



# **BATTERY MINERAL RESOURCES CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
**(Unaudited)**

**(Expressed in Canadian Dollars)**

# BATTERY MINERAL RESOURCES CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Canadian Dollars - Unaudited)

As at

Reported in CAD

	Note	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	6	\$ 1,380,423	\$ 2,629,995
Receivables		2,776,150	3,746,001
Prepays		378,739	231,061
Assets included in disposal group held for sale	20	2,289,232	2,289,232
<b>Total current assets</b>		<b>6,824,544</b>	<b>8,896,289</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	36,839,782	40,563,854
Intangible assets		147,454	181,623
Exploration advances		100,000	404,000
Exploration and evaluation assets	8	45,700,934	31,101,479
<b>Total non-current assets</b>		<b>82,788,170</b>	<b>72,250,956</b>
<b>TOTAL ASSETS</b>		<b>\$ 89,612,714</b>	<b>\$ 81,147,245</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	\$ 6,499,199	\$ 5,685,185
Flow-through premium liability	13	-	214,541
Income taxes payable		276,368	1,729,027
Deferred revenue		50,620	66,742
Current portion of loans and borrowings	11	130,310	527,831
Current portion of finance lease		198,216	-
Liabilities related to disposal group held for sale	20	3,703,111	3,868,295
<b>Total current liabilities</b>		<b>10,857,824</b>	<b>12,091,621</b>
<b>Non-current liabilities</b>			
Contingent payments on acquisition	9	3,878,655	5,079,310
Loans and borrowings	11	222,081	4,187,173
Convertible debenture	12	8,304,409	-
Long term portion of finance lease		1,271,199	-
<b>Total non-current liabilities</b>		<b>13,676,344</b>	<b>9,266,483</b>
<b>TOTAL LIABILITIES</b>		<b>24,534,168</b>	<b>21,358,104</b>
<b>EQUITY</b>			
Share capital	13	60,952,703	60,952,703
Contributed surplus	13	24,702,016	19,224,651
Accumulated other comprehensive loss		(3,328,954)	(3,864,284)
Deficit		(17,247,219)	(16,523,929)
<b>TOTAL EQUITY</b>		<b>65,078,546</b>	<b>59,789,141</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 89,612,714</b>	<b>\$ 81,147,245</b>

Nature of operations and going concern	1
Contingent liabilities	19
Subsequent events	21

Approved on behalf of the Board:

/s/ Joseph Tuso

/s/ Lazaros Nikeas

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

# BATTERY MINERAL RESOURCES CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars - Unaudited)

For the nine months ended September 30, 2022 and September 30, 2021

	Note	For the three months ended September 30, 2022	Restated - Note 3 For the three months ended September 30, 2021	For the nine months ended September 30, 2022	Restated - Note 3 For the nine months ended September 30, 2021
<b>REVENUE</b>					
Sales	14	\$ 2,991,966	\$ 4,427,550	\$ 9,093,752	\$ 8,947,303
<b>EXPENSES</b>					
Cost of sales		354,093	252,073	958,676	428,800
Consulting fees		51,499	45,243	191,234	228,188
Depreciation of equipment	7	756,079	862,713	2,216,544	2,766,234
Director fees	15	103,347	24,059	250,642	70,899
Foreign exchange loss		1,056,772	129,697	810,338	519,068
Impairment of exploration and evaluation assets	8	9,916	5,325	43,007	158,646
Investor relations		152,172	309,875	635,979	309,875
Management fees	15	220,630	252,314	765,755	564,572
Operating and maintenance		1,076,619	1,493,711	3,094,800	3,903,605
Professional fees	15	245,378	108,663	994,692	632,970
Property examination costs		-	1,460	-	32,882
Restricted stock units expense	13	425,636	-	1,763,975	-
Selling, general and administration		757,111	571,317	2,617,094	3,388,208
Stock based compensation	13	337,470	249,436	1,184,949	452,757
<b>Gain (loss) from operations</b>		<b>(2,554,756)</b>	<b>121,664</b>	<b>(6,433,933)</b>	<b>(4,509,401)</b>
Additional depreciation on discontinued operations		-	-	-	(1,426,271)
Finance and other income		11,756	35,488	47,517	96,762
Finance and other costs		(314,147)	(62,424)	(957,849)	(182,837)
Gain on revaluation of Fusion options		-	6,454	-	32,271
Gain on disposal of property and equipment		-	70,436	5,072,111	548,969
Listing expenses	5	-	-	-	(1,985,907)
Recognition of flow-through premium		-	60,165	214,541	109,928
<b>Gain (loss) for the period from continuing operations</b>		<b>\$ (2,857,147)</b>	<b>\$ 231,783</b>	<b>\$ (2,057,613)</b>	<b>\$ (7,316,486)</b>
Income tax recovery		2,772,082	-	1,334,323	1,912
<b>Gain (loss) for the year from continuing operations, after-tax</b>		<b>(85,065)</b>	<b>231,783</b>	<b>(723,290)</b>	<b>(7,314,574)</b>
Loss from discontinued operation attributable to non-controlling interest		-	-	-	423,547
<b>Total gain (loss) for the year attributable to common shareholders</b>		<b>\$ (85,065)</b>	<b>\$ 231,783</b>	<b>\$ (723,290)</b>	<b>\$ (6,891,027)</b>
Currency translation attributable to Chile		855,483	(2,034,870)	(1,629,187)	(1,620,456)
Currency translation attributable to ESI	20	1,776,694	609,500	2,164,517	44,898
<b>Gain (loss) and comprehensive gain (loss) for the year attributable to common shareholders</b>		<b>\$ 2,547,112</b>	<b>\$ (1,193,587)</b>	<b>\$ (187,960)</b>	<b>\$ (8,466,585)</b>
<b>Gain (loss) per basic share - continuing operations</b>					
Basic gain (loss) per ordinary share		\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.05)
Basic weighted average number of ordinary shares outstanding		171,705,612	170,075,730	171,430,887	153,794,642
<b>Gain (loss) per diluted share - continuing operations</b>					
Diluted gain (loss) per ordinary share		\$ 0.00	\$ 0.00	\$ (0.00)	\$ (0.05)
Diluted weighted average number of ordinary shares outstanding		178,582,278	170,075,730	178,307,553	153,794,642
<b>Gain (loss) per share - attributable to common shareholders</b>					
Basic and diluted gain (loss) per ordinary share		\$ 0.01	\$ (0.01)	\$ (0.00)	\$ (0.06)
Basic and diluted weighted average number of ordinary shares outstanding		171,705,612	170,075,730	171,430,887	153,794,642

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

# BATTERY MINERAL RESOURCES CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Expressed in Canadian Dollars, except where indicated - Unaudited)

	# of shares issued	Share capital	Contributed surplus	Receivable share subscriptions	Accumulated other comprehensive loss	Deficit	Total	Non-controlling interest and Cumulative translation adjustment	Total equity
		\$	\$	\$		\$	\$	\$	\$
<b>Balance at December 31, 2020 (Restated - Note 3)</b>	<b>128,618,485</b>	<b>35,239,267</b>	<b>19,299,570</b>	<b>400,001</b>	<b>(941,538)</b>	<b>(3,195,355)</b>	<b>50,801,945</b>	<b>2,872,281</b>	<b>53,674,226</b>
Shares issued for cash	1,497,192	973,175	-	-	-	-	973,175	-	973,175
Shares issued for flow through shares (Note 13)	3,799,566	2,806,799	-	-	-	-	2,806,799	-	2,806,799
Shares issued for settlement of the claim dispute in Idaho (Note 13)	200,000	130,000	-	-	-	-	130,000	-	130,000
Shares issued for historic property obligations (Note 13)	900,000	585,000	-	-	-	-	585,000	-	585,000
Shares issued related to Fusion amalgamation (Note 5)	3,100,000	2,015,000	-	-	-	-	2,015,000	-	2,015,000
Stock options related to Fusion amalgamation (Note 5)	-	-	38,725	-	-	-	38,725	-	38,725
Options exercised related to Fusion amalgamation (Note 5)	62,500	12,500	(32,271)	-	-	-	(19,771)	-	(19,771)
Shares issued to Weston for debtor in possession secured loan (Note 4, 13)	1,069,138	662,866	-	-	-	-	662,866	-	662,866
Shares issued for Chilean property acquisition (Note 4, 13)	20,086,936	12,822,485	-	-	-	-	12,822,485	-	12,822,485
Shares issued to Bluequest for Chilean property acquisition (Note 5, 13, 19)	10,000,000	6,200,000	-	-	-	-	6,200,000	-	6,200,000
Shares issued to Weston for Chilean property acquisition (Note 4, 13)	1,538,462	1,001,120	-	-	-	-	1,001,120	-	1,001,120
Flow through premium liability (Note 13)	-	(431,051)	-	-	-	-	(431,051)	-	(431,051)
Shares issue costs	-	(1,064,458)	-	-	-	-	(1,064,458)	-	(1,064,458)
Share-based payments (Note 13)	-	-	2,457,913	-	-	-	2,457,913	-	2,457,913
Subscriptions received in advance (Note 13)	-	-	-	(400,001)	-	-	(400,001)	-	(400,001)
Loss for the year	-	-	-	-	-	(13,328,574)	(13,328,574)	(423,547)	(13,752,121)
Currency translation attributable to Chile	-	-	-	-	(2,714,447)	-	(2,714,447)	-	(2,714,447)
Currency translation attributable to ESI	-	-	-	-	(208,299)	-	(208,299)	-	(208,299)
Payout of minority ESI shareholders/ Derecognition of the NCI	-	-	(2,539,286)	-	-	-	(2,539,286)	(2,448,734)	(4,988,020)
<b>Balance at December 31, 2021</b>	<b>170,872,279</b>	<b>60,952,703</b>	<b>19,224,651</b>	<b>-</b>	<b>(3,864,284)</b>	<b>(16,523,929)</b>	<b>59,789,141</b>	<b>-</b>	<b>59,789,141</b>
Convertible debenture - equity (Note 12)	-	-	2,553,537	-	-	-	2,553,537	-	2,553,537
Convertible debenture issuance costs	-	-	(25,096)	-	-	-	(25,096)	-	(25,096)
Share-based payments (Note 13)	833,333	-	2,948,924	-	-	-	2,948,924	-	2,948,924
Loss for the year	-	-	-	-	-	(723,290)	(723,290)	-	(723,290)
Currency translation attributable to Chile	-	-	-	-	(1,629,187)	-	(1,629,187)	-	(1,629,187)
Currency translation attributable to ESI	-	-	-	-	2,164,517	-	2,164,517	-	2,164,517
<b>Balance at September 30, 2022</b>	<b>171,705,612</b>	<b>60,952,703</b>	<b>24,702,016</b>	<b>-</b>	<b>(3,328,954)</b>	<b>(17,247,219)</b>	<b>65,078,546</b>	<b>-</b>	<b>65,078,546</b>

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

# BATTERY MINERAL RESOURCES CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2022 and September 30, 2021  
(Expressed in Canadian Dollars - Unaudited)

	September 30, 2022	Restated - Note 3 September 30, 2021
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (723,290)	\$ (7,314,574)
Items not affecting cash:		
Additional depreciation on discontinued operations	-	1,426,271
Depreciation	2,216,544	2,766,234
Gain on revaluation of Fusion options	-	(32,271)
Gain on disposal of capital assets	(5,072,111)	(548,969)
Impairment of exploration and evaluation assets	43,007	158,646
Listing expense for Fusion Amalgamation	-	1,985,907
Restricted stock units expense	1,763,975	-
Recognition of flow-through premium	(214,541)	(109,928)
Stock based compensation	1,184,949	452,757
Unrealized foreign exchange	810,338	519,068
Changes in non-cash working capital items:		
Deferred revenue	(16,122)	167,760
Income taxes payable	(1,452,659)	(165,558)
Prepaid expenses	(147,678)	(349,507)
Receivables	967,283	(1,675,145)
Trade and other payables	482,487	1,640,350
Net cash used in operating activities	(157,818)	(1,078,959)
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES</b>		
Acquisition of Punitaqui	-	(10,592,000)
Acquisition of property, plant and equipment - spare parts	-	(1,783,245)
Additions of intangible assets	345	(53,619)
Exploration and evaluation assets - Punitaqui	(11,204,117)	(2,355,059)
Exploration and evaluation assets - other	(1,143,032)	(3,229,501)
Other acquisition of property, plant and equipment	(2,792,158)	(1,065,130)
Proceeds from disposal of property and equipment	8,439,818	1,338,658
Changes in non-cash working capital items:		
Accounts receivables	2,568	(1,412,726)
Accounts payable and accrued liabilities	(22,985)	511,993
Net cash used in investing activities	(6,719,561)	(18,640,629)
<b>CASH FLOWS FROM (TO) FINANCING ACTIVITIES</b>		
Convertible debenture issuance costs	(25,096)	-
Proceeds from issuance of shares	-	1,250,000
Proceeds from issuance of flow-through shares	-	2,806,799
Proceeds from Fusion options exercised	-	51,225
Proceeds from issuance of shares issued for Chilean property acquisition	-	12,822,485
Proceeds from convertible debenture	10,375,459	-
Proceeds returned from cancellation of shares	-	(276,825)
Payments on MAP acquisition	(1,280,224)	-
Payments made to the minority shareholders of ESI	-	(4,988,020)
Repayment of finance lease	-	(6,143)
Repayment of long term debt	(4,527,797)	(689,460)
Shares issued to Weston Energy LLC	-	1,001,120
Share issue costs	-	(1,063,496)
Subscription receipts	-	(400,001)
Net cash provided by financing activities	4,542,342	10,507,684
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>1,085,465</b>	<b>(787,690)</b>
<b>Change in cash during the period</b>	<b>(1,249,572)</b>	<b>(9,999,594)</b>
Cash, beginning of the year - continuing operations	2,629,995	4,168,118
Cash, beginning of the year - discontinued operations	-	9,797,453
<b>Cash, beginning of period</b>	<b>2,629,995</b>	<b>13,965,571</b>
Cash, end of the year - continuing operations	1,380,423	3,965,977
Cash, end of the year - discontinued operations	-	-
<b>Cash, end of period</b>	<b>\$ 1,380,423</b>	<b>\$ 3,965,977</b>
<b>Supplementary cash flow information:</b>		
Interest paid	(475,362)	(120,415)
Interest received	47,517	64,151
Income taxes paid	(118,336)	(165,491)

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

**BATTERY MINERAL RESOURCES CORP.**  
Notes to Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)  
For the nine months ended September 30, 2022

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**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 at the Punitaqui mine in Chile, and the acquisition and exploration of mineral exploration and evaluation assets in Chile, Canada, the United States, 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**”), 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 were under common control as of December 31, 2020. For the year ended December 31, 2021, the Company no longer considered 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 5).

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.

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 Mining Complex (“**Punitaqui**”), a previous producing copper-gold mine located in the Coquimbo region of Chile (Note 4, 8, 13).

At September 30, 2022, the Company had a working capital deficit (current assets less current liabilities) of \$4,033,280 (working capital deficiency, December 31, 2021 of \$3,195,332). For the nine months ended September 30, 2022, the Company recorded a comprehensive loss of \$187,960 (September 30, 2021 comprehensive loss of \$8,466,585). For the nine months ended September 30, 2022, the Company recorded net cash flow used in operating activities of \$157,818 (Restated - September 30, 2021 net cash flow used in operating activities of \$1,078,959).

**BATTERY MINERAL RESOURCES CORP.**  
Notes to Condensed Interim Consolidated Financial Statements  
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**1. NATURE OF OPERATIONS AND GOING CONCERN (cont'd.)**

ESI owns a real estate property located in Leduc, AB (the "**Leduc Property**"), which has a mortgage loan outstanding. The mortgage on the Leduc Property (the "**Leduc Mortgage**") contains a debt covenant stipulating a minimum debt service coverage ratio of 1.25:1 ("**DSCR**"). As of September 30, 2022, the DSCR was estimated by ESI to be approximately (0.31):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 the Leduc Property.

During the nine month period ended September 30, 2022, the Company entered into an agreement to sell the Leduc Property. The Company has agreed to sell the property and building for \$6,250,000. On November 7, 2022 ESI completed the sale of the Leduc property and concurrently the related mortgage was paid out in full (Note 20).

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.

On October 20, 2022, the Company entered into a loan agreement to borrow up to US\$4,000,000 from Weston Energy LLC (a related party). The loan proceeds will be received by the Company in one or more advances. The loan will mature on February 17, 2023 (Note 21).

**BATTERY MINERAL RESOURCES CORP.**  
Notes to Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)  
For the nine months ended September 30, 2022

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## **2. BASIS OF PREPARATION**

### **Statement of compliance**

These unaudited condensed interim consolidated financial statements (“**Financial Statements**”) have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“**IASB**”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the IASB have been condensed or omitted and these Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2021.

Notice of No Auditor Review of these Financial Statements as at and for the nine months ended September 30, 2021. Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements. These Financial Statements have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

### **Approval of the financial statements**

These Financial Statements were authorized for issue by the Board of Directors on November 28, 2022.

### **Basis of presentation**

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

These Financial Statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a forced liquidation. These Financial Statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material to the presentation of the financial statements.

**BATTERY MINERAL RESOURCES CORP.**  
Notes to Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)  
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**2. BASIS OF PREPARATION** (cont'd.)

**Basis of consolidation**

These Financial Statements include the accounts of the Company and its wholly owned subsidiaries as follows:

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.

**BATTERY MINERAL RESOURCES CORP.**  
Notes to Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)  
For the nine months ended September 30, 2022

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**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 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. 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 it recorded the investment in ESI as a non-current asset held for sale and discontinued operations as at December 31, 2020.

On May 26, 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.

**BATTERY MINERAL RESOURCES CORP.**  
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**2. BASIS OF PREPARATION (cont'd...)**

Reverse takeover

On February 21, 2021, the Company and 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 and 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.

Accounting policies

A list of critical accounting judgments and key sources of estimation uncertainty can be found in the Company's annual consolidated financial statements for the year ended December 31, 2022.

Policy for convertible debentures:

Convertible debentures issued by the Company represent a compound financial instrument that includes the host debt component and the convertible component, with the proceeds received allocated between the two components at the date of issue. The Company then assesses whether the convertible component qualifies as equity or is considered a derivative liability. The debt liability component is initially recognized at the difference between the fair value of the convertible debenture as a whole and the fair value of the derivative liability component. The debt liability component is subsequently measured at amortized cost, with the proportionate share of the transaction costs offset against the balance. The transaction costs allocated to the derivative liability component are recognized in the consolidated statements of income at the initial recognition date. The debt liability component is subsequently accreted to the face value of the debt liability component of the convertible debentures at the effective interest rate. The derivative liability component is re-measured at fair value at each reporting period with fair value gains or losses recognized in the consolidated statement of income.

Policy for sale-leaseback:

From time to time, the company may enter into sale-leaseback transactions pursuant to which the company sells a property to a third party and agrees to lease the property back for a certain period of time. To determine whether the transfer of the property should be accounted for as a sale, the company evaluates whether it has transferred control to the third party in accordance with the revenue recognition guidance set forth in IFRS 15.

If the transfer of the asset is deemed to be a sale at market terms, the company recognizes the transaction price for the sale based on the proceeds, derecognizes the carrying amount of the underlying asset and recognizes a gain or loss in the consolidated statements of operations and comprehensive loss for any difference between the carrying value of the asset and the transaction price. The company then accounts for the leaseback in accordance with its lease accounting policy.

If the transfer of the asset is determined not to be a sale at market terms, the company accounts for the transaction as a financing arrangement, and accordingly no sale is recognized. The company retains the historical costs of the property and the related accumulated depreciation on its books and continues to depreciate the property over the lesser of its remaining useful life or its initial lease term. The asset is presented within property and equipment, net on the consolidated balance sheets. All proceeds from these transactions are accounted for as finance obligations and presented as non-current obligation on the consolidated balance sheets. A portion of the lease payments is recognized as a reduction of the financing obligation and a portion is recognized as interest expense based on an imputed interest rate.

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**3. PRIOR PERIOD RESTATEMENT**

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

The Company identified that they had incorrectly accounted for the acquisition of ESI and Punitaqui in the September 30, 2021 interim consolidated financial statements. As a result, the Company has restated its September 30, 2021 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:

	As at September 30, 2021			
	Previously reported	Restatement adjustment	Restated	Note
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	531,471	3,434,506	3,965,977	1
Receivables	123,818	4,966,646	5,090,465	1
Prepays	209,847	230,700	440,547	1
Assets included in disposal group held for sale	34,413,011	(34,413,011)	-	2
<b>Total current assets</b>	<b>35,278,148</b>	<b>(25,781,159)</b>	<b>9,496,989</b>	
<b>Non-current assets</b>				
Property, plant and equipment	61,663	45,328,040	45,389,703	1
Intangible assets	-	194,359	194,359	1
Exploration and evaluation assets	48,617,823	(19,330,331)	29,287,492	
<b>Total non-current assets</b>	<b>49,083,486</b>	<b>26,192,068</b>	<b>75,275,554</b>	
<b>TOTAL ASSETS</b>	<b>84,361,634</b>	<b>410,909</b>	<b>84,772,543</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	867,900	4,776,608	5,644,508	1
Income taxes payable	183,000	6,317	189,317	1
Deferred revenue	-	237,282	237,282	1
Current portion of long-term debt	-	865,956	865,956	1
Current portion of finance lease	-	24,321	24,321	
Liabilities related to disposal group held for sale	9,231,996	(9,231,996)	-	2
<b>Total current liabilities</b>	<b>10,604,019</b>	<b>(3,321,512)</b>	<b>7,282,507</b>	
<b>Non-current liabilities</b>				
Contingent payment of acquisition	-	5,603,472	5,603,472	2
Loans and borrowings	-	6,316,882	6,316,882	1
<b>Total non-current liabilities</b>	<b>-</b>	<b>11,920,354</b>	<b>11,920,354</b>	
<b>TOTAL LIABILITIES</b>	<b>10,604,019</b>	<b>8,598,842</b>	<b>19,202,861</b>	
<b>EQUITY</b>				
Share Capital	61,062,762	(109,097)	60,953,665	
Contributed surplus	32,867,784	(15,648,289)	17,219,495	3
Accumulated other comprehensive loss	-	(2,517,096)	(2,517,096)	4
Deficit	(20,172,931)	10,086,549	(10,086,382)	5
<b>TOTAL EQUITY</b>	<b>73,757,615</b>	<b>(8,187,933)</b>	<b>65,569,682</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>84,361,634</b>	<b>410,909</b>	<b>84,772,543</b>	

1. Assets and liabilities held by ESI as of January 1, 2021 have been consolidated on a 100% basis with BMR. The assets and liabilities of ESI have been consolidated based on ESI book cost.

2. Assets included in disposal group held for sale and liabilities related to disposal group held for sale were reclassified from non-current to current. As of January 1, 2021 assets included in disposal group held for sale and related liabilities were derecognized effective January 1, 2021, as ESI and related entities were consolidated on a 100% basis with BMR.

3. Contributed surplus was reduced by \$17,219,495 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 acquisition was determined to be a common controlled transaction.

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

5. Deficit decreased as the Company derecognized the remeasurement loss on ESI as of September 30, 2021.

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**3. PRIOR PERIOD RESTATEMENT (cont'd...)**

Reconciliation of the Consolidated Statements of Loss and Comprehensive Loss:

	For the nine months ended September 30, 2021			Note
	Previously reported	Restatement adjustment	Restated	
<b>REVENUE</b>				
Sales	-	8,947,303	8,947,303	
<b>EXPENSES</b>				
Cost of sales	-	428,800	428,800	
Depreciation of equipment	8,615	2,757,619	2,766,234	
Foreign exchange loss	422,073	96,995	519,068	
Selling, general and administration	140,148	3,248,060	3,388,208	
Operating and maintenance	-	3,903,605	3,903,605	
Transaction costs	525,236	(525,236)	-	
<b>Loss from operations</b>	<b>(3,546,861)</b>	<b>(962,540)</b>	<b>(4,509,401)</b>	
Additional depreciation on discontinued operations	-	(1,426,271)	(1,426,271)	
Finance and other income	-	96,762	96,762	
Finance and other costs	-	(182,837)	(182,837)	
Gain on disposal of property and equipment	-	548,969	548,969	
<b>Loss for the period for continuing operations</b>	<b>(5,390,569)</b>	<b>(1,925,917)</b>	<b>(7,316,486)</b>	
Current income recovery	-	1,912	1,912	
<b>Loss for the year from continuing operations, after-tax</b>	<b>(5,390,569)</b>	<b>(1,924,005)</b>	<b>(7,314,574)</b>	
Discontinued operation gain (loss)	1,205,610	(1,205,610)	-	
Remeasurement loss on disposal group held for sale	(3,501,424)	3,501,424	-	1
Loss from discontinued operation attributable to non-controlling interest	-	423,547	423,547	
<b>Total discontinued operation</b>	<b>(2,295,814)</b>	<b>2,719,361</b>	<b>423,547</b>	
<b>Total loss for the year attributable to common shareholders</b>	<b>(7,686,383)</b>	<b>795,356</b>	<b>(6,891,027)</b>	
Cumulative translation adjustment on disposal group	(852,645)	852,645	-	2
Currency translation attributable to Chile	-	(1,620,456)	(1,620,456)	
Currency translation attributable to ESI	-	44,898	44,898	3
<b>Loss and comprehensive loss for the year attributable to common shareholders</b>	<b>(8,539,029)</b>	<b>72,444</b>	<b>(8,466,585)</b>	4
Comprehensive loss attributable to noncontrolling interest	-	-	-	3
<b>Loss per share - continuing operations</b>				
Basic and diluted loss per ordinary share	(0.04)	(0.01)	(0.05)	
<b>Loss per share - discontinued operations</b>				
Basic and diluted loss per ordinary share	(0.05)	0.05	0.00	
<b>Loss per share - attributable to common shareholders</b>				
Basic and diluted loss per ordinary share	(0.06)	0.00	(0.06)	

1. The remeasurement loss on disposal group held for sale after common control adjustment was previously 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.

4. Loss for the year includes ESI operating income and expenses for the 9 months period ended September 30, 2021.

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**3. PRIOR PERIOD RESTATEMENT (cont'd...)**

Reconciliation of the Consolidated Statements of Loss and Comprehensive Loss:

	For the three months ended September 30, 2021			Note
	Previously reported	Restatement adjustment	Restated	
<b>REVENUE</b>				
Sales	-	4,427,550	4,427,550	
<b>EXPENSES</b>				
Cost of sales	-	252,073	252,073	
Depreciation of equipment	2,872	859,841	862,713	
Foreign exchange loss	23,407	106,290	129,697	
Investor relations	169,059	140,816	309,875	
Selling, general and administration	55,383	515,934	571,317	
Operating and maintenance	-	1,493,711	1,493,711	
Transaction costs	120,517	(120,517)	-	
<b>Gain (loss) from operations</b>	<b>(1,057,738)</b>	<b>1,179,402</b>	<b>121,664</b>	
Finance and other income	-	35,488	35,488	
Finance and other costs	-	(62,424)	(62,424)	
Gain on disposal of property and equipment	-	70,436	70,436	
<b>Gain (loss) for the period for continuing operations</b>	<b>(991,119)</b>	<b>1,222,902</b>	<b>231,783</b>	
<b>Gain (loss) for the year from continuing operations, after-tax</b>	<b>(991,119)</b>	<b>1,222,902</b>	<b>231,783</b>	
Discontinued operation loss	1,616,470	(1,616,470)	-	
Remeasurement loss on disposal group held for sale	(347,850)	347,850	-	1
<b>Total discontinued operation</b>	<b>1,268,620</b>	<b>(1,268,620)</b>	<b>-</b>	
<b>Total gain (loss) for the year attributable to common shareholders</b>	<b>277,501</b>	<b>(45,718)</b>	<b>231,783</b>	
Cumulative translation adjustment on disposal group	84,682	(84,682)	-	2
Currency translation attributable to Chile	-	(2,034,870)	(2,034,870)	
Currency translation attributable to ESI	-	609,500	609,500	3
<b>Loss and comprehensive loss for the year attributable to common shareholders</b>	<b>362,183</b>	<b>(1,555,770)</b>	<b>(1,193,587)</b>	4
Comprehensive loss attributable to noncontrolling interest	-	-	-	3
<b>Gain (loss) per share - continuing operations</b>				
Basic and diluted loss per ordinary share	(0.01)	0.01	0.00	
<b>Gain (loss) per share - Discontinued operations</b>				
Basic and diluted loss per ordinary share	0.00	(0.00)	0.00	
<b>Gain (loss) per share - attributable to common shareholders</b>				
Basic and diluted loss per ordinary share	0.00	(0.01)	(0.01)	

1. The remeasurement loss on disposal group held for sale after common control adjustment was previously 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.

4. Loss for the year includes ESI operating income and expenses for the 3 months period ended September 30, 2021.

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**3. PRIOR PERIOD RESTATEMENT (cont'd...)**

Reconciliation of the Consolidated Statements of Changes in Equity:

iii. Reconciliation of the Consolidated Statements of Changes in Equity:

	As at September 30, 2021						Total equity
	Share Capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total	Non-controlling interest	
Previously reported	61,062,762	32,867,784	-	(20,172,931)	<b>73,757,615</b>	-	<b>73,757,615</b>
Restatement adjustment	(109,097)	(15,648,289)	(2,517,096)	10,086,549	(8,187,933)	-	(8,187,933)
<b>Restated</b>	<b>60,953,665</b>	<b>17,219,495</b>	<b>(2,517,096)</b>	<b>(10,086,382)</b>	<b>65,569,682</b>	<b>-</b>	<b>65,569,682</b>

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**3. PRIOR PERIOD RESTATEMENT (cont'd...)**

Reconciliation of the Consolidated Statements of Cash Flows:

	As at September 30, 2021			
	Previously reported	Restatement adjustment	Restated	Note
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>				
Loss for the period	(8,539,029)	1,224,455	(7,314,574)	
Items not affecting cash:				
Additional depreciation on discontinued operations	-	1,426,271	1,426,271	
Depreciation	8,615	2,757,619	2,766,234	
Gain on revaluation of Fusion options	-	(32,271)	(32,271)	
Gain on disposal of capital assets	-	(548,969)	(548,969)	
Impairment of exploration and evaluation assets	158,646	-	158,646	
Listing expense for Fusion Amalgamation	1,985,907	-	1,985,907	
Recognition of flow-through premium	(109,928)	-	(109,928)	
Share-based payments	459,211	(6,454)	452,757	
Remeasurement loss on disposal group held for sale	3,501,424	(3,501,424)	-	
Discontinued operation loss	(1,205,610)	1,205,610	-	
Cumulative translation adjustment on disposal group	852,645	(852,645)	-	
Unrealized foreign exchange	-	519,068	519,068	
Changes in non-cash working capital items:				
Receivables	(69,705)	(1,605,440)	(1,675,145)	
Prepaid expenses	(194,348)	(155,159)	(349,507)	
Trade and other payables	1,186,299	454,051	1,640,350	
Deferred revenue	-	167,760	167,760	
Income tax	-	(165,558)	(165,558)	
<b>Net cash provided by (used in) operating activities</b>	<b>(1,965,873)</b>	<b>886,914</b>	<b>(1,078,959)</b>	1
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES</b>				
Acquisition of Punitaqui	-	(10,592,000)	(10,592,000)	
Acquisition of property, plant and equipment - spare parts	-	(1,783,245)	(1,783,245)	
Additions of intangible assets	-	(53,619)	(53,619)	
Exploration and evaluation assets - Punitaqui	-	(2,355,059)	(2,355,059)	
Exploration and evaluation assets - other	(18,057,379)	14,827,878	(3,229,501)	
Other acquisition of property, plant and equipment	-	(1,065,130)	(1,065,130)	
Proceeds from disposal of equipment	-	1,338,658	1,338,658	
Changes in non-cash working capital items:				
Accounts receivables	-	(1,412,726)	(1,412,726)	
Trade and other payables	-	511,993	511,993	
<b>Net cash provided by (used in) investing activities</b>	<b>(18,057,379)</b>	<b>(583,250)</b>	<b>(18,640,629)</b>	1
<b>CASH FLOWS FROM (TO) FINANCING ACTIVITIES</b>				
Payments made to the minority shareholders of ESI	-	(4,988,020)	(4,988,020)	
Proceeds from Fusion options exercised	12,500	38,725	51,225	
Proceeds from issuance of flow-through shares	2,806,799	-	2,806,799	
Proceeds from issuance of shares	1,250,000	-	1,250,000	
Proceeds from issuance of shares issued for Chilean property acquisition	13,056,508	(234,023)	12,822,485	
Proceeds returned from cancellation of shares	(276,825)	-	(276,825)	
Share issue costs	(1,063,496)	-	(1,063,496)	
Shares issued to Weston Energy LLC	1,001,120	-	1,001,120	
Subscription receipts	(400,001)	-	(400,001)	
Repayment of finance lease obligation	-	(6,143)	(6,143)	
Repayment of long term debt	-	(689,460)	(689,460)	
<b>Net cash provided by (used in) financing activities</b>	<b>16,386,605</b>	<b>(5,878,921)</b>	<b>10,507,684</b>	1
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>-</b>	<b>(787,690)</b>	<b>(787,690)</b>	
<b>Change in cash during the period</b>	<b>(3,636,647)</b>	<b>(6,362,947)</b>	<b>(9,999,594)</b>	
Cash, beginning of the year - continuing operations	4,168,118	-	4,168,118	
Cash, beginning of the year - discontinued operations	-	9,797,453	9,797,453	
<b>Total cash, beginning of the period</b>	<b>4,168,118</b>	<b>9,797,453</b>	<b>13,965,571</b>	1
Cash, end of the year - continuing operations	531,471	3,434,506	3,965,977	
Cash, end of the year - discontinued operations	-	-	-	
<b>Total cash, end of the period</b>	<b>531,471</b>	<b>3,434,506</b>	<b>3,965,977</b>	1

1. Cash flow statement was revised to include ESI's operations in operating activities, investing activities and financing activities, as well as the cash at the beginning and end of the reporting period.

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**4. PUNITAQUI ACQUISITION - RESTATED**

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 ("**Punitaqui**") 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 Punitaqui, 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 milestone payments include: (i) an amount equal to US\$2,000,000, payable 60 days following the date on which commercial restart is achieved, (ii) an amount equal to US\$1,000,000, payable 60 days following the date on which the first production milestone is achieved, (iii) an amount equal to US\$1,000,000, payable 60 days following the date on which the second production milestone is achieved, and (iv) an amount equal to US\$1,000,000, payable 60 days following the date on which the third production milestone is achieved. The production milestones include the achievement of aggregate production equal to or greater than 291,600 tonnes for the commercial restart milestone, aggregate production of 583,200 tonnes for the first production milestone, aggregate production of 874,800 tonnes for the second production milestone, and aggregate production of 1,166,400 tonnes for the third production milestone. The Company has estimated the probability of achieving the milestones as at September 30, 2022 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 in future cash consideration related to an option agreement to obtain ownership over all land and equipment;
- vii. The issuance of 1,069,138 shares to Weston Energy LLC ("**Weston**") 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 the Company, and the Company entered into a promissory purchase agreement for the equity of MAP for US\$100 on the 10-year anniversary of this transaction.

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**4. PUNITAQUI ACQUISITION (cont'd...)**

The consideration for the Punitaqui acquisition was:

<b><u>Asset acquisition</u></b>	
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
<b>Fair value of consideration</b>	<b>25,535,000</b>

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

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

<b><u>Fair value of the Capital Inventory Acquired</u></b>	
Capital Inventory cost	1,772,000
VAT Receivable	416,000
<b>Total consideration paid</b>	<b>2,188,000</b>

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 Punitaqui for total consideration of \$2,188,000 (US\$1,825,812).

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**5. 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. 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) extended the time for completion of the Transaction from August 31, 2020, to March 1, 2021, and (ii) increased 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 12, 2021, the Company completed a reverse takeover transaction ("**RTO**"), with Fusion, a TSX Venture Exchange listed company, to complete a share exchange that resulted in the Company's shareholders taking over Fusion. 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.

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**5. 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:

<b><u>Cost of acquisition:</u></b>	
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
<b>Total consideration</b>	<b>\$ <u>2,053,725</u></b>
 <b><u>Allocated as follows:</u></b>	
Cash	\$ 60,963
Receivables	7,386
Trade and other payables	(531)
<b>Net assets acquired</b>	<b>\$ 67,818</b>
Allocation to listing expense	1,985,907
	<b>\$ <u>2,053,725</u></b>

During the nine months ended September 30, 2022 the Company expensed \$nil in professional fees, relating to the RTO (nine months ended September 30, 2021 - \$144,661).

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**6. CASH**

Cash is comprised as follows:

	<b>30-Sep-22</b>	<b>31-Dec-21</b>
Cash in Canadian financial institutions	\$ 724,428	\$ 1,511,394
Cash in American financial institutions	454,179	706,642
Cash in Australian financial institutions	271	1,023
Cash in South Korean financial institutions	1,231	-
Cash in Chilean financial institutions	200,314	410,936
<b>Total</b>	<b>\$ 1,380,423</b>	<b>\$ 2,629,995</b>

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**7. PROPERTY, PLANT AND EQUIPMENT**

	Land and Buildings	Plant and Mining equipment	Padding equipment	Spare parts	Motor vehicles	Computer equipment	Office equipment	Right-of-use assets	Total
<b>Cost</b>									
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)
<b>At December 31, 2021</b>	<b>\$ 12,960,391</b>	<b>\$ 14,400,302</b>	<b>\$ 35,601,475</b>	<b>\$ 2,306,123</b>	<b>\$ 13,465</b>	<b>\$ 50,796</b>	<b>\$ 25,803</b>	<b>\$ -</b>	<b>\$ 65,358,355</b>
ESI - additions	1,329	844,803	1,278,111	169,933	5,589	14,983	-	477,410	2,792,158
ESI - disposals	(3,715,027)	-	(772,798)	-	-	-	-	-	(4,487,825)
Foreign currency translation adjustment	(810,456)	(1,817,890)	2,466,784	(107,071)	272	1,840	872	-	(265,649)
<b>At September 30, 2022</b>	<b>\$ 8,436,237</b>	<b>\$ 13,427,215</b>	<b>\$ 38,573,572</b>	<b>\$ 2,368,985</b>	<b>\$ 19,326</b>	<b>\$ 67,619</b>	<b>\$ 26,675</b>	<b>\$ 477,410</b>	<b>\$ 63,397,039</b>
<b>Accumulated depreciation</b>									
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
<b>At December 31, 2021</b>	<b>\$ (2,759,930)</b>	<b>\$ (27,700)</b>	<b>\$ (21,954,393)</b>	<b>\$ -</b>	<b>\$ (9,498)</b>	<b>\$ (23,997)</b>	<b>\$ (18,983)</b>	<b>\$ -</b>	<b>\$ (24,794,501)</b>
ESI - depreciation	(100,211)	(26,553)	(2,034,988)	-	(7,491)	(15,347)	(3,713)	(118,264)	(2,306,567)
ESI - disposals	1,941,335	-	237,858	-	-	-	-	-	2,179,193
Foreign currency translation adjustment	(75,514)	-	(1,559,868)	-	-	-	-	-	(1,635,382)
<b>At September 30, 2022</b>	<b>\$ (994,320)</b>	<b>\$ (54,253)</b>	<b>\$ (25,311,391)</b>	<b>\$ -</b>	<b>\$ (16,989)</b>	<b>\$ (39,344)</b>	<b>\$ (22,696)</b>	<b>\$ (118,264)</b>	<b>\$ (26,557,257)</b>
<b>Carrying amounts</b>									
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
<b>At September 30, 2022</b>	<b>\$ 7,441,917</b>	<b>\$ 13,372,962</b>	<b>\$ 13,262,181</b>	<b>\$ 2,368,985</b>	<b>\$ 2,337</b>	<b>\$ 28,275</b>	<b>\$ 3,979</b>	<b>\$ 359,146</b>	<b>\$ 36,839,782</b>

During the nine months ended September 30, 2022, the Company disposed 3 padding equipment, and land and building located in Phoenix, AZ for combined proceeds of \$8,439,818 resulting in a \$5,072,111 gain. (See note 11 for land and building sale) During the same period in the previous year, the Company disposed several padding equipment for combined proceeds of \$1,338,658 and recorded a gain of \$548,969.

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**8. EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets involves inherent risks due to difficulties of determining the validity of certain mineral claims and leases as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many 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.

	Canadian Cobalt Projects \$	U.S. Cobalt Projects \$	U.S. Lithium Projects \$	South Korea Graphite Projects \$	Chile Copper Punitaqui Project \$	Total \$
<b>Balance as December 31, 2020</b>	<b>19,646,128</b>	<b>1,280,366</b>	<b>378,718</b>	<b>1,874,104</b>	-	<b>23,179,316</b>
Additions during period	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)
<b>Balance as December 31, 2021</b>	<b>21,870,114</b>	<b>1,591,003</b>	<b>382,870</b>	<b>1,933,932</b>	<b>5,323,560</b>	<b>31,101,479</b>
Additions during period	918,643	154,753	5,332	64,304	14,206,798	15,349,830
Impairment	(43,007)	-	-	-	-	(43,007)
Currency translation adjustment	-	-	-	-	(707,368)	(707,368)
<b>Balance as September 30, 2022</b>	<b>22,745,750</b>	<b>1,745,756</b>	<b>388,202</b>	<b>1,998,236</b>	<b>18,822,990</b>	<b>45,700,934</b>

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Canadian Cobalt Projects**

**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.

On February 15, 2021, Company issued 62,000 common shares valued at \$40,300, upon completion of the Transaction, related to the McAra Project historic property obligations (Note 13).

**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%. 0.5% to 1% of the NSR can be acquired for \$250,000 to \$1,000,000.

On February 15, 2021, 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 13).

***Gowganda Transition-Claims, Ontario, Canada***

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.

As of March 2, 2022, the Company did not meet the exploration expenditure of \$2,000,000. The Company had impaired 100% of the Gowganda Transition Project. The Company terminated the Gowganda project earn-in option has an option agreement on March 3, 2022.

During the nine months ended September 30, 2022, the Company has reduced the size of the Gowganda Transition-Claims and recorded impairment of \$19,599 (December 31, 2021: \$2,023,808).

**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.

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Canadian Cobalt Projects (cont'd...)**

**Elk Lake Project area, Ontario Canada**

The Company holds a 100% interest in certain claims 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.

On February 15, 2021, 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 13).

***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:

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:

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

***Elk Lake Project Area 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.

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Canadian Cobalt Projects (cont'd...)**

**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:

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:

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

On February 15, 2021, 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 13).

**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:

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

On February 15, 2021, 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 13).

**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 13).

During the nine months ended September 30, 2022, the Company has reduced the size of the Iron Mask projects and recorded impairment of \$23,409 (December 31, 2021: \$147,160).

**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 13).

During the nine months ended September 30, 2022, the Company has abandoned the other projects and recorded impairment of \$Nil (December 31, 2021: \$13,000).

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**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 June 30, 2021, the Company has reached an agreement relating to the settlement of the claim dispute in Idaho (Note 13). The Company issued 200,000 common shares valued at \$130,000, upon completion of the Transaction (Note 13). 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.

**U.S. Lithium Projects**

**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.

**South Korea Graphite Projects**

**Geuman 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 Geumam mining rights expired and the Company subsequently recorded an impairment of \$217,727.

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Chile Copper Project**

**Punitaqui Mining Complex, Chile**

The Company holds the rights to 100% equity interest in Punitaqui in the Coquimbo region of Chile (Note 4).

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.

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**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are comprised of the following:

		<b>30-Sep-22</b>	<b>31-Dec-21</b>
Trade payables	\$	2,840,785	\$ 2,368,299
Accrued liabilities		1,588,214	1,398,696
Short term - contingent payments on acquisition (Note 4)		2,070,200	1,918,190
Long term - contingent payments on acquisition (Note 4)		3,878,655	5,079,310
<b>Total</b>	<b>\$</b>	<b>10,377,854</b>	<b>\$ 10,764,495</b>

**10. SALE AND LEASE BACK TRANSACTION**

On June 10, 2022, the Company entered into a sale-leaseback agreement with an unrelated party involving land and building property located in Phoenix, AZ, USA. Under the arrangement, the property with a net book value of US\$1,742,920 was sold for US\$6,900,000 and leased back under a five-year finance lease agreement. The Company recorded a net sale proceeds of US\$6,390,263 after deducting the sale-related expenses of US\$509,736.

The Company used the net sale proceeds to pay off its two mortgage loans amounting to US\$2,087,109 and US\$1,200,000, the aggregate payment of which was US\$3,358,459 after considering additional costs related to premature retirement of the loans (Refer to Note 11 on Loans and Borrowings).

The leaseback agreement provides for monthly base payments with yearly increments as shown on the table below (in USD) and an option to extend the lease term for two additional five-year periods.

Period	Annual Basic Rent	Monthly Basic Rent
Closing 31-May-22	\$313,884	\$26,157
01-June-23 to 31-May-24	\$323,304	\$26,942
01-June-24 to 31-May-25	\$333,000	\$27,750
01-June-25 to 31-May-26	\$342,996	\$28,583
01-June-26 to 31-May-27	\$353,280	\$29,440

Based on an incremental borrowing rate of 12%, the Company recognized a Finance Lease Liability for the total lease payments amounting to US\$1,267,814, and a Right of Use asset on the leased property amounting to US\$320,246, to be depreciated over the term of the leaseback agreement. The Company recorded a gain of US\$3,699,775 on the sale and leaseback in June 2022.

As of September 30, 2022, a depreciation of US\$17,312 on the Right of Use Assets, and an interest of US\$65,780 on the finance lease were recorded. The Finance Lease Liability as of September 30, 2022, was US\$1,072,018 after lease payment of US\$33,808.

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**11. LOANS AND BORROWINGS**

	30-Sep-22	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)	352,391	652,657
<b>Total loans and borrowings</b>	<b>352,391</b>	<b>4,715,004</b>
Less: current portion	130,310	527,831
<b>Long-term portion</b>	<b>\$ 222,081</b>	<b>\$ 4,187,173</b>

The Company has minor obligations relating to the purchase of equipment as at September 30, 2022. 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 was 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. The property refinanced was sold on June 10, 2022, and the sales proceeds was used to fully pay off this mortgage on the same day.
- ii. Mortgage –This was 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 was 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 and exit fee of \$24,000. The transaction costs were recorded as a contra liability and netted against the loan amount. This mortgage was also fully paid off on June 10, 2022, from the sale proceeds of the property discussed above.
- iii. Finance agreements include loans relating to the purchase of five compact track loaders and two vehicles that were financed through dealers in 2019 through 2022. 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 ended 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. Two loans were obtained in the second quarter of 2022 to purchase two truck loaders at interest rates of 3.76% and 3.20% for 5 years each, and quarterly payments of \$4,960 and \$5,427, respectively. 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. The vehicle loan obtained in 2021 was fully paid in the first quarter of 2022 and was refinanced in the second quarter with a quarterly payment of \$4,435.16.

Debt Service Coverage is the ratio of cash flow available to service debt to interest expense and scheduled principal payments of funded debt. This ratio is the covenant under the Company's lending agreements and must exceed at all times 1.25:1 for the Leduc Mortgage. Cash flow available to service debt is calculated on a rolling 12-month basis as net income (i) plus interest expense, deferred/future income taxes, depreciation, unrealized foreign currency losses, stock-based compensation, and any losses on disposal of fixed assets and (ii) less unrealized foreign currency gains, dividends declared and gains on disposal of fixed assets. Funded debt means all outstanding interest- bearing debt including capital leases, debt subject to scheduled repayment terms, and credit card debt.

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**12. CONVERTIBLE DEBENTURE**

	30-Sep-22	30-Dec-21
<b>Non-current portion of convertible unsecured subordinated debentures</b>		
Principal amount	10,375,459	-
Interest accrued	482,487	-
Equity component	(2,553,537)	-
Total	\$ 8,304,409	\$ -

The Company completed a non-brokered private placement of unsecured convertible debentures (the "Debentures"), raising gross proceeds of \$10,375,460. The Debentures will mature on the date (the "Maturity Date") that is three years from the date of issuance. The Company shall pay to the holders of the Debentures, on the Maturity Date, the outstanding principal amount of the Debenture, together with all accrued and unpaid interest. 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 \$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.

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**13. 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, 2021:

- 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.
- iii. issued 900,000 shares related to the historic property obligations.
- 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 5).
- 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 DIP secured loan used to secure the rights to acquire Punitaqui (Note 4).
- viii. issued 10,000,000 shares related to Bluequest for \$6,200,000 (US\$5,000,000) pursuant to a loan purchase agreement with Bluequest (Note 4).
- 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.
- 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 5).

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**13. SHARE CAPITAL (cont'd...)**

During the nine months ended September 30, 2022, 833,333 common shares were issued as a result of the exercise of the same amount of restricted share units.

**c) Flow-through premium liability**

Pursuant to flow-through agreements, the Company was obligated to incur \$2,806,799 in CEE. As at September 30, 2022 the Company has spent \$2,806,799 in CEE. Accordingly, the flow through premium liability was derecognized and recorded in profit or loss.

Balance as of December 31, 2020	\$	-
Flow-through premium liability additions		<b>431,051</b>
Recognition of flow-through premium		<b>(216,510)</b>
Balance as of December 31, 2021	\$	<b>214,541</b>
Flow-through premium liability additions		-
Recognition of flow-through premium		<b>(214,541)</b>
Balance as of September 30, 2022	\$	-

**Restricted share units (“RSUs”)**

As of September 30, 2022 the Company had issued 7,697,499 (December 31, 2021: 6,250,000) RSUs to Officers, Directors, and Consultants of the Company. The RSUs vest over three years following their issuance, with one-third vesting on the first, second, and third anniversary of their issuance, respectively, and expire after eight years. The total RSU expense for the nine-month period ended September 30, 2022, was \$1,763,975 (September 30, 2021: \$Nil).

7,697,499 Restricted share units

Expected life:	8 years
Expected dividends:	Nil
Price of RSU:	\$0.21-\$0.68

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**13. SHARE CAPITAL (cont'd...)**

**Stock options**

As of September 30, 2022, 9,383,332 (December 31, 2021, 6,262,500) stock options remain outstanding, of which 9,370,832 was issued to officers, directors, and consultants of the Company and 12,500 relating to the Fusion amalgamation (Note 5). Total stock-based compensation expense for the nine-month period ended September 30, 2022, was \$1,184,949 (September 30, 2021: \$452,757)

As of September 30, 2022, the Company had outstanding and exercisable stock options as follows:

Price	Options outstanding			Options exercisable			
	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price (C\$)	Weighted-average Fair Value (C\$)	Number exercisable	Weighted-average remaining contractual life (years)	Weighted-average exercise price (C\$)
\$0.20	12,500	0.97	0.20	-	12,500	0.97	0.20
\$0.85	5,000,000	6.51	0.85	0.40	1,666,667	6.51	0.85
\$0.85	1,000,000	6.76	0.85	0.63	333,333	6.76	0.85
\$0.75	250,000	4.09	0.75	0.24	145,833	4.09	0.75
\$0.65	270,832	7.26	0.65	0.29	-	-	-
\$0.65	75,000	7.26	0.65	0.29	-	-	-
\$0.65	200,000	0.42	0.65	0.03	100,000	0.42	0.65
\$0.65	1,475,000	7.44	0.65	0.23	-	-	-
\$0.65	1,100,000	7.58	0.65	0.23	-	-	-
	9,383,332	6.63	0.78	0.36	2,258,333	6.09	0.83

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

	Options	Weighted average exercise price (C\$)
Outstanding at January 1, 2021		
Options assumed on the Fusion amalgamation	75,000	0.20
Exercised	(62,500)	0.20
Granted	6,250,000	0.84
Expired	-	-
Forfeited	-	-
Outstanding at December 31, 2021	6,262,500	0.84
Granted	3,120,832	0.65
Expired	-	-
Forfeited	-	-
Outstanding at September 30, 2022	9,383,332	0.78

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 nine months ended September 30, 2022, the Company granted 3,120,832 stock options at a weighted average exercise price of \$0.65 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 nine months ended September 30, 2022 were as follows:

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**13. SHARE CAPITAL (cont'd...)**

**Stock options (cont'd...)**

3,120,832 stock options

Risk-free rate:	3.12%
Expected life:	8 years (2,920,832)/ 1 year (200,000)
Expected volatility:	77.03 %
Expected dividends:	Nil
Weighted average fair value per option:	\$0.36

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 September 30, 2022, no warrants were issued or outstanding.

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**14. REVENUE**

ESI's revenue during the nine months ended September 30, 2022, was generated mainly from machine rental, and was comprised of the following:

	For the three months ended September 30, 2022	For the three months ended September 30, 2021	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Machine Rental				
Padding machines				
Large Padders	\$ 532,314	\$ 1,936,939	\$ 2,207,899	\$ 3,696,846
Small Padders	1,084,032	1,373,331	3,318,629	3,067,816
Screening buckets	239,145	269,985	522,114	595,162
Slings	71,152	47,420	102,830	67,677
Oil field services equipment	-	-	650	-
<b>Rental revenue</b>	<b>\$ 1,926,643</b>	<b>\$ 3,627,675</b>	<b>\$ 6,152,122</b>	<b>\$ 7,427,501</b>
Mobilization	259,937	295,891	602,891	593,803
Spare part sales	247,939	256,077	594,496	525,181
Machine sales	434,635	79,903	1,306,228	79,903
Other services	122,812	168,004	438,015	320,915
<b>Other revenue</b>	<b>\$ 1,065,323</b>	<b>\$ 799,875</b>	<b>\$ 2,941,630</b>	<b>\$ 1,519,802</b>
<b>Total</b>	<b>\$ 2,991,966</b>	<b>\$ 4,427,550</b>	<b>\$ 9,093,752</b>	<b>\$ 8,947,303</b>

For the nine months ended September 30, 2022, \$5,973,298 (September 30, 2021 - \$4,622,022) of revenue was derived from ten (September 30, 2021 – six) customers that represented 66% (September 30, 2021 - 52%) of the Company revenue. As at September 30, 2022, \$701,347 (September 30, 2021 - \$994,796) from these customers was included in accounts receivable. As at September 30, 2022 accounts receivable includes other receivables of \$70,613 (December 31, 2021- \$69,154).

**15. RELATED PARTY TRANSACTIONS**

- Compensation of key management personnel

Key management includes members of the Board of Directors, the Executive Chairman, Chief Executive Officer and the Chief Financial Officer. The aggregate compensation paid, or payable, to key management personnel, which include the amounts disclosed above, during the period ended September 30, 2022:

	For the three months ended September 30, 2022	For the three months ended September 30, 2021	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Director fees	\$ 98,500	\$ 61,744	\$ 194,500	\$ 236,957
Management fees	425,325	334,626	1,196,751	1,408,187
Professional fees	-	36,000	60,000	63,000
<b>Total</b>	<b>\$ 523,825</b>	<b>\$ 432,370</b>	<b>\$ 1,451,251</b>	<b>\$ 1,708,144</b>

On May 28, 2021, the Company issued 1,069,138 shares to Weston, valued at \$662,866 (US\$555,952) in exchange for the DIP secured loan used to secure the rights to acquire Punitaqui (Note 4).

On July 5, 2021, the Company issued 1,538,462 common shares to Weston for additional proceeds of \$1,001,120 (US\$800,000), relating to the second and final tranche of the Punitaqui acquisition (Note 13).

As of September 30, 2022, included in trade and other payables was \$Nil (September 30, 2021: \$90,852) due to directors and officers of the Company.

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**16. 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 September 30, 2022, 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 and receivables related to the Company's trade receivables was 10 percent as at September 30, 2022 (December 31, 2021 - 9 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. The impairment methodology applied depends on whether there has been a significant increase in a credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9- Financial Instruments.

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**16. 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 September 30, 2022, 100% (September 30, 2021 – 100%) of the Company's outstanding debt was subject to fixed rates of interest. For the nine months ended September 30, 2022, 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 September 30, 2022, the Company was in breach of the debt service coverage ratio of 1.25:1 related to the Leduc Mortgage (Note 1).

Contractual cash flow requirements as at September 30, 2022 were as follows:

	1 year \$	2 year \$	3 year \$	4 year \$	>4 years \$	Total \$
Long term debt	3,833,421	69,221	69,221	69,221	14,418	4,055,502
Trade payables	2,840,785	-	-	-	-	2,840,785
Income tax payables	276,368	-	-	-	-	276,368
Deferred revenue	50,620	-	-	-	-	50,620
Finance lease	198,216	251,563	315,780	393,013	310,843	1,469,415
Accrued liabilities	1,588,214	-	-	-	-	1,588,214
Contingent payments on acquisition (Note 4)	2,070,200	775,731	775,731	775,731	1,551,462	5,948,855
Convertible debenture	-	-	8,304,409	-	-	8,304,409
<b>Total</b>	<b>10,857,824</b>	<b>1,096,515</b>	<b>9,465,141</b>	<b>1,237,965</b>	<b>1,876,723</b>	<b>24,534,168</b>

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, silver, cobalt, lithium, and graphite. The Company monitors copper, silver, gold, cobalt, lithium, and graphite prices to determine the appropriate course of action to be taken.

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**17. 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 segment being the operations of ESI, located in Canada and United States.

The following table presents geographic information regarding operating segments.

	ESI	Exploration and Evaluation Properties				Corporate	Total
		Canada	USA	South Korea	Chile		
<b>CAPITAL ASSETS</b>							
Exploration and evaluation	-	21,870,114	1,973,873	1,933,932	5,323,560	-	31,101,479
Property, plant, equipment and other assets	16,943,337	44,697	-	10,787	23,565,034	-	40,563,854
<b>As at December 31, 2021</b>	<b>16,943,337</b>	<b>21,914,811</b>	<b>1,973,873</b>	<b>1,944,719</b>	<b>28,888,594</b>	-	<b>71,665,333</b>
Exploration and evaluation	-	22,745,750	2,133,958	1,998,236	18,822,990	-	45,700,934
Property, plant, equipment and other assets	15,248,535	31,475	-	6,315	21,553,456	-	36,839,782
<b>As at September 30, 2022</b>	<b>15,248,535</b>	<b>22,777,225</b>	<b>2,133,958</b>	<b>2,004,551</b>	<b>40,376,446</b>	-	<b>82,540,716</b>

For the period ended September 30, 2022	ESI	Exploration and Evaluation Properties				Corporate	Total
		Canada	USA	South Korea	Chile		
Revenue from contracts with customers	9,093,752	-	-	-	-	-	9,093,752
<b>Total revenue</b>	<b>9,093,752</b>	-	-	-	-	-	<b>9,093,752</b>
Consulting fees	-	-	-	-	-	(191,234)	(191,234)
Depreciation of equipment	(2,203,323)	(13,221)	-	-	-	-	(2,216,544)
Director fees	-	-	-	-	-	(250,642)	(250,642)
Foreign exchange (loss) /gain	(1,227,308)	-	(215,631)	21,036	790,075	(178,510)	(810,338)
Impairment of exploration and evaluation assets	-	(43,007)	-	-	-	-	(43,007)
Investor relations	-	-	-	-	-	(635,979)	(635,979)
Management fees	-	(59,864)	(341,170)	-	-	(364,721)	(765,755)
Professional fees	-	-	(590)	-	-	(994,102)	(994,692)
Restricted stock units expense	-	-	-	-	-	(1,763,975)	(1,763,975)
Stock based compensation	-	-	-	-	-	(1,184,949)	(1,184,949)
Other costs and expenses	(6,254,426)	(4,460)	(755)	(1,935)	-	(408,994)	(6,670,570)
<b>Gain (loss) from operations</b>	<b>(591,305)</b>	<b>(120,552)</b>	<b>(558,146)</b>	<b>19,101</b>	<b>790,075</b>	<b>(5,973,106)</b>	<b>(6,433,933)</b>
Finance and other income	47,517	-	-	-	-	-	47,517
Finance and other costs	(475,362)	-	-	-	-	(482,487)	(957,849)
Gain on disposal of property and equipment	5,072,111	-	-	-	-	-	5,072,111
Recognition of flow-through premium	-	-	-	-	-	214,541	214,541
<b>Gain (loss) for the period from continuing operations</b>	<b>4,052,961</b>	<b>(120,552)</b>	<b>(558,146)</b>	<b>19,101</b>	<b>790,075</b>	<b>(6,241,052)</b>	<b>(2,057,613)</b>
Current income tax	1,334,323	-	-	-	-	-	1,334,323
<b>Gain (loss) for the year from continuing operations, after-tax</b>	<b>5,387,284</b>	<b>(120,552)</b>	<b>(558,146)</b>	<b>19,101</b>	<b>790,075</b>	<b>(6,241,052)</b>	<b>(723,290)</b>
Loss attributable to non-controlling interest	-	-	-	-	-	-	-
Cumulative translation adjustment	2,164,517	-	-	-	(1,629,187)	-	535,330
<b>Total net income (loss)</b>	<b>7,551,801</b>	<b>(120,552)</b>	<b>(558,146)</b>	<b>19,101</b>	<b>(839,112)</b>	<b>(6,241,052)</b>	<b>(187,960)</b>

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**18. 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.

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**19. CONTINGENT LIABILITIES**

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 4). The milestone payments include: (i) an amount equal to US\$2,000,000, payable 60 days following the date on which commercial restart is achieved, (ii) an amount equal to US\$1,000,000, payable 60 days following the date on which the first production milestone is achieved, (iii) an amount equal to US\$1,000,000, payable 60 days following the date on which the second production milestone is achieved, and (iv) an amount equal to US\$1,000,000, payable 60 days following the date on which the third production milestone is achieved. The production milestones include the achievement of aggregate production equal to or greater than 291,600 tonnes for the commercial restart milestone, aggregate production of 583,200 tonnes for the first production milestone, aggregate production of 874,800 tonnes for the second production milestone, and aggregate production of 1,166,400 tonnes for the third production milestone. The Company has estimated the probability of achieving the milestones as at September 30, 2022 to be nil.

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**20. DISPOSAL GROUP HELD FOR SALE**

Assets and liabilities of disposal group held for sale as at September 30, 2022 are as follows:

The Company's Leduc Property, which was being marketed as of September 30, 2022.

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 September 30, 2022.

As of September 30, 2022	Cost	Accumulated Depreciation	Net Book value
<b>Assets:</b>			
Land – Leduc, Alberta	1,315,000	-	1,315,000
Building- Leduc, Alberta	\$ 1,731,664	757,432	974,232
<b>Total assets held for sale</b>	<b>\$ 3,046,664</b>	<b>757,432</b>	<b>2,289,232</b>
<b>Liabilities held for sale</b>	<b>\$ -</b>	<b>-</b>	<b>3,703,111</b>

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

As of December 31, 2021	Cost	Accumulated Depreciation	Net Book value
<b>Assets:</b>			
Land – Leduc, Alberta	1,315,000	-	1,315,000
Building- Leduc, Alberta	\$ 1,731,664	757,432	974,232
<b>Total assets held for sale</b>	<b>\$ 3,046,664</b>	<b>757,432</b>	<b>2,289,232</b>
<b>Liabilities held for sale</b>	<b>\$ -</b>	<b>-</b>	<b>3,868,295</b>

The Leduc Mortgage in the amount of \$4,000,000 from a Canadian credit union was obtained on December 31, 2020 to refinance the Leduc Property. The Leduc 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 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.

On November 7, 2022, the Company announced it closed the sale of the Leduc Property (Note 21)

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**21. SUBSEQUENT EVENTS**

Subsequent to September 30, 2022, the Company:

- On October 21, 2022, the Company announced it has entered into a loan agreement (the "**Loan Agreement**") dated October 20, 2022 (the "**Closing Date**") to borrow up to US\$4,000,000 (the "**Loan**") from Weston (a related party). The Loan proceeds will be received by the Company in one or more advances (each, an "**Advance**"). The Loan will mature on February 17, 2023 (the "**Maturity Date**").  
The outstanding principal balance of each Advance shall bear interest from the date of such Advance at the rate of (i) six percent (6%) per annum for the first ninety (90) days following the Closing Date and (ii) eight percent (8%) per annum at all times thereafter until the earlier of (i) the Maturity Date and (ii) the repayment in full of all amounts payable under the Loan Agreement. The Company may prepay all or any part of the outstanding principal amount of the Loan at any time without notice or penalty provided that such prepayment is accompanied by all accrued and unpaid interest on the principal amount prepaid.
- On November 7, 2022, the Company announced it closed the sale of the Leduc Property and raised net proceeds of approximately \$2,000,000, after the repayment of all indebtedness on this property and the payment of transaction costs.
- The Company has granted an aggregate of 350,000 stock options to an employee of the Company. The Options will vest over the next 3 years.
- The Company has granted an aggregate of 100,000 RSUs to an employee of the Company. The RSU will vest over the next 3 years.