Lithium Ionic Corp.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company 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 condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

Lithium Ionic Corp.
Condensed Interim Consolidated Statements of Financial Position
Expressed in Canadian Dollars - Unaudited

As at:	Note	June 30, 2022 $	December 31, 2021 $
ASSETS			
Current			
Cash and cash equivalents	3	**18,124,994**	7,788,687
Amounts receivable		**207,424**	43,424
Prepaid expenses		**88,896**	1,000
Total current assets		**18,421,314**	7,833,111
Long-term			
Equipment	4	**5,870**	-
Right-of-use asset	5	**14,736**	-
Total assets		**18,441,920**	7,833,111
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	13,14	**61,418**	945,956
Short-term lease liability	5	**5,592**	-
Total current liabilities		**67,010**	945,956
Long-term lease liability	5	**9,186**	-
Total liabilities		**76,196**	945,956
SHAREHOLDERS' EQUITY			
Common shares	9	**26,284,701**	7,487,282
Warrant reserve	10	**562,137**	179,241
Option reserve	10	**4,888,266**	-
Accumulated deficit		**(13,369,380)**	(779,368)
Total shareholders' equity		**18,365,724**	6,887,155
Total liabilities and shareholders' equity		**18,441,920**	7,833,111
Nature of operations and going concern	1		
Commitments and contingencies	7,15		
Subsequent event	16		

Approved on behalf of the Board of Directors:

Signed: *Helio Diniz*, Director

Signed: *David Gower*, Director

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

Lithium Ionic Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian Dollars - Unaudited

	Note	Three months ended June 30, 2022 $	Six months ended June 30, 2022 $
Expenses			
Exploration and evaluation expenses	8	837,350	1,046,614
Consulting and management fees	13	1,440,611	1,611,672
Professional fees		206,091	297,218
Depreciation	4,5	1,599	1,599
Transaction costs	9	4,644,711	4,644,711
Office and general		49,069	117,067
Share-based compensation	10	4,927,496	4,927,496
(Loss) for the period before other items		(12,106,927)	(12,646,377)
Other items			
Interest income		42,657	47,391
Accretion expense	5	(197)	(197)
Foreign exchange gain/(loss)		(6,057)	9,171
Net loss and comprehensive loss		(12,070,524)	(12,590,012)
Basic and diluted (loss) per share		$ (0.14)	$ (0.16)
Weighted average number of common shares outstanding			
Basic and Diluted		85,690,934	78,739,088

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

Lithium Ionic Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Expressed in Canadian Dollars - Unaudited

	Number of Shares	Common Shares	Number of warrants	Warrant Reserve	Number of options	Option Reserve	Deficit	Shareholders' equity
	#	$	#	$	#	$	$	$
Balance, July 5, 2021	-	-	-	-	-	-	-	-
Incorporation	31,100,001	3	-	-	-	-	-	3
Private placement - Tranche I	24,950,000	4,990,000	-	-	-	-	-	4,990,000
Private placement - Tranche II	15,360,000	3,072,000	-	-	-	-	-	3,072,000
Private placement - Shares issued for services	300,000	60,000	-	-	-	-	-	60,000
Share issue costs	-	(455,480)	-	-	-	-	-	(455,480)
Private placement - Finder's warrants	-	(179,241)	2,372,750	179,241	-	-	-	-
Loss and comprehensive loss	-	-	-	-	-	-	(779,368)	(779,368)
Balance, December 31, 2021	**71,710,001**	**7,487,282**	**2,372,750**	**179,241**	**-**	**-**	**(779,368)**	**6,887,155**
Reverse takeover transaction	7,500,000	5,250,000	55,946	33,702	-	-	-	5,283,702
Conversion of subscription receipts	20,000,000	14,000,000	-	-	-	-	-	14,000,000
Subscription receipts	1,257,370	880,159	-	-	-	-	-	880,159
Share issue costs - subscription receipts	-	(880,159)	-	-	-	-	-	(880,159)
Share issue costs - broker warrants	-	(364,000)	1,399,999	364,000	-	-	-	-
Share issue costs	-	(251,817)	-	-	-	-	-	(251,817)
Share-based compensation	-	-	-	-	9,920,000	4,927,496	-	4,927,496
Options exercise	100,000	109,230	-	-	(100,000)	(39,230)	-	70,000
Warrants exercise	196,000	54,006	(196,000)	(14,806)	-	-	-	39,200
Loss and comprehensive loss for the period	-	-	-	-	-	-	(12,590,012)	(12,590,012)
Balance, June 30, 2022	**100,763,371**	**26,284,701**	**3,632,695**	**562,137**	**9,820,000**	**4,888,266**	**(13,369,380)**	**18,365,724**

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

Expressed in Canadian Dollars - Unaudited

	Note	Six months ended June 30, 2022 $
Cash (used in)/provided by:		
Operating activities		
(Loss) for the period		**(12,590,012)**
Items not involving cash:		
Depreciation	4,5	**1,599**
Accretion expense	5	**197**
Acquisition of POCML 6	9	**5,283,702**
Share-based compensation	10	**4,927,496**
Changes in non cash working capital		**(1,136,434)**
Net cash (used in) operating activities		**(3,513,452)**
Investing activities		
Purchase of equipment	4	**(5,965)**
Net cash (used in) investing activities		**(5,965)**
Financing activities		
Proceeds from subscription receipt issuance	9	**14,000,000**
Subscription receipt issuance costs	9	**(251,817)**
Principal payments on lease liability	5	**(1,659)**
Options exercised	10	**70,000**
Warrants exercised	10	**39,200**
Net cash provided by financing activities		**13,855,724**
Change in cash		**10,336,307**
Cash, beginning of the period		**7,788,687**
Cash, end of the period		**18,124,994**

SUPPLEMENTAL INFORMATION

Broker warrants issued	9(iv)	**1,399,999**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Lithium Ionic Corp. (the "Company", or "Lithium Ionic") was incorporated on December 21, 2020 under the Business Corporations Act (Ontario). The Company commenced trading as a Tier 2 Mining Issuer on the TSX Venture Exchange ("TSXV") on May 24, 2022 under the new trading symbol "LTH".

The Company is currently engaged in the acquisition, exploration, and development of mineral properties in Brazil. The head office and principal address of the Company is 36 Lombard Road, Toronto, Ontario, M5C 2X3.

The Company owns the following subsidiaries:

- A 100% interest in Lithium Ionic Inc., a company incorporated on July 5, 2021 as a Province of Ontario registered corporation pursuant to the *Business Corporations Act of Ontario*. The Company changed its name from Li-Ionic Inc. on November 17, 2021 to Lithium Ionic Inc. Lithium Ionic Inc. owns 100% of MGLIT Empreendimentos Ltda. ("MGLIT"), a company incorporated on October 29, 2018 under Brazilian corporate law.

On May 19, 2022, the Company closed its previously announced reverse takeover transaction (the "Transaction") with Lithium Ionic Inc. (the "Target"). The Transaction was completed by way of a "three-cornered" amalgamation pursuant to the provisions of the *Business Corporations Act* (Ontario). Prior to the completion of the Transaction, the Company changed its name from "POCML 6 Inc." to "Lithium Ionic Corp." (the "Name Change"). Pursuant to the Transaction, all common shares of the Target were exchanged for Company Shares on a one-for-one basis and Lithium Ionic Inc. and 1000088600 Ontario Inc., a wholly owned subsidiary of the Company newly incorporated under the *Business Corporations Act* (Ontario) for the sole purpose of effecting the Transaction, amalgamated with the resulting entity continuing as a wholly owned subsidiary of the Company under the name "Lithium Ionic Holdings Corp.". See Note 9(iv). These financial statements present the continuation of the Target and the acquisition of POCML 6 by Lithium Ionic Inc. as a reverse acquisition for accounting purposes.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration programs will result in profitable operations.

The Company is in the process of exploring its mineral exploration properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The recoverability of exploration and evaluation expenditures is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these assets.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

At June 30, 2022, the Company had working capital of $18,354,304 (December 31, 2021 - $6,887,155) and an accumulated deficit of $13,369,380 (December 31, 2021 - $779,368). The Company has a need for equity financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

These condensed interim consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly and adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations. Despite the severity of the COVID-19 pandemic, there were no material impacts on the Company’s operations and finances for the six months ended June 30, 2022.

2. BASIS OF PRESENTATION

Statement of compliance

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

Basis of presentation

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and have been prepared using the historical cost basis. Furthermore, these condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. All values are rounded to the nearest dollar.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated on consolidation.

Approval of the condensed interim consolidated financial statements

These condensed interim consolidated financial statements of the Company for the six months ended June 30, 2022 were reviewed, approved and authorized for issue by the Board of Directors of the Company on August 25, 2022.

Critical judgements and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial

2. BASIS OF PRESENTATION (continued)

Critical judgements and estimation uncertainties (continued)

statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Share-based payments and warrants

Management determines costs for share-based payments and warrants issued in financing transactions using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Rehabilitation provisions

The Company records management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

Contingencies

Refer to Note 15.

Expressed in Canadian Dollars - Unaudited

3. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021
	$	$
Cash	3,124,994	7,788,687
Guaranteed investment certificate ("GIC"), bearing interest rate of 1.85%, redeemable anytime, and maturing May 20, 2023	5,000,000	-
Guaranteed investment certificate ("GIC"), bearing interest rate of 1.75%, redeemable and maturing July 26, 2024	5,000,000	-
Guaranteed investment certificate ("GIC"), bearing interest rate of 2.25%, redeemable and maturing August 27, 2023	5,000,000	-
Cash and cash equivalents	**18,124,994**	**7,788,687**

4. EQUIPMENT

The following table sets out the changes to the carrying value of equipment:

	Office Furniture	Lab equipment	Office equipment	Total
	$	$	$	$
Cost				
As at July 5, 2021 and December 31, 2021	-	-	-	-
Additions	2,733	2,245	987	5,965
As at June 31, 2022	**2,733**	**2,245**	**987**	**5,965**
Accumulated Depreciation				
As at July 5, 2021 and December 31, 2021	-	-	-	-
Depreciation	37	42	17	95
As at June 31, 2022	**37**	**42**	**17**	**95**
Net book value as at December 31, 2021	-	-	-	-
Net book value as at June 31, 2022	2,696	2,203	970	5,870

Expressed in Canadian Dollars - Unaudited

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The following table sets out the changes to the carrying value of right-of-use asset and lease liability:

Right-of-use asset	**$**
Cost	
As at July 5, 2021 and December 31, 2021	-
Lease assumed during the year	16,240
As at June 31, 2022	**16,240**
Accumulated Depreciation	
As at July 5, 2021 and December 31, 2021	-
Depreciation	1,504
As at June 31, 2022	**1,504**
Net book value as at December 31, 2021	-
Net book value as at June 31, 2022	14,736

Lease liability	**$**
As at July 5, 2021 and December 31, 2021	-
Lease assumed during the year	16,240
Lease accretion	197
Lease payments	(1,659)
As at June 31, 2022	**14,778**
Current portion of lease liability	5,592
Long term portion of lease liability	9,186

On March 22, 2022, MGLIT signed a lease agreement for the project base office located at Avenida Mato Grosso do Sol, 96, Gran Bretanha District, 39000-000, Aracuai, MG. The agreement is for an indefinite term and management has assessed the termination date as December 31, 2024. Monthly rent payments are 2,200 Brazilian reals ($553). Future lease payments amount to 66,000 Brazilian reals ($16,282).

6. ACQUISITION OF MGLIT

On October 21, 2021, Lithium Ionic acquired 99.9% of the issued and outstanding shares of MGLIT Empreendimentos Ltda. ("MGLIT"), a company incorporated on October 29, 2018 under Brazilian corporate law, in exchange for BRL999.00 ($227.00). MGLIT was acquired from a corporation controlled by an officer and director of the Company. The remaining 0.1% of the issued and outstanding shares was acquired on February 14, 2022 from an officer and director of Lithium Ionic. The Company assessed the acquisition and determined it to be an asset acquisition for accounting purposes, as the requirements of IFRS 3, *Business Combinations,* were not met.

MGLIT is the holder of certain exploration permits located in Minas Gerais, Brazil. All the exploration permits are valid until September 27, 2024, except for one exploration permit, until September 28, 2023.

Expressed in Canadian Dollars - Unaudited

7. ACQUISITION OF MINING LICENSES

On June 13, 2022, the Company entered into a binding asset purchase agreement (the “Agreement”) with Galvani Nordeste Mineracao Ltd. (“Galvani”) and MGLIT, pursuant to which the Company shall acquire a 100% ownership interest in two lithium mining licenses (the “Licenses”) in Minas Gerais, Brazil (the “Transaction”).

Pursuant to the Agreement and in order to complete the Transaction, Lithium Ionic shall pay to Galvani:

- USD$100,000 on execution of the Agreement (paid, see Note 8); and
- USD$3,210,000 on closing of the Transaction.

If during the 18 months follow the closing of the Transaction, the Company, through an independent qualified person defines an inferred mineral resource estimate of a minimum of 5Mt with a Li2O content above 1.3%, the Company shall, at Galvani’s discretion, (i) issue such number of Lithium Ionic shares equal to USD$2 million calculated using the 7 day VWAP of the Lithium Ionic shares on the TSX Venture Exchange ending on the effective date of the technical report evidencing such mineral resource estimate, or (ii) pay USD$2 million in cash to Galvani on the effective date of the technical report evidencing such mineral resource estimate.

Completion of the Transaction is subject to customary closing conditions including, among others, approval of the TSX Venture Exchange and the Company being satisfied with the results of its due diligence review. The Company has 90 calendar days from the date of execution of the Agreement to complete its due diligence review.

8. EXPLORATION AND EVALUATION EXPENSES

Lithium Ionic owns a 100-per-cent ownership interest in the Itinga lithium project in Brazil.

The Itinga project is located in Minas Gerais state (MG), Brazil and comprises certain exploration permits.

Exploration and evaluation expenses are detailed in the following table.

		For the six months ended June 30, 2022
Mining licenses	$	128,258
Drilling and geophysics		261,795
Labour		6,032
Land management fees, taxes and permits		16,718
Professional fees		30,163
Project overhead costs		41,999
Technical reports		524,057
Travel, meals and accomodation		37,591
Total exploration and evaluation expenses	**$**	**1,046,614**

9. COMMON SHARES

Authorized

On June 30, 2022, the authorized share capital consisted of an unlimited number of common shares without par value.

Expressed in Canadian Dollars - Unaudited

9. COMMON SHARES (continued)

Common Shares Issued

	Number of shares outstanding		Amount
Balance, July 5, 2021	-	$	-
Incorporation (i)	31,100,001		3
Private placement, net of issuance costs (ii)	40,310,000		7,606,520
Private placement - Shares issued for services (iii)	300,000		60,000
Private placement - Finder's warrants valuation (ii)	-		(179,241)
Balance, December 31, 2021	**71,710,001**		**7,487,282**
Reverse takeover transaction (Note 1 and 9(iv)):	7,500,000		5,250,000
Conversion of subscription receipts (iv)	20,000,000		14,000,000
Subscription receipts (iv)	1,257,370		-
Broker warrant valuation (iv)	-		(364,000)
Issuance costs (iv)	-		(251,817)
Exercise of options (v)	100,000		70,000
Valuation allocation of exercise of options	-		39,230
Exercise of warrants (vi)	196,000		39,200
Valuation allocation of exercise of warrants	-		14,806
Balance, June 30, 2022	**100,763,371**	**$**	**26,284,701**

(i) On July 5, 2021, the Company issued 31,100,001 common shares at $0.0000001 per share for gross proceeds of $3 upon its incorporation. A total of 23,500,001 common shares were issued to directors and or officers of the Company for gross proceeds of $2.

(ii) On December 1, 2021, the Company completed the first tranche of a private placement financing by issuing 24,950,000 common shares at a price of $0.20 per share for gross proceeds of $4,990,000.

In December 2021, the Company completed the second and final tranche of a private placement financing by issuing 15,360,000 common shares at a price of $0.20 per share for gross proceeds of $3,072,000.

In connection with the offering, the Company paid $1,505 in filing fees, $169,425 in advisory fees, $284,550 in finder's fees and issued 2,372,750 non-transferable finder's warrants. Each finder warrant is exercisable into one common share of the Company at a price of $0.20 per warrant until December 1, 2023. The grant date fair value of the finder's warrants issued was estimated at $179,241 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.20; expected volatility of 68% based on the volatility of comparable companies; risk-free interest rate of 0.95%, and an expected life of 2 years.

(iii) In December 2021, the Company issued 300,000 common shares to settle amounts related to services received from vendors. Such shares were measured at $60,000, based on the value of shares issued in the previous private placement.

(iv) On February 8, 2022, Lithium Ionic and Lithium Ionic Inc. (the "Target") closed their brokered private placements (collectively, the "Offering") of subscription receipts (the "Subscription Receipts") by issuing an aggregate of 20,000,000 Subscription Receipts at a price of $0.70 each, for gross proceeds of $14,000,000.

Expressed in Canadian Dollars - Unaudited

9. COMMON SHARES (continued)

Common Shares Issued (continued)

Pursuant to the Transaction, the Company issued 7,500,000 common shares to the shareholders of POCML 6. The value of the shares was based on the price of the subscription receipts. As part of the acquisition, the Company acquired working capital of $638,991. Transaction costs, being the excess of the value of the shares issued over net assets, were $4,644,711.

Details of the allocation of the estimated fair values of identifiable assets acquired and liabilities assumed, and price consideration are as follows:

Consideration paid:		
Issuance of Common Shares (7,500,000 @ $0.70)	$	5,250,000
Issuance of Warrants (55,946 @ $0.6024)		33,702
	$	5,283,702
Purchase price allocation:		
Cash	$	701,110
Accounts receivable		9,925
Accounts payable		(72,044)
Transaction costs		4,644,711
	$	5,283,702

Pursuant to the Transaction: (i) each of the 16,645,356 subscription receipts of the Target issued to investors ("Target Subscription Receipts") and the 1,064,845 subscription receipts of the Target issued to the agents (the "Agents' Target Subscription Receipts"), were exchanged for one (1) Company Share; and (ii) each of the 3,354,644 subscription receipts of POCML 6 Inc. issued to investors ("POCML 6 Inc. Subscription Receipts") and the 192,525 subscription receipts of POCML 6 Inc. issued to the agents (the "Agents' POCML 6 Inc. Subscription Receipts", together with the Target Subscription Receipts, the Agents' Target Subscription Receipts and POCML 6 Inc. Subscription Receipts, the "Subscription Receipts") were converted into one (1) Company Share.

In connection with the Transaction, the Company incurred the following costs:

- The issuance of an aggregate of 1,257,370 subscription receipts to the agents, valued at $880,159 based on the subscription receipt price.
- The issuance of an aggregate of 1,399,999 broker warrants, each exercisable to acquire one common share at a price of $0.70 until May 19, 2024. The fair value of the broker warrants issued was estimated at $364,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 68% based on volatilities of comparable companies; risk- free interest rate of 1%, and an expected life of 2 years.
- Cash payments of $251,817.

(v) During the six months ended June 30, 2022, 100,000 of the Company's stock options were exercised by a Director of the Company at a weighted-average price of $0.70 per common share, generating proceeds of $70,000.

Expressed in Canadian Dollars - Unaudited

9. COMMON SHARES (continued)

Common Shares Issued (continued)

(vi) During the six months ended June 30, 2022, 196,000 warrants were exercised at a weighted-average price of $0.20 per common share, generating proceeds of $39,200.

10. EQUITY RESERVES

Warrants

The changes in warrants issued during the period ended December 31, 2021 and the six months ended June 30, 2022 are as follows

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, July 5, 2021	-	$ -	$ -
Granted, December 2021 - Broker warrants (9(ii))	2,372,750	0.20	179,241
Balance, December 31, 2021	**2,372,750**	**$ 0.20**	**$ 179,241**
Exchanged, May 2022 - POCML 6 acquisition	55,946	0.10	33,702
Granted, May 2022 - Broker warrants (9(iv))	1,399,999	0.70	364,000
Exercised, June 2022 (9(vi))	(196,000)	0.20	(14,806)
Balance, June 30, 2022	**3,632,695**	**$ 0.39**	**$ 562,137**

Pursuant to the Transaction, the Company issued 55,946 Company Warrants, each exercisable to acquire one common share at a price of $0.10 until April 5, 2023. The fair value of the warrants issued was estimated at $33,702 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 69% based on volatilities of comparable companies; risk- free interest rate of 2.70%, and an expected life of approximately 0.9 year.

The following table summarizes the warrants outstanding as of June 30, 2022:

Number of warrants outstanding	Number of warrants exercisable	Grant date	Expiry date	Exercise price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			$	$			Years	
2,176,750	2,176,750	1-Dec-21	1-Dec-23	0.20	164,435	69%	0.95%	2.00	0%
55,946	55,946	19-May-22	5-Apr-23	0.10	33,702	69%	2.70%	0.88	0%
1,399,999	1,399,999	19-May-22	19-May-24	0.70	364,000	68%	1.00%	2.00	0%
3,632,695	**3,632,695**				**562,137**				

The weighted-average remaining contractual life of the warrants as of June 30, 2022 is 1.59 year (December 31, 2021: 1.92 year).

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10. EQUITY RESERVES (continued)

Share-based payments

The changes in stock options issued during the year ended December 31, 2021 and the six months ended June 30, 2022 are as follows:

	Number of options	Weighted average exercise price	Value of options
Balance, July 5, 2021 and December 31, 2021	-	$ -	$ -
Granted, April 2022	6,720,000	0.70	2,636,256
Granted, June 2022	2,950,000	1.24	2,081,815
Granted, June 2022	250,000	1.06	209,425
Exercised, June 2022	(100,000)	0.70	(39,230)
Balance, June 30, 2022	**9,820,000**	**$ 0.87**	**$ 4,888,266**

On April 20, 2022, the Company granted a total of 6,720,000 stock options to directors, officers and consultants of the Company, pursuant to its stock option plan. The options vested immediately and may be exercised at a price of $0.70 per option until April 20, 2027. The grant date fair value of the options issued was estimated at $2,636,256 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 65% based on the volatility of comparable companies; risk-free interest rate of 2.63%, and an expected life of 5 years. Directors and officers were granted 5,450,000 options with a fair value of $2,138,035.

On June 1, 2022, the Company granted a total of 2,950,000 stock options to directors, officers and consultants of the Company, pursuant to its stock option plan. The options vested immediately and may be exercised at a price of $1.24 per option until June 1, 2027. The grant date fair value of the options issued was estimated at $2,081,815 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 66% based on the volatility of comparable companies; risk-free interest rate of 2.86%, and an expected life of 5 years. Directors and officers were granted 2,200,000 options with a fair value of $1,552,540.

On June 13, 2022, the Company granted a total of 250,000 stock options to the owner of Galvani, pursuant to its stock option plan. The options vested immediately and may be exercised at a price of $1.06 per option until June 13, 2027. The grant date fair value of the options issued was estimated at $209,425 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 66% based on the volatility of comparable companies; risk-free interest rate of 3.48%, and an expected life of 5 years.

On June 15, 2022, 100,000 of the Company's options were exercised by a Director of the Company at a weighted-average exercise price of $0.70 generating proceeds of $70,000 (six months ended June 30, 2021: no options exercised). The Company's share price at the time of the option exercise was $1.13.

As at June 30, 2022, $4,927,496 (December 31, 2021 - $nil) in share-based compensation has been recognized in the condensed interim consolidated statements of loss and comprehensive loss.

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10. EQUITY RESERVES (continued)

Share-based payments (continued)

Options outstanding as of June 30, 2022 are as follows:

Number of options outstanding	Number of options exercisable	Grant date	Expiry date	Exercise price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			$	$			Years	
6,620,000	6,620,000	20-Apr-22	20-Apr-27	0.70	2,597,026	65%	2.63%	5.00	0%
2,950,000	2,950,000	1-Jun-22	1-Jun-27	1.24	2,081,815	66%	2.86%	5.00	0%
250,000	250,000	13-Jun-22	13-Jun-27	1.06	209,425	66%	3.48%	5.00	0%
9,820,000	**9,820,000**				**4,888,266**				

11. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board 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 considers its capital to consist of common shares, warrants and options.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and evaluation and pay for administrative costs, the Company must raise additional amounts.

The Company may continue to assess new properties and may 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. There were no significant changes in the Company's approach to capital management during the six months ended June 30, 2022.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months.

12. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

12. FINANCIAL INSTRUMENTS (continued)

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's financial instruments include cash, amounts receivable, and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at June 30, 2022, the Company's financial instruments that are carried at fair value, being cash equivalents, are classified as Level 2 within the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) *Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

a. *Trade credit risk*
The Company is not exposed to significant trade credit risk.

b. *Cash*
In order to manage credit and liquidity risk the Company's policy is to invest only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(b) *Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises primarily with respect to the Brazilian real (BRL) from its property interests in Brazil, and US dollars from operations. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at June 30, 2022 and December 31, 2021, the Company had the following financial instruments and denominated in foreign currency (expressed in Canadian dollars):

June 30, 2022

	Brazilian reals	US dollars
Cash	$ 84,696	$ 290,507
Accounts payable and accrued liabilities	(9,421)	(6,443)
	$ 75,275	$ 284,064

December 31, 2021

	Brazilian reals	US dollars
Cash	$ 41,368	$ -
Accounts payable and accrued liabilities	(12,703)	-
	$ 28,664	$ -

Expressed in Canadian Dollars - Unaudited

12. FINANCIAL INSTRUMENTS (continued)

A 10% strengthening (weakening) of the Canadian dollar against the Brazilian real would decrease (increase) net loss by approximately $7,527 (December 31, 2021 - $2,866).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately $28,406 (December 31, 2021 - $nil).

(c) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At June 30, 2022, the Company had a cash balance of $18,124,994 (December 31, 2021 - $7,788,687) to settle current liabilities of $67,010 (December 31, 2021 - $945,956, excluding other liabilities). The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) *Commodity / equity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to lithium, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote as the Company is not a producing entity.

13. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the six months ended June 30, 2022, the remuneration of directors and other key management personnel is as follows:

		Three months ended June 30,		Six months ended June 30,
		2022		2022
Management and Consulting fees	$	1,375,531	$	1,536,842
Share-based compensation		3,690,575		3,690,575
Total	**$**	**5,066,106**	**$**	**5,227,417**

As at June 30, 2022, an amount of $nil (December 31, 2021 - $450,000), included in accounts payable and accrued liabilities, was owed to directors and officers of the Company. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

As at June 30, 2022, amounts receivable included an amount of $500 (December 31, 2021- $nil) owing from a Director of the Company.

In connection with the July 5, 2021 incorporation of the Company, 23,500,001 common shares were issued to directors and or officers of the Company for gross proceeds of $2.

Acquisition of MGLIT – see Note 6.

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14. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Brazil. The following table summarizes the total assets and liabilities by geographic segment as at June 30, 2022 and December 31, 2021:

June 30, 2022		Brazil		Canada		Total
Cash and cash equivalents	$	84,696	$	18,040,298	$	18,124,994
Amounts receivable		-		207,424		207,424
Prepaid expenses		1,404		87,492		88,896
Property, plant and equipment		5,870		-		5,870
Right-of-use asset		14,736		-		14,736
Total Assets	**$**	**106,706**	**$**	**18,335,214**	**$**	**18,441,920**
Accounts payable and accrued liabilities	$	9,421	$	51,997	$	61,418
Lease liability		14,778				14,778
Total Liabilities	**$**	**24,199**	**$**	**51,997**	**$**	**76,196**

December 31, 2021		Brazil		Canada		Total
Cash and cash equivalents	$	41,368	$	7,747,319	$	7,788,687
Amounts receivable		-		43,424		43,424
Prepaid expenses		-		1,000		1,000
Total Assets	**$**	**41,368**	**$**	**7,791,743**	**$**	**7,833,111**
Accounts payable and accrued liabilities	$	12,703	$	933,253	$	945,956
Total Liabilities	**$**	**12,703**	**$**	**933,253**	**$**	**945,956**

The following table summarizes the loss by geographic segment for the six months ended June 30, 2022:

June 30, 2022		Brazil		Canada		Total
Other income	$	(1,838)	$	(45,553)	$	(47,391)
Exploration and evaluation expenses		1,046,614		-		1,046,614
General and administrative expenses		5,945		6,664,723		6,670,668
Share-based payments		-		4,927,496		4,927,496
Depreciation		1,599		-		1,599
Accretion expense		197		-		197
Foreign exchange (gain)		(1,720)		(7,451)		(9,171)
Loss	**$**	**1,050,797**	**$**	**11,539,215**	**$**	**12,590,012**

15. COMMITMENTS AND CONTINGENCIES

Environmental

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make expenditures to comply with such laws and regulations.

15. COMMITMENTS AND CONTINGENCIES (continued)

General

The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable, and the amounts are estimable.

Management Contracts

The Company is party to certain management contracts. As of June 30, 2022, these contracts require payments of approximately $3,162,000 (December 31, 2021 - $1,293,000) to be made upon the occurrence of a change of control to the officers and consultants of the Company. The Company is also committed to payments upon termination of approximately $1,585,500 (December 31, 2021 - $646,500) pursuant to the terms of these contracts as of June 30, 2022. As a triggering event has not taken place on June 30, 2022, these amounts have not been recorded in these condensed interim consolidated financial statements.

Other

See Notes 1 and 7.

16. SUBSEQUENT EVENT

On August 11, 2022, the Company’s common shares commenced trading on the OTCQB Venture Market (the “OTCQB”) in the United States under the stock symbol “LTHCF”. Lithium Ionic has also received DTC eligibility by the Depository Trust Company for its shares traded on the OTCQB.