of Cash Flows:

	As at December 31, 2020			
	Previously reported	Restatement adjustment	Restated	Note
CASH FLOWS FROM (TO) OPERATING ACTIVITIES				
Loss for the year	(12,082,628)	8,210,274	(3,872,354)	
Items not affecting cash:				
Remeasurement loss on disposal group held for sale	8,841,196	(8,841,196)	-	
Income from discontinued operation, after-tax	(1,040,940)	1,040,940	-	
Discontinued operations allocated to non-controlling interest	410,018	(410,018)	-	
Net cash provided by (used in) discountinued operating activities	**-**	**1,479,972**	**1,479,972**	
Net cash provided by (used in) continuing operating activities	**(1,483,070)**	**-**	**(1,483,070)**	1
CASH FLOWS FROM (TO) INVESTING ACTIVITIES				
Net cash provided by (used in) discontinued investing activities	**-**	**1,982,570**	**1,982,570**	1
Net cash provided by (used in) continuing investing activities	**(3,590,963)**	**-**	**(3,590,963)**	
CASH FLOWS FROM (TO) FINANCING ACTIVITIES				
Proceeds from ESI dividend	5,069,594	(5,069,594)	-	2
Net cash provided by (used in) discontinued financing activities	**-**	**3,879,317**	**3,879,317**	1
Net cash provided by (used in) continuing financing activities	**8,773,038**	**(5,069,594)**	**3,703,444**	2
Effects of exchange rate changes on cash and cash equivalents of the disposal group	**-**	**(385,260)**	**(385,260)**	
Change in cash during the year	**3,699,006**	**1,887,004**	**5,586,010**	
Cash, beginning of the year - continuing operations	469,112	-	469,112	
Cash, beginning of the year - discontinued operations	-	7,910,449	7,910,449	
Total cash, beginning of the year	**469,112**	**7,910,449**	**8,379,561**	1
Cash, end of the year - continuing operations	4,168,118	-	4,168,118	
Cash, end of the year - discontinued operations	-	9,797,453	9,797,453	
Total cash, end of the year	**4,168,118**	**9,797,453**	**13,965,571**	1

1. Cash flow statement was revised to separately disclose ESI discontinued operations in operating activities, investing activities and financing activities, as well as the disposal group cash at the beginning and end of the reporting period.

2. Dividend received from ESI has been removed on consolidation as ESI was consider to be common controlled entity.

5. PUNITAQUI ACQUISITON

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

Consideration included:

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

ii. Contingent consideration of up to US$5,000,000 of additional payments subject to achieving certain production milestones at the Punitaqui Mine, with each milestone payment to be satisfied, at the election of Bluequest, by the payment of cash, the issuance of Common Shares at prevailing market prices (subject to a minimum issue price of C$0.41), or a combination of both – the company has estimated the probability of achieving this milestone as at December 31, 2021 to be nil;

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

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

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

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

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

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

The arrangement included a 99-year lease agreement, which exceeds the life of the assets, to access and utilize MAP's mining concessions, mineral properties, equipment, and water rights. This structure allows the Company to complete a pre-economic analysis and apply for the proper permits with the Chilean mining authorities, without assuming any potential unknown liabilities within MAP. MAP has granted a four-year call option to sell the entirety of the mining equipment properties to Battery, and Battery entered into a promissory purchase agreement for the equity of MAP for US$100 on the 10-year anniversary of this transaction.

(Expressed in Canadian Dollars)

5. PUNITAQUI ACQUISTION (cont'd…)

The consideration for the Punitaqui acquisition was:

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

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

Fair value of MAP:	
Property	8,564,000
Plant and equipment	16,121,000
VAT Receivable	850,000
Net identifiable assets equal to asset acquisition	**25,535,000**

Fair value of the Capital Inventory Acquired	
Capital Inventory cost	1,772,000
VAT Receivable	416,000
Total consideration paid	**2,188,000**

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

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

6. REVERSE TAKEOVER TRANSACTION

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

The New Definitive Agreement (i) extends the time for completion of the Transaction from August 31, 2020, to March 1, 2021, and (ii) increases the expense reimbursement fee from $250,000 to $350,000 (payable by Battery to Fusion in the event the Transaction is not completed by December 31, 2020, for any reason other than as a result of the failure of Fusion to fulfill a material condition or obligation under the Definitive Agreement).

Pursuant to the New Definitive Agreement, Fusion acquired all of the issued and outstanding securities of BMR, by way of an amalgamation under the British Columbia Business Corporations Act pursuant to which BMR and Fusion Subco amalgamated, shareholders of BMR exchanged their shares of BMR for shares of Fusion on a one-for-one basis on a post-consolidation basis (as defined below) and BMR became a wholly-owned subsidiary of Fusion (together with the related transactions and corporate procedures set out in the New Definitive Agreement, the "Transaction").

In connection with the Transaction, Fusion consolidated its common shares on a 2:1 basis (the "Consolidation"). In addition, upon closing of the Transaction, Fusion changed its name to "Battery Mineral Resources Corp.". On closing the Transaction, the Resulting Issuer met the TSXV's initial listing requirements for a Tier 1 or Tier 2 mining issuer.

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

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

Trading of the Company’s common shares commenced on February 22, 2021.

(Expressed in Canadian Dollars)

6. REVERSE TAKEOVER TRANSACTION (cont'd…)

For accounting purposes, the acquisition was treated as an RTO. As such, effective as at the date of closing, the fair value of the consideration deemed to be paid by the Company and the fair value assigned to Fusion's identified assets acquired and liabilities assumed are presented below:

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

During the year the Company expensed $144,661 (2020 - $527,584), in professional fees, relating to the RTO.

(Expressed in Canadian Dollars)

7. CASH

Cash is comprised as follows:

		31-Dec-21		31-Dec-20
Cash in Canadian financial institutions	**$**	**1,511,394**	$	4,135,035
Cash in American financial institutions		**706,642**		14,784
Cash in Australian financial institutions		**1,023**		77
Cash in South Korean financial institutions		**-**		18,222
Cash in Chilean financial institutions		**410,936**		-
Total	**$**	**2,629,995**	$	4,168,118

During the year ended, December 31, 2020, the Company received a dividend $5,069,594 from ESI, during the period ESI was classified as a disposal group held for sale (Note 26). The dividend received by the Company was reflected in the ending cash balance as of December 31, 2020, but due to the inter-company relationship between ESI and the Company, the receipt of the dividend was note reflected in the consolidated statement of cash flows for the year ended December 31, 2020.

8. RECEIVABLES

Receivables are comprised as follows:

		31-Dec-21		31-Dec-20
Accounts receivable	**$**	**1,623,632**	$	-
Finance lease receivable		**329,543**		-
GST/HST receivable		**57,669**		54,524
QST receivable		**24,728**		(426)
VAT receivables		**1,710,429**		15
Total	**$**	**3,746,001**	$	54,113

9. PREPAID EXPENSES

Prepaid expenses are comprised as follows:

		31-Dec-21		31-Dec-20
Prepaid expenses	**$**	**231,061**	$	15,499
Total	**$**	**231,061**	$	15,499

(Expressed in Canadian Dollars)

10. PROPERTY PLANT AND EQUIPMENT

	Land and Buildings	Plant and Mining equipment	Padding equipment	Spare parts	Motor vehicles	Computer equipment	Office equipment	Total
Cost								
At December 31, 2019	$ -	$ 47,420	$ -	$ -	$ 13,465	$ 48,727	$ 25,803	$ 135,415
Additions	-	-	-	-	-	-	-	-
At December 31, 2020	$ -	$ 47,420	$ -	$ -	$ 13,465	$ 48,727	$ 25,803	$ 135,415
Discontinued operations - opening balances	8,646,657	-	38,097,381	712,153	-	-	-	47,456,191
Continuing operations - additions	-	-	-	-	-	2,069	-	2,069
Punitaqui - additions	8,563,739	16,126,664	-	1,783,246	-	-	-	26,473,649
ESI - additions	130,358	-	1,274,483	5,158	-	-	-	1,409,999
ESI - disposals	(369,948)	-	(3,584,871)	-	-	-	-	(3,954,819)
ESI - re-class	(3,046,664)	-	-	-	-	-	-	(3,046,664)
Foreign currency translation adjustment	(963,751)	(1,773,782)	(185,518)	(194,434)	-	-	-	(3,117,485)
At December 31, 2021	**$ 12,960,391**	**$ 14,400,302**	**$ 35,601,475**	**$ 2,306,123**	**$ 13,465**	**$ 50,796**	**$ 25,803**	**$ 65,358,355**
Accumulated depreciation								
At December 31, 2019	$ -	$ (1,102)	$	$ -	$ -	$ (912)	$ -	$ (2,014)
Depreciation	-	(13,230)		-	(6,447)	(11,489)	(12,587)	(43,753)
At December 31, 2020	$ -	$ (14,332)	$ -	$ -	$ (6,447)	$ (12,401)	$ (12,587)	$ (45,767)
Discontinued operations - opening balances	(3,635,601)	-	(19,712,265)	-	-	-	-	(23,347,866)
Continuing operations - depreciation	-	(13,443)	-	-	(3,068)	(11,661)	(6,432)	(34,604)
ESI - depreciation	(215,458)	-	(4,779,244)	-	-	-	-	(4,994,702)
ESI - disposals	324,447	-	2,334,918	-	-	-	-	2,659,365
ESI - re-class	757,432	-	-	-	-	-	-	757,432
Foreign currency translation adjustment	9,250	75	202,198	-	17	65	36	211,641
At December 31, 2021	**$ (2,759,930)**	**$ (27,700)**	**$ (21,954,393)**	**$ -**	**$ (9,498)**	**$ (23,997)**	**$ (18,983)**	**$ (24,794,501)**
Carrying amounts								
At December 30, 2020	$ -	$ 33,088	$ -	$ -	$ 7,018	$ 36,326	$ 13,216	$ 89,648
At December 31, 2021	**$ 10,200,461**	**$ 14,372,602**	**$ 13,647,082**	**$ 2,306,123**	**$ 3,967**	**$ 26,799**	**$ 6,820**	**$ 40,563,854**

(Expressed in Canadian Dollars)

11. EXPLORATION ADVANCES

The Company has made advance payments of drilling and exploration services for its Cobalt Project. The deposits will be capitalized to the Company's exploration and evaluation assets, as the services are rendered.

		31-Dec-21		31-Dec-20
Exploration Advances	$	404,000		666,097
Total	$	404,000	$	666,097

12. EXPLORATION AND EVALUATION ASSETS

The Company has investigated the titles to its exploration and evaluation assets and to the best of its knowledge, the titles are in good standing.

The following table represents expenditures incurred on the exploration and evaluation assets during the year ended December 31, 2021 and include the properties purchased in the Acquisition:

	Canadian Cobalt Projects	U.S. Cobalt Projects	U.S. Lithium Projects	South Korea Graphite Projects	Chile Copper Punitaqui Project	Total
	$	$	$	$	$	$
Balance as December 31, 2019	**15,692,069**	**1,117,725**	**2,229,691**	**1,658,937**	**-**	**20,698,422**
Additions during the year	3,973,424	230,759	458,186	215,167	-	4,877,536
Impairment	(19,365)	(68,118)	(2,309,159)	-	-	(2,396,642)
Balance as December 31, 2020	**19,646,128**	**1,280,366**	**378,718**	**1,874,104**	**-**	**23,179,316**
Additions during the year	4,407,954	310,637	4,152	277,555	5,711,267	10,711,565
Impairment	(2,183,968)	-	-	(217,727)	-	(2,401,695)
Currency translation adjustment	-	-	-	-	(387,707)	(387,707)
Balance as December 31, 2021	**21,870,114**	**1,591,003**	**382,870**	**1,933,932**	**5,323,560**	**31,101,479**

(Expressed in Canadian Dollars)

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

Canadian Cobalt Projects

	McAra	Gowganda	Fabre	Shining Tree	Elk Lake	Wilder	White Reserve	Iron Mask	Other	Total
	$	$	$	$	$	$	$	$	$	$
Balance at December 31, 2019	6,508,974	2,965,688	1,488,527	1,129,596	1,426,834	878,986	561,393	-	732,071	15,692,069
Additions										
Property acquisition and staking costs	28,955	51,350	-	4,375	58,900	99,226	59,775	16,025	20,493	339,099
Exploration expenditures										
Assay	18,461	92,680	-	3,756	26,348	-	-	-	349	141,594
Consulting	62,253	88,019	5,183	51,678	8,929	3,740	2,037	2,530	279	224,648
Drilling	450,851	642,079	3,571	87,894	215,537	-	1,157	-	-	1,401,089
Field office and other	79,523	62,849	10,238	29,089	28,300	7,288	4,944	50	331	222,612
Geological	65,101	389,014	117,659	93,184	179,148	23,198	133,876	-	2,720	1,003,900
GIS, mapping and surveying	1,085	52,084	10,135	585	13,570	-	18,635	-	-	96,094
Government and land payments	5,448	7,558	(241,471)	747	4,981	351	229	760	521	(220,876)
Ground truthing and trenching	387	31,008	-	129	-	-	-	-	-	31,524
Local Indigenous engagements	6,676	4,307	-	1,542	2,336	-	2,262	-	-	17,123
Project management	134,358	206,511	2,366	47,524	42,411	-	7,073	-	1,644	441,887
Travel	31,828	144,388	6,673	40,588	39,742	-	6,254	-	5,257	274,730
Additions during the year	884,926	1,771,847	(85,646)	361,091	620,202	133,803	236,242	19,365	31,594	3,973,424
Impairment	-	-	-	-	-	-	-	(19,365)	-	(19,365)
Balance at December 31, 2020	**7,393,900**	**4,737,535**	**1,402,881**	**1,490,687**	**2,047,036**	**1,012,789**	**797,635**	**-**	**763,665**	**19,646,128**

	McAra	Gowganda	Fabre	Shining Tree	Elk Lake	Wilder	White Reserve	Iron Mask	Other	Total
	$	$	$	$	$	$	$	$	$	$
Balance at December 31, 2020	7,393,900	4,737,535	1,402,881	1,490,687	2,047,036	1,012,789	797,635	-	763,665	19,646,128
Additions										
Property acquisition and staking costs	69,857	546,301	2,248	8,550	93,681	213,338	21,465	145,739	29,729	1,130,908
Assay	-	34,007	12,614	26,691	22,507	-	17,560	-	-	113,379
Consulting	29,551	90,189	15,337	26,796	27,613	32,779	13,542	947	2,551	239,305
Drilling	12,334	498,884	263,712	272,245	193,965	-	260,467	-	-	1,501,607
Environmental and permitting	-	36,907	-	-	-	-	-	-	-	36,907
Field office and other	18,090	41,741	3,358	7,520	2,851	3,450	3,445	29	91	80,575
Geological	41,874	224,355	90,492	104,168	62,020	25,318	115,795	-	2,580	666,602
GIS, mapping and surveying	-	69,375	-	-	-	-	-	-	-	69,375
Government and land payments	1,393	14,745	(49,288)	5,700	3,879	434	6,026	445	-	(16,666)
Project management	48,674	78,483	31,988	24,529	33,566	6,148	25,701	-	1,143	250,232
Travel	14,341	122,735	38,922	57,206	56,271	5,997	39,211	-	1,047	335,730
Additions during the year	236,114	1,757,722	409,383	533,405	496,353	287,464	503,212	147,160	37,141	4,407,954
Impairment	-	(2,023,808)	-	-	-	-	-	(147,160)	(13,000)	(2,183,968)
Balance as December 31, 2021	**7,630,014**	**4,471,449**	**1,812,264**	**2,024,092**	**2,543,389**	**1,300,253**	**1,300,847**	**-**	**787,806**	**21,870,114**

(Expressed in Canadian Dollars)

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

McAra Project area, Ontario Canada

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

The Company issued 62,000 common shares valued at $40,300, upon completion of the Transaction, related to the McAra Project historic property obligations (Note 16).

Gowganda Project area, Ontario Canada

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

The Company issued 297,000 common shares valued at $193,050, upon completion of the Transaction, related to the Gowganda Project historic property obligations (Note 16).

Gowganda Transition-Claims, Ontario, Canada

The Company has an option agreement to acquire a 60% interest in certain claims in the Gowganda project area located in Nicol, Haultain, Milner, Van Hise and Lawson townships through completing option payments, and exploration expenditures as follows:

	Payments	**Exploration expenditures**
By December 19, 2019:	$100,000 (paid)	
By September 2, 2020:	$nil	$400,000 (incurred)
By March 2, 2021:	$300,000 (paid)	$1,000,000 (incurred)
By March 2, 2022:	$250,000	$2,000,000 (waived)

On December 17, 2019, the Company amended the option agreement by paying the $100,000 option payment in advance of the obligation date of March 2, 2020 and in doing so the optionor extended the annual exploration expenditures commitment of $400,000 to September 2, 2020.

As of December 31, 2020, the Company has met the $400,000 expenditure commitment.

Of the total exploration expenditures, 25% of the work must be spent on gold exploration expenditures.

The Company can acquire an additional 20% interest in the property through completion of a feasibility study within three years of exercise of the above option.

The Company has the right to extend the period to four years for payment of $250,000 in cash or shares if the Company's stock is free trading.

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

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

Subsequent to December 31, 2021, the Company did not meet the exploration expenditure of $2,000,000. The Company has impaired 100% of the Gowganda Transition Project as of December 31, 2021 for $2,023,808.

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

Fabre Project area, Quebec Canada

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

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

Shining Tree Project area, Ontario Canada

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

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

Elk Lake Project area, Ontario Canada

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

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

The Company issued 97,000 common shares valued at $63,050, upon completion of the Transaction, related to the Elk Lake Project historic property obligations (Note 16).

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

The Company has a purchase option agreement, with Ashley Gold Mines Limited ("Ashley") to acquire a 100% interest in the Elk Lake (Silverstrike property), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $22,000 (paid)

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

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

The Company has a purchase option agreement, to acquire a 100% interest in the Elk Lake (Mapes-Johnson property), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $11,000 (paid)

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

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

Elk Lake Project area, Ontario Canada (cont'd.)

Sunvest property claims

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

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

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

Wilder Project area, Ontario, Canada

Wilder Project area (Kell claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the Wilder (Kell claims), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $44,000 (paid)

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

Wilder Project area (Thompson claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the Wilder (Thompson claims), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $16,500 (paid)

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

The Company issued 212,000 common shares valued at $137,800, upon completion of the Transaction, related to the Wilder Project historic property obligations (Note 16).

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

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

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the White Reserve claims, located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: $44,000 (paid)

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

The Company issued 12,000 common shares valued at $7,800, upon completion of the Transaction, related to the White Reserve Project historic property obligation (Note 16).

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

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

The Company issued 200,000 common shares valued at $130,000, upon completion of the Transaction, related to the Iron Mask historic property obligation (Note 16).

During the year ended December 31, 2021, the Company has abandoned the Iron Mask projects and recorded impairment of $147,160 (December 31, 2020: $19,365).

Other Projects, Ontario Canada

Other Projects are comprised of mineral claims located in the Province of Ontario.

The Company issued 20,000 common shares valued at $13,000, upon completion of the Transaction, related to the Other Projects historic property obligations (Note 16).

During the year ended December 31, 2021, the Company has abandoned the other projects and recorded impairment of $13,000 (December 31, 2020: $Nil).

(Expressed in Canadian Dollars)

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

U.S. Cobalt Projects

	Bonanza	Quartzburg	Total
	$	$	$
Balance at December 31, 2019	1,049,607	68,118	1,117,725
Additions			
Consulting	85,256	-	85,256
Government and land payments	143,629	-	143,629
Travel	1,874	-	1,874
Additions during the year	230,759	-	230,759
Impairment	-	(68,118)	(68,118)
Balance at December 31, 2020	**1,280,366**	**-**	**1,280,366**

	Bonanza	Quartzburg	Total
	$	$	$
Balance at December 31, 2020	1,280,366	-	1,280,366
Additions			
Property acquisition and staking costs	262,435	-	262,435
Consulting	27,667	-	27,667
Environmental and permitting	10,066	-	10,066
Field office and other	9,607	-	9,607
Government and land payments	862	-	862
Additions during the year	310,637	-	310,637
Balance as December 31, 2021	**1,591,003**	**-**	**1,591,003**

U.S. Cobalt Projects

Bonanza Project, Idaho, USA

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

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

As of December 31, 2021, the Company has reached an agreement relating to the settlement of the claim dispute in Idaho (Note 16). The Company issued 200,000 common shares valued at $130,000, upon completion of the Transaction (Note 16). In exchange for the shares, the Company has received the right to all claims the US Company held in Idaho on the Bonanza Project, including the ones in dispute.

Quartzburg Projects, Oregon, USA

During the year ended December 31, 2020, the Company has abandoned the Quartzburg project and recorded an impairment of $68,118.

(Expressed in Canadian Dollars)

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

U.S. Lithium Projects

	Amargosa $	Panamint $	Total $
Balance at December 31, 2019	368,027	1,861,664	2,229,691
Additions			
Property acquisition and staking costs	4,427	-	4,427
Exploration expenditures			
Assay	-	10,113	10,113
Consulting	4,855	49,104	53,959
Drilling	-	320,588	320,588
Geological	-	8,197	8,197
Government and land payments	1,409	1,345	2,754
Project management	-	30,111	30,111
Travel	-	28,037	28,037
Additions during the year	10,691	447,495	458,186
Impairment	-	(2,309,159)	(2,309,159)
Balance at December 31, 2020	**378,718**	**-**	**378,718**

	Amargosa $	Panamint $	Total $
Balance at December 31, 2020	378,718	-	378,718
Additions			
Property acquisition and staking costs	4,152	-	4,152
Additions during the year	4,152	-	4,152
Balance as December 31, 2021	**382,870**	**-**	**382,870**

Amargosa Project area, Nevada, USA

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

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

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

Panamint Project area, California, USA

The Company had a purchase option agreement to acquire a 100% interest in the certain claims and leases in the Panamint property. The option required the Company to pay US$2,500,000 for a 100% interest.

The Company had annual work expenditure requirements of US$100,000 and an annual minimum payment of US$100,000 until November 1, 2036.

The property was subject to a 2.5% NSR of which 1.25% can be purchased for US$5,000,000.

During the year ended December 31, 2020, the Company has abandoned the Panamint projects and recorded impairment of $2,309,159.

(Expressed in Canadian Dollars)

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

South Korea Graphite Projects

	Geuman & Taehwa	Total
	$	$
Balance at December 31, 2019	1,658,937	1,658,937
Additions		
Exploration expenditures		
Consulting	4,438	4,438
Drilling	29,896	29,896
Field office and other	41,132	41,132
Project management	124,992	124,992
Travel	14,709	14,709
Additions during the year	215,167	215,167
Balance at December 31, 2020	**1,874,104**	**1,874,104**

	Geuman & Taehwa	Total
	$	$
Balance at December 31, 2020	1,874,104	1,874,104
Additions		
Property acquisition and staking costs	10,286	10,286
Drilling	27,846	27,846
Field office and other	27,829	27,829
Project management	211,328	211,328
Travel	266	266
Additions during the year	277,555	277,555
Impairment	(217,727)	(217,727)
Balance as December 31, 2021	**1,933,932**	**1,933,932**

Geumam and Taehwa Projects, South Korea

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

During the year ended December 31, 2021, one of the Company's that held the Geumam mining rights expired and the company subsequently recorded an impairment of $217,727.

(Expressed in Canadian Dollars)

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

Chile Copper Project

	Punitaqui	Total
	$	$
Balance at December 31, 2020	-	-
Additions		
Exploration expenditures		
Consulting	329,058	329,058
Drilling	4,170,262	4,170,262
Environmental and permitting	7,936	7,936
Field office and other	918,957	918,957
Project management	270,807	270,807
Travel	14,247	14,247
Additions during the year	5,711,267	5,711,267
Currency Translation Adjustment	(387,707)	(387,707)
Balance as December 31, 2021	**5,711,267**	**5,323,560**

Punitaqui Mining Complex, Chile

The Company holds the rights to 100% equity interest in the Punitaqui Mining Complex ("Punitaqui") in the Coquimbo region of Chile (Note 5).

Punitaqui includes a centralized process plant which was historically fed by four proximal copper-gold deposits: San Andres, Cinabrio, Dalmacia, and Los Mantos. The company is currently modifying its existing tailings disposal permit while consolidating its various exploitation permits. Punitaqui was a past producing mining operation which consists of an integrated copper and gold mining complex including all required infrastructure and sources of water and power. The Punitaqui project is situated within a 25km long mineralized district that is a classic iron oxide copper gold ("IOCG") and mantos-style copper belt that is comprised of mantos and structural controlled copper-gold-silver veins. A number of extensional and resource infill drill targets have been identified within and surrounding each of the four main deposits and throughout the 11,800 hectares of concessions.

The copper-gold process plant consists of a standard copper sulphide crush-grind-flotation circuit to produce a marketable copper-gold concentrate. Port facilities are within 100 kilometers for shipping to domestic and foreign smelters.

(Expressed in Canadian Dollars)

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

		31-Dec-21		31-Dec-20
Trade payables	$	**2,368,299**	$	704,802
Accrued liabilities		**1,398,696**		-
Short term - contingent payments on acquisition (Note 5)		**1,918,190**		200,000
Long term - contingent payments on acquisition (Note 5)		**5,079,310**		-
Total	$	**10,764,495**	$	904,802

Accounts payable and accrued liabilities consist of the following:

		31-Dec-21	31-Dec-20
Canadian dollar accounts payable	$	**2,824,362**	429,971
Current portion of future lease payments (Note 5)		**1,918,190**	-
Long-term portion of future lease payments (Note 5)		**5,079,310**	-
United States dollar accounts payable		**118,777**	36,956
Geuman and Taehwa graphite project in South Korean payable		**258,930**	230,057
Accruals relating to BMR		**519,781**	200,000
Accruals relating to North American Cobalt		**25,000**	-
Withholding taxes payable		**20,145**	7,818
Total	$	**10,764,495**	904,802

14. DEFERRED REVENUE

The Company, through North American Cobalt Inc., was subject to an early-stage Process Facility and Cobalt Supply Agreement (the "Agreement") with ESI, formerly part of the Weston Energy Group, which has been continued from Old Battery, inclusive of an advance of $10,000,000 from ESI classified as deferred revenue. In May 2018, ESI advanced $10,000,000 to North American Cobalt Inc. (then a subsidiary of Old Battery) as an incentive to enter the Agreement. Pursuant to the Agreement, ESI would finance, build, and operate a cobalt processing facility that would be supplied by feedstock material mined by the Company from its cobalt properties in Ontario. The liability is re-payable if the Company does not use commercially reasonable efforts to advance the development of its Ontario cobalt properties.

On April 20, 2020, the Company, through Weston, received a notice of default from ESI. On September 9, 2020, ESI became a subsidiary of the Company (Note 25). The ESI liability, while being a $10,000,000 liability on the Company's records, was written down to $nil on ESI's records. On consolidation, the $10,000,000 liability is eliminated, and the benefit of that elimination is scoped out of the purchase equation due to the pre-existing relationship with ESI, and is recorded as a capital contribution and due to the nature of the common control transaction.

On January 29, 2021, the Company and ESI mutually agreed to terminate without any liability the Process Facility and Cobalt Supply Agreement.

Existing deferred revenue consists of spare parts and consumables related to rented machines are invoiced in advance for the full value of the spare parts and consumables delivered. As of December 31, 2021, deferred revenue is $66,742.

15. LONG-TERM DEBT

		31-Dec-21
Mortgage – Phoenix (i)	$	2,687,966
Mortgage – Phoenix (ii)		1,521,360
		4,209,326
Less: Transaction cost		146,979
		4,062,347
Finance agreements (iii)		652,657
Total long-term debt		**4,715,004**
Less: current portion		527,831
Long-term debt	$	**4,187,173**

The Company has two mortgages outstanding on its Phoenix, AZ real estate properties and minor obligations relating to the purchase of equipment as at December 31, 2021. Further details are provided below:

i. Mortgage – Phoenix mortgage was used to refinance a property in Phoenix, AZ, USA. The Company obtained the mortgage in the amount of US$2,197,5000 from a US bank at a fixed annual interest rate of 3.5%, an amortization of 20 years with a term of 5 years. The Company is required to pay equal monthly installments of US$12,802 (principal and interest) over a five-year term ending on December 16, 2025. The transaction costs were recorded as a contra liability and netted against the loan amount. They will be amortized over 5 years. Phoenix mortgage has a debt covenant stipulating a minimum debt service coverage ratio of 1.20:1.

ii. Mortgage –This is a second mortgage on the Phoenix property in the amount of US$1,200,000 from a US bank at a fixed annual interest rate of 8.5% with a term of 2 years. The Company is required to pay monthly an interest of $8,500, and upon the due date of December 1, 2023, the entire unpaid original principal amount plus an exit fee of $24,000. The transaction costs were recorded as a contra liability and netted against the loan amount. They will be amortized over 2 years.

iii. Finance agreements include three loans relating to the purchase of three compact track loaders and two vehicles that were financed through dealers in 2019 through 2021. The loans are denominated in US dollars. The two loans obtained in 2020 to purchase two track loaders each has 0% interest rates and total monthly payments of US$23,600 for a two-year term that will end in the third quarter of 2022. The third loan which was obtained in August 2021 to purchase a loader has an interest rate of 0.15% per annum and with monthly payments of US 3,602 for 2 years. The two vehicle loans were obtained in 2019 and in 2021 with monthly payment of US$621 for 4 years, and $1,665 for 5 years, respectively.

iv. The Company's debt service coverage based on the financial statement of ESI's US subsidiary as of December 31, 2021, are in compliance with its financial covenants outlined in (i) above.

As of December 31, 2021, the Company owns a separate real estate property located in Leduc, Alberta, which has a mortgage loan outstanding. The Leduc mortgage contains a debt covenant stipulating a minimum debt service coverage ratio of 1.25:1 ("DSCR"). As of December 31, 2021, the DSCR was estimated by management to be approximately -2.41:1. As such, the Company believes that as of the aforementioned date, it was in breach of the debt covenant in relation to the mortgage loan secured by ESI's property in Leduc, Alberta. The Company has classified as the Leduc property and related mortgage as an asset held for sale (Note 26), while the Company looks to sell the property and pay out the outstanding mortgage in its entirety.

16. SHARE CAPITAL

a) Authorized share capital

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

b) Share issuances

During the year ended December 31, 2020, the Company:

i. issued 4,130,615 common shares for a total consideration of $2,685,000 of which $1,300,000 was received in advance.

ii. received subscription receivables of $200,000.

iii. In relation to the Flow-Through Shares, the Company entered into an Escrow Agreement whereby the Flow-Through Agent ("Agent"), held $1,100,000 of funds in trust as at December 31, 2019 to be released in two tranches of $550,000 each, when the Company provides the Agent proof that eligible flow-through expenditures were incurred and paid for in full. During the year ended December 31, 2020, the Company received $1,100,000 of the funds held in escrow.

iv. issued 2,600,000 common shares for a cash consideration of $1,727,690 to the Weston Group.

v. issued 30,000,000 common shares for a total consideration of $19,500,000 to Yorktown in consideration for 89.2% ownership in ESI (Note 25).

vi. Received $400,001 toward a private placement in relation to the Qualifying Transaction with Fusion completed on February 12, 2021 (Note 6).

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

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

ii. issued 200,000 shares related to the settlement of the claim dispute in Idaho (Note 12, 23).

iii. issued 900,000 shares related to the historic property obligations (Note 12, 23).

iv. cancelled 425,885 common shares in relation to the Transaction.

v. exercised 62,500 options at $0.20 related to the Fusion amalgamation.

vi. issued 3,100,000 shares related to the share exchange that would result in the Company's shareholders taking over Fusion (Note 6).

vii. issued 21,156,074 shares for a cash consideration of $12,822,485 (consisting of C$815,130 and US$9,793,039) and non-cash consideration of $662,866 (US$555,952) related to Punitaqui acquisition. The non-cash consideration of 1,069,138 shares were issued to Weston in exchange for the debtor in possession loan used to secure the rights to acquire Punitaqui (Note 5, 15).

(Expressed in Canadian Dollars)

16. SHARE CAPITAL (cont'd…)

viii. issued 10,000,000 shares related to Bluequest for $6,200,000 (U$5,000,000) pursuant to a loan purchase agreement with Bluequest (Note 5).

ix. 1,538,462 common shares for additional proceeds of $1,001,120 (US$800,000), relating to the second and final tranche of the Punitaqui acquisition. The shares were issued to Weston Energy (Note 14).

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

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

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

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

xii. The Company received $400,001 toward a private placement during the 2020 fiscal year, relating to the Qualifying Transaction with Fusion, which completed on February 12, 2021 (Note 6).

c) Flow-through premium liability

Pursuant to flow-through agreements, the Company was obligated to incur $2,806,799 in CEE. As at December 31, 2021, the Company has spent $2,137,431 in CEE. Accordingly, the flow through premium liability was derecognized and recorded in profit or loss.

Balance as of November 26, 2019	$	-
Flow-through premium liability additions		**549,564**
Balance as of December 31, 2019	$	**549,564**
Recognition of flow-through premium		**(549,564)**
Balance as of December 31, 2020	$	-
Flow-through premium liability additions		**431,051**
Recognition of flow-through premium		**(216,510)**
Balance as of December 31, 2021	$	**214,541**

Stock options

As of December 31, 2021, 6,262,500 options remain outstanding, of which 6,000,000 was issued to Officers, Directors, and Consultants of the Company and 12,500 relating to the Fusion amalgamation (Note 6). Total stock-based compensation expense for the year ended December 31, 2021, was $1,122,661 (December 31, 2020: $Nil)

(Expressed in Canadian Dollars)

16. SHARE CAPITAL (cont'd…)

Restricted share units

During the year ended December 31, 2021, the Company issued 6,250,000 Restricted share units ("RSU's") to Officers, Directors, and Consultants of the Company. The RSU's vest over the next 3 years evenly on each anniversary date and expire after 8 years. The total RSU expense for the year ended December 31, 2021, was $1,335,252 (December 31, 2020: $Nil).

As of December 31, 2021, the Company had outstanding and exercisable stock options as follows:

	Options outstanding				Options exercisable		
Price	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average excerise price (C$)	Weighted-average Fair Value (C$)	Number excerisable	Weighted-average remaining contractual life (years)	Weighted-average exercise price (C$)
$0.20	12,500	1.72	0.20	-	12,500	1.72	0.20
$0.85	5,000,000	7.25	0.85	0.40	-	-	-
$0.85	1,000,000	7.50	0.85	0.63	-	-	-
$0.75	250,000	4.84	0.75	0.24	-	-	-
	6,262,500	7.18	0.84	0.43	12,500	1.72	0.20

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

	Options	Weighted average excercise price (C$)
Outstanding at January 1, 2021		
Options assumed on the Fusion amalgamation	75,000	0.20
Excercised	(62,500)	0.20
Granted	6,250,000	0.84
Expired	-	-
Forfeited	-	-
Outstanding at December 31, 2021	6,262,500	0.84

The Company uses the Black-Scholes option pricing model to estimate the fair value for all stock-based compensation. The expected volatility assumption inherent in the pricing model is based on the historical volatility of the Company's stock over a term equal to the expected term of the option granted.

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

6,250,000 stock options

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

Warrants

As of December 31, 2021, no warrants were issued or outstanding.

(Expressed in Canadian Dollars)

17. REVENUE

ESI's revenue during the year ended December 31, 2021 was generated mainly from machine rental, and was comprised of the following:

		31-Dec-21
Machine Rental		
Padding machines		
Large Padders	$	**4,872,932**
Small Padders		**3,939,905**
Screening buckets		**789,853**
Other		**67,677**
Rental revenue	$	**9,670,367**
Mobilization		**732,536**
Spare part sales		**661,279**
Machine sales		**71,335**
Other services		**478,676**
Other revenue	$	**1,943,826**
Total	$	**11,614,193**

For the twelve months ended December 31, 2021, $7,499,777 of revenue was derived from eleven customers that represented 65% of the Company's revenue. As at December 31, 2021, $1,417,726 from these customers was included in accounts receivable. As at December 31, 2021 accounts receivable includes other receivable of $69,154.

For the period September 9, 2020 to December 31, 2020, ESI's revenue totaled $4,355,250. During this period, ESI was classified as a disposal group held for sale (Note 25).

(Expressed in Canadian Dollars)

18. RELATED PARTY TRANSACTIONS

- Compensation of key management personnel

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

	For the year ending December 31, 2021	For the year ending December 31, 2020
Director fees	$ **360,515**	$ 96,045
Management fees	**2,170,518**	556,905
Professional fees	**135,000**	110,000
Total	$ **2,666,033**	$ 762,950

As of September 9, 2020, the Company issued 30,000,000 common shares to Yorktown Energy LLC ("Yorktown") valued at $19,500,000, in exchange for 89.2% of the commonly held shares in ESI. As the Weston Group is controlled by Yorktown, the ESI acquisition is being treated as an acquisition under common control. The Company intends to dispose of the ESI business and is accounting for the ESI acquisition as asset group held for sale (Note 25 and 26) as at December 31, 2020.

On January 29, 2021, the Company and ESI mutually agreed to terminate without any liability the Process Facility and Cobalt Supply Agreement (Note 13).

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

On May 28, 2021, the Company issued 1,069,138 shares to Weston, valued at $694,940 (US$555,952) in exchange for the debtor in possession loan used to secure the rights to acquire Punitaqui (Note 5 and 17).

On July 5, 2021, the Company issued 1,538,462 common shares to Western for additional proceeds of $1,000,000 (US$800,000), relating to the second and final tranche of the Punitaqui acquisition (Note 16).

As at December 31, 2021, the Company paid or accrued management fees of $2,170,518 (December 31, 2020: $556,905) of which $nil (December 31, 2020: $127,406) was capitalized to project costs and $2,170,518 (December 31, 2020: $429,499) expensed to management fees.

As of December 31, 2021, included in trade and other payables was $143,299 (December 31, 2020: $19,089) due to directors and officers of the Company.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, restricted cash, receivables, and trade and other payables. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity, and commodity price.

Currency risk

The Company conducts exploration and evaluation activities in the United States, Canada, South Korea and Chile. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and foreign currencies. As at December 31, 2021, the Company had foreign currency liabilities in United States Dollars ("USD"), Chilean Pesos ("CLP"), Australian Dollars ("AUD"), and Korean Won ("KRW") of approximately $7,974,977. Each 10% change in the foreign currencies relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately $797,498.

The Company is exposed to currency risk on bank accounts that are denominated in a currency other than Canadian dollars, being USD, CLP, AUD and KRW. The Group is also exposed to currency risk on payables that are denominated in a currency other than Canadian dollars, being USD, CLP, AUD and KRW.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in significant financial institutions and the Company considers this risk to be remote. The Company's receivables primarily include balances receivable from the government of Canada and Chile. The average expected credit loss on the Company's accruals, receivables related to the Company's trade receivables was 9 percent as at December 31, 2021 (2020 – 5 percent).

Expected Credit Losses

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

The following tables summarize the loss allowance calculation:

As at December 31, 2021	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.90%	1.90%	13.20%	33.50%	
Gross carrying amount ($)	423,489	275,605	7,576	980,372	
Loss allowance ($)	3,811	5,236	1,000	328,425	338,472

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

Interest rate risk

Interest rate risk arises from changes in market interest rates that affect the fair value or future cash flows from the Company's financial assets and liabilities. As at December 31, 2021, 100% (December 31, 2020 – 100%) of the Company's outstanding debt was subject to fixed rates of interest. For the year ended December 31, 2020, a 1% change in interest rates would have had no impact on net loss and other comprehensive loss if the relevant financial instrument were to remain constant.

Liquidity risk

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

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

The breach of a covenant can have an impact on ESI's liquidity and solvency. If the covenant gives the lender the right to request the immediate payment of the loan, the debt involved becomes a current liability for ESI, potentially altering its financial health. As of December 31, 2021, the Company is in breach of its Leduc mortgage debt service coverage ratio of 1.25:1 (Note 1).

Commodity price risk

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

(Expressed in Canadian Dollars)

20. SEGMENTED INFORMATION

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

The following table presents geographic information regarding operating segments.

	Canada	USA	South Korea	Chile	Corporate	Total
	$	$	$	$	$	$
CAPITAL ASSETS						
Exploration and evaluation	19,646,128	1,659,084	1,874,104	-	-	23,179,316
Property, plant and equipment	33,088	-	20,234	-	36,326	89,648
Disposal group classified as held for sale	-	-	-	-	26,589,237	26,589,237
As at December 31, 2020	**19,679,216**	**1,659,084**	**1,894,338**	**-**	**26,625,563**	**49,858,201**
Exploration and evaluation	21,870,114	1,973,873	1,933,932	5,323,560	-	31,101,479
Property, plant and equipment	10,073,807	17,945,877	10,787	12,506,584	26,799	40,563,854
Disposal group classified as held for sale	-	-	-	-	-	-
As at December 30, 2021	**31,943,921**	**19,919,750**	**1,944,719**	**17,830,144**	**26,799**	**71,665,333**

	Canada	USA	South Korea	Chile	Corporate	Total
For the year ended December 31, 2021	$	$	$	$	$	$
Revenue from external customers	2,264,481	9,349,713	-	-	-	11,614,193
Total revenue	**2,264,481**	**9,349,713**	**-**	**-**	**-**	**11,614,193**
Cost and expenses	(5,528,333)	(7,803,629)	(217,727)	-	(7,911,855)	(21,461,544)
Loss from operations	**(3,263,852)**	**1,546,083**	**(217,727)**	**-**	**(7,911,855)**	**(9,847,351)**
Continuing operations expenses	836,599	(24,137)	49,448	435,090	(3,647,935)	(2,350,935)
Loss for the year from continuing operations	**(2,427,253)**	**1,521,946**	**(168,279)**	**435,090**	**(11,559,790)**	**(12,198,286)**
Current income tax	(225,178)	(1,328,657)	-	-	-	(1,553,835)
Loss for the year from continuing operations, after-tax	**(2,652,431)**	**193,289**	**(168,279)**	**435,090**	**(11,559,790)**	**(13,752,121)**
Loss attributable to non-controlling interest	423,547	-	-	-	-	423,547
Cumulative translation adjustment	-	(208,299)	-	(2,714,447)	-	(2,922,746)
Total net income (loss)	**(2,228,884)**	**(15,010)**	**(168,279)**	**(2,279,357)**	**(11,559,790)**	**(16,251,320)**

21. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital.

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

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

(Expressed in Canadian Dollars)

22. INCOME TAXES

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

	Year ended December 31, 2021	Year ended December 31, 2020
Loss for the year	$ (11,985,460)	$ (11,672,610)
Statutory tax rate	27%	27%
Expected income tax (recovery)	$ (3,236,074)	$ (3,152,000)
Change in statutory, foreign tax, foreign exchange rates ar	190,307	312,000
Permanent differences	791,284	(214,000)
Impact of flow through share	-	-
Share issue cost	(295,729)	(2,000)
Adjustment to prior years provision versus statutory tax re	(50,694)	(5,499,000)
Expiry of non-capital losses	-	-
Change in unrecognized deductible temporary differences	3,559,751	6,449,000
Impact of discontinued operation	-	2,106,000
Total income tax expense (recovery)	**$ 958,845**	**$ -**

The significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2021	December 31, 2020
Deferred tax assets (liabilities)		
Exploration and evaluation assets	$ 1,666,000	$ 4,266,000
Share issue costs	242,000	40,000
Property and equipment	646,000	86,000
Intangible assets	(2,000)	-
Non-capital losses available for future period	2,820,000	2,114,000
Right of use asset	7,000	-
Right of use liability	(7,000)	-
Unrealized foreign exchange gains/losses	193,000	-
Deferred financing fees	(10,000)	-
Allowance for doubtful accounts	39,000	-
Accounts payable and other current liabilites	8,000	-
Non-bonus current state income tax	(43,000)	-
Net deferred tax liability	**$ 5,559,000**	**$ 6,506,000**

(Expressed in Canadian Dollars)

22. INCOME TAXES (cont'd…)

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

	Year ended December 31, 2021	Year ended December 31, 2020
Deferred tax assets (liabilities)		
Exploration and evaluation assets	$ 1,666,000	$ 4,266,000
Property and equipment	646,000	86,000
Share issue costs	242,000	40,000
Right of use asset	7,000	-
Right of use liability	(7,000)	-
Intangible assets	(2,000)	-
Deferred financing fees	(10,000)	-
Allowance for doubtful accounts	39,000	-
Accounts payable and other current liabilites	8,000	-
Non-bonus current state income tax	(43,000)	-
Unrealized foreign exchange gains/losses	193,000	-
Non-capital losses available for future period	2,820,000	2,114,000
	5,559,000	6,506,000
Unrecognized deferred tax assets	(5,559,000)	(6,506,000)
Net deferred tax assets	**$ -**	**$ -**

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

	Year ended December 31, 2021	Expiry Date Range	Year ended December 31, 2020	Expiry Date Rang
Temporary Differences				
Exploration and evaluation assets	$ 8,212,000	No expiry date	$ 18,002,000	No expiry date
Investment tax credit	-	2021 to 2040	-	2020 to 2039
Property and equipment	3,150,000	No expiry date	331,000	No expiry date
Share issue costs	895,000	2040 to 2044	150,000	2040 to 2044
Right of use asset	30,000	No expiry date	-	No expiry date
Right of use liability	(30,000)	No expiry date	-	No expiry date
Intangible assets	(7,000)	No expiry date	-	No expiry date
Allowable capital losses	-	No expiry date	-	No expiry date
Exploration and development	983,000	No expiry date	-	No expiry date
Unrealized foreign exchange gains/losses	303,000	No expiry date	-	No expiry date
Deferred financing fees	(41,000)	No expiry date	-	No expiry date
Allowance for doubtful accounts	160,000	No expiry date	-	No expiry date
Accounts payable and other current liabilites	33,000	No expiry date	-	No expiry date
Non-bonus current state income tax	(175,000)	No expiry date	-	No expiry date
Non-capital losses available for future periods	10,746,000	2026 to 2039	9,954,000	2026 to 2039
Canada	10,388,071	2026 to 2039	6,546,000	2026 to 2039
USA	258,925	-	23,000	-
Korea	94,608	-	3,357,000	-
Chile	3,620	-		-
Australia	1,025	No expiry date	1,000	No expiry date

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

(Expressed in Canadian Dollars)

23. CONTINGENT LIABILITIES

In August 2020, the Company reached an agreement relating to the settlement of the claim dispute in Idaho (Note 12). The Company has agreed to issue 200,000 common shares valued at $130,000 issued for mineral claims at $0.65 per share to the US Company upon completion of the Transaction (Note 16). In exchange for the shares, the Company has received the right to all claims the US Company held in Idaho, including the ones in dispute. In February 2021, upon completion of the RTO, the Company issued the 200,000 agreed upon common shares, to settle the Idaho claim dispute (Note 12, 16).

In August 2020, the Company agreed to issue up to 900,000 additional shares to be issued for historical Cobalt district property payments for $585,000, after the completion of the Transaction (Note 16). In February 2021, upon completion of the RTO, the Company issued the 900,000 agreed upon common shares, relating to the Cobalt district property payments (Note 12, 16).

On May 28, 2021, pursuant to a loan purchase agreement with Bluequest, the Company has a contingent liability of US$5,000,000 of additional payments on achievement of certain production milestones at the Punitaqui Mine, with each milestone payment to be satisfied, at the election of Bluequest, by the payment of cash, the issuance of Common Shares at prevailing market prices (subject to a minimum issue price of C$0.41), or a combination of both (Note 5). As at December 31, 2021, the Company estimated the probability of achieving the production milestones as nil.

24. COMMITMENTS

Contractual cash flow requirements as at December 31, 2021 were as follows:

	1 year $	2 year $	3 year $	4 year $	>4 years $	Total $
Long term debt	3,866,511	1,593,031	102,571	2,368,528	-	7,930,641
Trade payables	3,310,666	58,742	20,080	22,088	22,133	3,433,708
Short term - contingent payments on acquisition (Note 5)	1,918,190	-	-	-	-	1,918,190
Total	**9,095,367**	**1,651,773**	**122,651**	**2,390,616**	**22,133**	**13,282,539**

(Expressed in Canadian Dollars)

25. ACQUISITION OF DISPOSAL GROUP HELD FOR SALE

As consideration to acquire 89.2% of the shares of ESI, the Company, on September 9, 2020, issued 30,000,000 common shares at $0.65 per share for a value of $19,500,000, and up to 30,000,000 contingently issuable shares valued at $11,250,000. The Company's value per share is based on its most recent third-party financing.

As both the Company and ESI are controlled by Yorktown, the acquisition is considered to be a common control transaction.

The Company had a pre-existing relationship with ESI and due to the common control transaction, the benefit of the $10,000,000 elimination of the streaming liability, notified as being in default, is considered to be a contribution of capital by Yorktown (Note 13), and is recorded in contributed surplus. Shares are issuable to Yorktown on the basis of one share at $0.65 per share for each dollar of sale proceeds received in excess of $10,000,000 upon Yorktown locating a buyer on or before March 31, 2021. The Company has recorded the net assets acquired at cost.

The preliminary allocation of the estimated cost of acquisition is summarized as follows:

Consideration for 89.2% interset in ESI		
Common shares	$	19,500,000
Contingently issuable shares		11,250,000
Total		**30,750,000**

Net assets acquired		
Assets:		
Cash	$	7,910,449
Short term investments		2,639,179
Accounts receivable		2,447,976
Prepaid		227,125
Spare parts		758,390
Property and equipment		23,467,989
Right-of-use assets		78,296
Intangible		65,956
Total assets	$	**37,595,360**
Liabilities:		
Accounts payable	$	(1,777,675)
Deferred revenue		(121,552)
Debt		(3,339,029)
Lease liability		(70,590)
Total liabilities	$	**(5,308,846)**
Total net assets acquired		**32,286,514**
Net assets attributable to non-controlling interest - 10.8%		(3,486,944)
Total	$	**28,799,570**
Excess of contribution over net assets acquired	$	**1,950,430**

As a result of the common control acquisition, the excess of consideration over net assets acquired was recorded in contributed surplus.

25. ACQUISITION OF DISPOSAL GROUP HELD FOR SALE (cont'd…)

As at September 9, 2020, the Company has estimated the fair value of the contingent consideration for the sale of the 89.2% interest in ESI to be $11,250,000, based on the net value of expected proceeds on the sale of ESI less $10,000,000, probability weighted for likelihood. As of March 31, 2021, the contingent fee consideration has expired and amount has been reclassed to contributed surplus.

On May 26, 2021, the Company completed the acquisition of ESI concurrent with the completion of the ESI going private transaction. The result is the Company now owns 100% of ESI's common shares. In taking ESI private, the Company agreed to a cash payment to each minority shareholder of $0.75 per share is based on the number of ESI common shares held by minority shareholders before the share consolidation. The total cash payout to buy out the 10.8% minority interest totaled $4,988,020.

While ESI met the definition of a business under IFRS 3, as of January 1, 2021, ESI no longer meets the criteria of a disposal groups held for sale and has respectively been consolidated with the Company.

26. DISPOSAL GROUP HELD FOR SALE

The Company is committed to sell ESI. ESI currently operates in western Canada as well as in the United States of America. ESI, together with its operating subsidiaries, ESI Pipeline Services, Inc. and ESI Energy Services (Australia) Pty Ltd., supplies (rents and sells) backfill separation machines to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors. Accordingly, the ESI business is presented as a disposal group held for sale.

(Expressed in Canadian Dollars)

26. DISPOSAL GROUP HELD FOR SALE (cont'd…)

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

The Company's property located in Leduc, Alberta was actively being marketed as of December 31, 2021.

These assets were recorded at the lesser of their carrying amount and their fair value less cost to sell. No impairments were recorded on the assets held for sale as of December 31, 2021.

As of December 31, 2021		Cost	Accumulated Depreciation	Net Book value
Assets:				
Land – Leduc, Alberta		1,315,000	-	1,315,000
Building- Leduc, Alberta	$	1,716,854	742,652	974,202
Total assets held for sale	**$**	**3,031,854**	**742,652**	**2,289,232**
Liabilities held for sale	**$**	**-**	**-**	**3,868,295**

The Leduc mortgage in the amount of $4,000,000 from a Canadian credit union was obtained on December 31, 2020. Proceeds of the mortgage were used to refinance a property in Leduc, AB. The mortgage has a fixed annual interest rate of 3.3%, an amortization of 20 years, and a term of 5 years. Proceeds of the mortgage were used to refinance an existing mortgage on the property in the amount of $1,826,000 with variable interest rate of prime plus 2% (4.45%) and an amortization of 10 years on a previous mortgage held with a Canadian chartered bank. The new mortgage is repayable in equal monthly installments of $22,790 (principal and interest) over a five-year term ending on January 1, 2026. The transaction costs were recorded as a contra liability and netted against the loan amount. They will be amortized over the 5-year term of the mortgage.

b) Assets and liabilities of disposal group held for sale as at December 31, 2020 are as follows:

Assets held for sale		
Cash	$	9,797,453
Accounts receivable		1,948,481
Prepaid		75,541
Spare parts		712,153
Property and equipment		23,396,172
Right-of-use assets		30,000
Intangible		172,897
Total assets	**$**	36,132,697
Assets included in disposal group classified as held for sale	**$**	**36,132,697**

Liabilities held for sale		
Accounts payable		(1,399,301)
Deferred revenue		(69,522)
Income tax payable		(171,875)
Debt		(7,872,298)
Lease liability		(30,464)
Liabilities included in disposal group classified as held for sale	**$**	**(9,543,460)**
ESI net assets		**26,589,237**
Non-controlling interest on net assets		(2,872,281)
Company share of ESI net assets	**$**	**23,716,956**

(Expressed in Canadian Dollars)

26. DISPOSAL GROUP HELD FOR SALE (cont'd…)

c) Income or expenses from disposal group held for sale

		For the year ended December 31, 2020
REVENUE		
Sales	$	**4,355,250**
COSTS AND EXPENSES		
Cost of purchases		515,300
Operating and maintenance		1,344,026
Selling and administrative		1,159,995
Total costs and expenses	$	**3,019,321**
INCOME FROM OPERATIONS	$	**1,335,929**
(Losses) / Gains on disposal of property and equipment		25,300
Finance and other income		42,470
Finance and other costs		(40,447)
Foreign exchange gain (loss)		(145,015)
Income before income taxes	$	**1,218,237**
Income taxes		(177,297)
Income and comprehensive income from discontinued operations		**1,040,940**
Non-controlling interest		(112,422)
Income to shareholder	$	**928,518**

For the year ended December 31, 2020, ESI's net income was $1,040,940, excluding depreciation charges.

(Expressed in Canadian Dollars)

27. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, the Company:

- The Company raised an aggregate of $10,375,460 under the offering. The Company issued a private placement of 8% unsecured convertible debentures (the "Debentures"). As previously announced, the Debentures will mature on the date (the "Maturity Date") that is three years from the date of issuance. The Debentures will bear interest at 8% per annum, payable annually on the anniversary of the issue date. The holder of any Debenture may, at its option, at any time from six months from the date of issuance, and prior to the close of business on the business day immediately preceding the Maturity Date, convert all, but not less than all, of the principal amount of such Debenture into common shares of the Company at the conversion price of C$0.65 per share. If a holder converts the Debenture during the first year of the term, and elects to have accrued interest paid by issuance of shares rather than in cash, interest will be calculated as of the first anniversary of the issue date, and the Company will issue common shares to the holder as payment of accrued interest and pay cash to the holder in an amount equal to the interest calculated as of the first anniversary date less the accrued interest. A holder may elect to forego payment of interest on the first anniversary date, in which case interest will be compounded as of that date, and, if the holder converts the Debenture during the second year of the term and elects to have accrued interest paid by issuance of shares rather than in cash, interest will be calculated as of the second anniversary of the issue date, and the Company will issue common shares to the holder as payment of accrued interest and pay cash to the holder in an amount equal to the interest calculated as of the second anniversary date less the accrued interest. Finally, a holder may elect to forego payment of interest on the second anniversary date, in which case interest will be compounded as of that date, and if the holder converts the Debenture during the third year of the term, interest will be calculated as of the conversion date, and may be paid in cash or by issuance of shares at the option of the holder. Common shares issued for payment of accrued interest on the principal amount of the Debenture will be issued at the market price of the common shares at the time the accrued interest becomes payable, calculated in accordance with the policies of the TSX Venture Exchange.

- The Company has entered into a sale-lease back transaction on its Phoenix property held by Ozzies, Inc. The Company has agreed to sell the property and building for US $6,900,000. Ozzies, Inc. will continue to occupy the building over the next 5 years via a standard lease agreement. The transaction is expected to close on June 10, 2022 and the future lease payments in USD are the following:

Period	Annual Basic Rent	Monthly Basic Rent
Closing – 05/31/2023	$313,884.00	$26,157.00
06/1/2023 – 05/31/2024	$323,304.00	$26,942.00
06/1/2024 – 05/31/2025	$333,000.00	$27,750.00
06/1/2025 – 05/31/2026	$342,996.00	$28,583.00
06/1/2025 – 05/31/2027	$353,280.00	$29,440.00

- The Company announces it has granted an aggregate of 1,755,832 RSUs and 3,045,832 stock options to its directors, officers, employees, and consultants, pursuant to the Company's RSU and Options plan. The RSU and Options will vest over the next 1 to 3 years.