
Li3 LITHIUM CORP.

(formerly WESTERN TROY CAPITAL RESOURCES INC.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**THREE AND SIX MONTHS ENDED
MAY 31, 2023 AND 2022**

(EXPRESSED IN CANADIAN DOLLARS)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Li3 Lithium Corp. (formerly Western Troy Capital Resources Inc.) (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Li3 Lithium Corp.
(formerly Western Troy Capital Resources Inc.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

	May 31, 2023	November 30, 2022
ASSETS		
Current assets		
Cash	\$ 769,861	\$ 1,591,930
Marketable securities (note 3)	40,000	20,000
HST and other receivables	38,263	11,206
Prepaid expenses	50,756	-
Total Assets	\$ 898,880	\$ 1,623,136
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities (note 11)	\$ 66,651	\$ 43,002
Total Liabilities	66,651	43,002
Shareholders' Equity		
Share capital (note 4)	14,782,402	14,645,527
Reserves (notes 5 and 6)	945,000	790,977
Accumulated deficit	(14,902,214)	(13,889,018)
Reserve for foreign currency translation	7,041	6,831
Equity attributable to owners of the Company	832,229	1,554,317
Non-controlling interests (Note 12)	-	25,817
Total shareholders' equity	832,229	1,580,134
Total shareholders' equity and liabilities	\$ 898,880	\$ 1,623,136

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

"Rex Loesby", Director

"Stephen Dunn", Director

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

Li3 Lithium Corp.

(formerly Western Troy Capital Resources Inc.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended May 31, 2023		Six months ended May 31, 2023		2022			
Expenses								
General and administrative costs (note 8)	\$	794,978	\$	149,249	\$	1,118,358	\$	235,683
Loss before other items		(794,978)		(149,249)		(1,118,358)		(235,683)
Other items								
Unrealized gain (loss) on marketable securities (note 3)		23,333		(4,568)		20,000		6,317
Total other items		23,333		(4,568)		20,000		6,317
Net loss for the period		(771,645)		(153,817)		(1,098,358)		(229,366)
Other comprehensive loss								
Currency translation		(120)		(8,838)		210		(8,838)
Net comprehensive loss for the period		(771,765)		(162,655)		(1,098,148)		(238,204)
Net loss attributable to:								
Parent		(758,472)		(153,817)		(1,079,173)		(229,366)
Non-controlling interests		(13,293)		-		(19,185)		-
		(771,645)		(153,817)		(1,098,358)		(229,366)
Comprehensive loss attributable to:								
Parent		(758,472)		(162,655)		(1,078,963)		(238,204)
Non-controlling interests		(13,293)		-		(19,185)		-
		(771,765)		(162,655)		(1,098,148)		(238,204)
Basic and diluted loss per share attributable to parent		(0.02)		(0.01)		(0.03)		(0.01)
Weighted average number of shares outstanding		37,922,738		19,072,738		37,417,243		18,565,045

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

Li3 Lithium Corp.
(formerly Western Troy Capital Resources Inc.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

For the six month period ended May 31,	2023	2022
Operating Activities		
Net loss for the period	\$ (1,098,358)	\$ (229,366)
Adjustments for		
Shares issued for property acquisition	-	148,000
Share based payments	163,000	-
Unrealized gain on marketable securities	(20,000)	(6,317)
Non controlling interest	(6,632)	-
Unrealized foreign exchange differences	-	(8,838)
Changes in non-cash working capital		
HST and other receivables	(27,057)	25,917
Prepaid expenses	(50,756)	-
Accounts payable and accrued liabilities	23,649	(127,627)
Cash used in operating activities	(1,016,154)	(198,231)
Financing Activities		
Issuance of shares	200,000	524,500
Share issue costs	(6,125)	(9,325)
Cash provided by financing activities	193,875	515,175
Change in cash during the period	(822,279)	316,944
Foreign exchange effect	210	-
Cash, beginning of the period	1,591,930	278,726
Cash, end of the period	\$ 769,861	\$ 595,670

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

Li3 Lithium Corp.

(formerly Western Troy Capital Resources Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders Equity

(Expressed in Canadian dollars, other than share number)

(Unaudited)

	Capital Stock		Reserves			Accumulated deficit	Reserve for foreign currency translation	Owners' equity	Non-controlling interests	Total equity
	Number of shares	Amount	Warrants	Share-based payments						
Balance at November 30, 2021	14,672,738	\$ 12,984,327	\$ 118,700	\$ 245,977	\$ (13,160,307)	\$ -	\$ 188,697	\$ -	\$ 188,697	
Issuance of units	4,200,000	525,000	-	-	-	-	525,000	-	525,000	
Warrant issuance	-	(115,000)	115,000	-	-	-	-	-	-	
Share issue costs	-	(7,825)	(2,000)	-	-	-	(9,825)	-	(9,825)	
Share issued for property acquisition	1,000,000	148,000	-	-	-	-	148,000	-	148,000	
Net loss for the period	-	-	-	-	(229,366)	-	(229,366)	-	(229,366)	
Other comprehensive loss	-	-	-	-	-	(8,838)	(8,838)	-	(8,838)	
Balance at May 31, 2022	19,872,738	\$ 13,534,502	\$ 231,700	\$ 245,977	\$ (13,389,673)	\$ (8,838)	\$ 613,668	\$ -	\$ 613,668	
Issuance of units	16,050,000	1,605,000	-	-	-	-	1,605,000	-	1,605,000	
Warrant issuance	-	(480,000)	480,000	-	-	-	-	-	-	
Share issue costs	-	(13,975)	(6,000)	-	-	-	(19,975)	-	(19,975)	
Warrants forfeited	-	-	(118,700)	-	118,700	-	-	-	-	
Options cancelled	-	-	-	(42,000)	42,000	-	-	-	-	
Acquisition of Li3 Resources Corp.	-	-	-	-	(194,160)	-	(194,160)	194,160	-	
Net loss for the period	-	-	-	-	(465,885)	-	(465,885)	(168,343)	(634,228)	
Other comprehensive loss	-	-	-	-	-	15,669	15,669	-	15,669	
Balance at November 30, 2022	35,922,738	\$ 14,645,527	\$ 587,000	\$ 203,977	\$ (13,889,018)	\$ 6,831	\$ 1,554,317	\$ 25,817	\$ 1,580,134	
Issuance of units	2,000,000	200,000	-	-	-	-	200,000	-	200,000	
Warrant issuance	-	(59,000)	59,000	-	-	-	-	-	-	
Share issue costs	-	(4,125)	(2,000)	-	-	-	(6,125)	-	(6,125)	
Share based payments	-	-	-	163,000	-	-	163,000	-	163,000	
Options cancelled	-	-	-	(65,977)	65,977	-	-	-	-	
Acquisition of remaining 50% of Li3 Resources Corp.	-	-	-	-	-	-	-	(6,632)	(6,632)	
Net loss for the period	-	-	-	-	(1,079,173)	-	(1,079,173)	(19,185)	(1,098,358)	
Other comprehensive loss	-	-	-	-	-	210	210	-	210	
Balance at May 31, 2023	37,922,738	\$ 14,782,402	\$ 644,000	\$ 301,000	\$ (14,902,214)	\$ 7,041	\$ 832,229	\$ -	\$ 832,229	

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

Li3 Lithium Corp.

(formerly Western Troy Capital Resources Inc.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended May 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

1. Nature of operations and going concern

Li3 Lithium Corp. (the "Company" or "Li3") (formerly Western Troy Capital Resources Inc.) was incorporated under the laws of the Province of Ontario, Canada, by Articles of Incorporation dated November 8, 1989. The Company pursues interests in business opportunities in primarily the resource sector. The primary office of the Company is located at 217 Queen Street West, Suite 401, Toronto, Ontario, Canada, M5V 0R2.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company has incurred losses in the prior periods, with a loss of \$1,098,358 for the six month period ended May 31, 2023 (2022 - \$229,366), and as at May 31, 2023 has an accumulated deficit of \$14,902,214 (November 30, 2022 - \$13,889,018) and working capital of \$832,229 (November 30, 2022 - \$1,580,134).

In late February 2022, a conflict commenced in Ukraine. In response, various countries, including Canada, issued broad-ranging economic sanctions against Russia. The ramifications of the sanctions may not be limited to Russia and Ukraine and may spill over to and negatively impact other regional and global economic markets, sectors, industries and markets for securities and commodities globally. The current circumstances are dynamic and the duration of the conflict and related impact of imposed sanctions on the business cannot be reasonably estimated at this time. While the company expects any direct impacts of the conflict in Ukraine to the business to be limited, the direct impacts on the economy may negatively affect the business and future operations.

The Company's ability to continue to meet its obligations is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing. Based on current projections and operating plans, the Company may be required to raise additional funds through equity financing. There is, however, no assurance that any such initiatives will be successful and, as a result, there exists material uncertainty casting significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

Li3 Lithium Corp.

(formerly Western Troy Capital Resources Inc.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended May 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

2. Significant accounting policies

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual consolidated financial statements required by IFRS as issued by the IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of July 27, 2023. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended November 30, 2022. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending November 30, 2023 could result in restatement of these unaudited condensed interim consolidated financial statements.

3. Marketable securities

	Amount	May 31, 2023	Amount	November 30, 2022
Common shares (i)	666,666	\$ 40,000	666,666	\$ 20,000
Common shares (ii)	60,000	-	60,000	-
		\$ 40,000		\$ 20,000

- (i) On November 3, 2020 the Company sold its remaining 36% participating interest in the Schefferville Gold (Ashuanipi Gold Property) Joint Venture (the "Joint Venture") for \$25,000 in cash, 666,666 common shares, and 333,333 warrants of IC Capitalight Corp which have since expired. During the six month period ended May 31, 2023, the Company recorded an unrealized gain on marketable securities of \$20,000 (2022 - \$6,317 unrealized gain).
- (ii) On August 29, 2019, Cultivation Technologies, Inc. ("CTI") and the Company agreed to terminate the LOI with CTI agreeing to pay a break-up fee of \$40,076 (US\$30,000). During the year ended November 30, 2020, the Company wrote off the receivable balance of \$19,448 (US \$15,000). In January 2021, the Company received 60,000 common shares of CTI to settle the debt of \$15,000 USD related to the terminated LOI, however as CTI is a private company and the shares are subject to certain restrictions the Company determined the fair value to be \$nil upon acquisition of the shares. The fair value of the CTI common shares was \$nil as of May 31, 2023 and November 30, 2022, respectively.

Li3 Lithium Corp.

(formerly Western Troy Capital Resources Inc.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended May 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

4. Share capital

a) Authorized share capital

Unlimited number of common shares, no par value

Unlimited number of Class A shares, no par value

b) Shares issued

Issued and outstanding

	Shares	Amount
Balance, November 30, 2021	14,672,738	\$ 12,984,327
Common shares issued for cash (i)	4,200,000	525,000
Warrants (i)	-	(115,000)
Shares and warrant issue costs	-	(8,325)
Common shares issued for cash (ii)	16,050,000	1,605,000
Warrants (ii)	-	(480,000)
Shares and warrant issue costs	-	(13,475)
Shares issued for property acquisition (Note 12)	1,000,000	148,000
Balance, November 30, 2022	35,922,738	\$ 14,645,527
Common shares issued for cash (iii)	2,000,000	200,000
Warrants (iii)	-	(59,000)
Shares and warrant issue costs	-	(4,125)
Balance, May 31, 2023	37,922,738	\$ 14,782,402

- (i) On December 24, 2021, the Company completed a non-brokered private placement for aggregate gross proceeds of \$525,000. The Company issued 4,200,000 units at a price of \$0.125 per Unit. Each Unit consists of one common share in the capital stock the Company and one warrant. Each warrant will entitle the holder to purchase one common share for \$0.20 at any time within 12 months after closing.

The warrants were valued at \$115,000 (\$113,000 net of share issuance costs of \$2,000) which is determined by using the Black-Scholes option pricing model assuming a risk-free interest rate of 0.95%, a dividend yield of 0%, an expected volatility of 100%, a share price of \$0.14, an exercise price of \$0.20 and an expected life of 1 year.

- (ii) On November 4, 2022, the Company completed a non-brokered private placement for aggregate gross proceeds of \$1,605,000. The Company issued 16,050,000 units at a price of \$0.10 per Unit. Each Unit consists of one common share in the capital stock the Company and one-half warrant. Each warrant will entitle the holder to purchase one common share for \$0.20 at any time within 24 months after closing.

The warrants were valued at \$480,000 (\$474,000 net of share issuance costs of \$6,000) which is determined by using the Black-Scholes option pricing model assuming a risk-free interest rate of 4.13%, a dividend yield of 0%, an expected volatility of 100%, a share price of \$0.125, an exercise price of \$0.20 and an expected life of 2 years.

Li3 Lithium Corp.

(formerly Western Troy Capital Resources Inc.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended May 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

4. Share capital (continued)

- (iii) On January 16, 2023, the Company completed a non-brokered private placement for aggregate gross proceeds of \$200,000. The Company issued 2,000,000 units at a price of \$0.10 per Unit. Each Unit consists of one common share in the capital stock the Company and one-half warrant. Each warrant will entitle the holder to purchase one common share for \$0.20 at any time within 24 months after closing.

The warrants were valued at \$59,000 (\$57,000 net of share issuance costs of \$2,000) which is determined by using the Black-Scholes option pricing model assuming a risk-free interest rate of 3.57%, a dividend yield of 0%, an expected volatility of 100%, a share price of \$0.12, an exercise price of \$0.20 and an expected life of 2 years.

5. Warrants

The following table reflects the continuity of warrants:

	Number of warrants	Weighted average exercise price (\$)	Grant date fair value of warrants (\$)
Balance, November 30, 2021	3,127,500	0.20	118,700
Granted (note 4(b)(i))	4,200,000	0.20	113,000
Granted (note 4(b)(ii))	8,025,000	0.20	474,000
Forfeited (i), (ii)	(3,127,500)	0.20	(118,700)
Balance, November 30, 2022	12,225,000	0.20	587,000
Granted (note 4(b)(iii))	1,000,000	0.20	57,000
Balance, May 31, 2023	13,225,000	0.20	644,000

- (i) On July 30, 2022, 2,427,500 warrants with an exercise price of \$0.20 expired unexercised.

- (ii) On October 12, 2022, 700,000 warrants with an exercise price of \$0.20 expired unexercised.

The following table reflects the warrants issued and outstanding as of May 31, 2023:

Number of warrants outstanding	Exercise price (\$)	Expiry date
4,200,000	0.20	December 24, 2024 ⁽¹⁾
8,025,000	0.20	November 24, 2024
1,000,000	0.20	January 16, 2025

- (i) On November 29, 2022 the Company extended the expiry date of warrants issued pursuant to a private placement of 4,200,000 units which closed on December 24, 2021 from December 24, 2022 to December 24, 2024.

Li3 Lithium Corp.

(formerly Western Troy Capital Resources Inc.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended May 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

6. Stock options

Under the Company's stock option plan (the "Plan"), the directors of the Company can grant options to acquire common shares of the Company to qualified directors, officers, employees and persons providing ongoing services to the Company. The stock options are non-transferable, have no maximum term of grant and vest immediately on issuance. The exercise price of the stock options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant. The aggregate number of common shares reserved for issuance under this plan is limited to 10% of the aggregate number of common shares of the Company that are issued and outstanding.

The following table reflects the continuity of stock options:

	Number of options	Weighted average exercise price (\$)
Balance, November 30, 2021	1,380,000	0.19
Cancelled	(300,000)	0.16
Balance, November 30, 2022	1,080,000	0.20
Granted (i), (ii)	2,100,000	0.12
Cancelled	(80,000)	0.75
Balance, May 31, 2023	3,100,000	0.13

- (i) On January 6, 2023, 2,000,000 options were granted to officers, directors and consultants of the Company to acquire the Company's common shares at an exercise price of \$0.12 until January 6, 2026. These options had an estimated fair value of \$152,000 at grant date which was calculated using the Black-Scholes using the following assumptions: grant date share price – \$0.12, exercise price – \$0.12, expected volatility – 100%, expected life – 3 years, expected dividend yield – 0%, risk free interest rate – 3.69%.
- (ii) On May 18, 2023, 100,000 options were granted to a consultant of the Company to acquire the Company's common shares at an exercise price of \$0.18 until May 18, 2026. These options had an estimated fair value of \$11,000 at grant date which was calculated using the Black-Scholes using the following assumptions: grant date share price – \$0.18, exercise price – \$0.18, expected volatility – 100%, expected life – 3 years, expected dividend yield – 0%, risk free interest rate – 3.73%.

The following table reflects the stock options issued and outstanding as of May 31, 2023:

Expiry date	Weighted average exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of Options vested (exercisable)
May 18, 2026	0.18	2.96	100,000	100,000
January 6, 2026	0.12	2.60	2,000,000	2,000,000
November 23, 2024	0.15	1.48	100,000	100,000
August 23, 2024	0.16	1.23	900,000	900,000
	0.13	2.18	3,100,000	3,000,000

Li3 Lithium Corp.

(formerly Western Troy Capital Resources Inc.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended May 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

7. Loss per common share

The calculation of basic and diluted loss per share for the three and six months ended May 31, 2023 was based on the loss attributable to common shareholders of \$0.02 and 0.03, respectively (2022 - \$0.01 and 0.01, respectively) and the weighted average number of common shares outstanding of 37,922,738 and 37,417,243, respectively (2022 – 19,872,738 and 18,565,045). When determining the diluted loss per share as of May 31, 2023, stock options and warrants were not included in the denominator of the diluted loss per share calculation as inclusion of such shares would be anti-dilutive.

8. General and administrative

	Three months ended May 31, 2023	Three months ended May 31, 2022	Six months ended May 31, 2023	Six months ended May 31, 2022
Exploration and evaluation expenditures (Note 12)	\$ 591,876	\$ 121,026	\$ 591,876	\$ 166,934
Share-based payments (Note 6)	11,000	-	163,000	-
Management and consulting fees (note 11)	109,636	13,500	188,115	29,500
Shareholder relations	7,634	2,818	14,901	11,523
Accounting and corporate	3,455	998	6,369	5,075
Professional fees	7,023	7,770	21,728	19,187
Travel expenses	54,544	-	107,869	-
Office and general	9,810	3,137	24,500	3,464
	\$ 794,978	\$ 149,249	\$ 1,118,358	\$ 235,683

9. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. As discussed in note 1, the Company's ability to continue to carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

The Company considers its capital to be equity, which comprises share capital, reserves, accumulated deficit and reserve for foreign currency translation which at totaled at May 31, 2023 equity of \$832,229 (November 30, 2022 - equity of \$1,554,317).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company.

There were no changes in the Company's approach to capital management during the six month period ended May 31, 2023.

Li3 Lithium Corp.

(formerly Western Troy Capital Resources Inc.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended May 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

10. Financial instruments and risk management

Fair value measurement of financial assets and liabilities

The Company has established a fair value hierarchy that reflects the significance of inputs of valuation techniques used in making fair value measurements as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within level 1 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 fair values of cash, marketable security common shares (other than privately held shares) are determined using level one of the fair value hierarchy. The fair values of marketable security warrants are determined using level two of the fair value hierarchy. Fair values of privately held marketable securities are determined using level three of the fair value hierarchy. The carrying value of accounts receivables, and accounts payables and other liabilities approximate their fair value due to their short-term nature.

Risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including equity price risk and foreign currency risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee and Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. The maximum exposure to the credit risk is equal to the carrying value of such financial assets. At May 31, 2023 and November 30, 2022, the Company expects to recover the full amount of such assets.

The objective of managing counterparty credit risk is to minimize potential losses in financial assets. The Company assesses the quality of its counterparties, taking into account their credit worthiness and reputation, past performance and other factors. Cash is only deposited with or held by major financial institutions where the Company conducts its business. The Company's accounts receivables are due from government agencies and a third party which the Company believes them to be of sound credit worthiness.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities and interest income earned. As at May 31, 2023, the Company had cash and portfolio investments of \$809,861 (November 30, 2022 - \$1,611,930) to settle current liabilities of \$66,651 (November 30, 2022 - \$43,002). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. As discussed in note 1, the Company's ability to continually meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

Li3 Lithium Corp.

(formerly Western Troy Capital Resources Inc.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended May 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

10. Financial instruments and risk management (continued)

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its financial institutions. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its financial institutions.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to limited foreign currency risk with respect to the expenditures incurred by its US subsidiary.

(c) Equity price risk

The Company is exposed to price risk with respect to 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.

11. Related party balances and transactions

Key management personnel include the persons having authority and responsibility for planning, directing, and controlling the Company's activities as whole. The Company has determined key management personnel consist of members of the Company's Board of Directors and corporate officers.

The Company entered into the following transactions with related parties and key management personnel:

- (i) During the three and six months ended May 31, 2023, the Company expensed consulting fees of \$9,000 and \$18,000 respectively (2022 - \$9,000 and \$18,000 respectively) to a corporation controlled by the Chairman and former Chief Executive Officer of the Company, as well as \$41,240 and \$68,734 respectively (2022 - \$nil and \$nil respectively) to a corporation controlled by the CEO. As at May 31, 2023, the Company had a balance owing of \$15,606 (November 30, 2022 - \$nil) to related parties.
- (ii) Refer to Note 12(b) for related party transactions in exploration and evaluation expenditures.

Li3 Lithium Corp.

(formerly Western Troy Capital Resources Inc.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended May 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

12. Exploration and evaluation expenditures

(a) Northern Lights Property:

On August 9, 2021, the Company entered into a contract with Kircher Mine Development LLC ("Kircher"), to lease certain mineral interest in Nevada, USA. Under the terms of the agreement the Company shall make the following minimum payments:

- \$15,000 USD on or before July 30, 2021 ("Effective Date") (paid)
- \$25,000 USD on the first and second anniversary of the Effective Date (paid)
- \$50,000 USD on the third and fourth anniversary of the Effective Date
- \$75,000 USD on the fifth anniversary of the Effective Date
- \$75,000 USD each year thereafter until the end of the term

In addition, under the terms of the agreement, the Company may exercise the option and acquire a 100% interest in the Property in exchange for payment of US\$350,000, which must be paid prior to the commencement of development or mining of minerals on the Property. All Minimum Payments that have been made prior to exercising the Option will be credited to the purchase price and the purchase price shall be reduced by such amount.

In the event that the Option is exercised, Western Troy (Nevada) Inc., will grant a 2.5% net smelter returns royalty ("NSR") in favour of Kircher, subject to the ability of Western Nevada to purchase 1% of the NSR (resulting in the remaining NSR being 1.5%) for a purchase price of \$2,000,000 at any time before the seventh anniversary of the Effective Date.

(b) Warren Whiteside Property:

On August 23, 2021, the Company entered into an option agreement with U.S. Copper Corp. to acquire, within nine months following the agreement date, a 100-per-cent undivided interest in 14 mineral claims covering approximately 227 hectares located in Whiteside township in the district of Cochrane, Timmons, Ontario. The Company's former Chief Executive Officer and Director is also an officer of U.S. Copper Corp.

Pursuant to the terms of the agreement, the total consideration payable by the company to U.S. Copper is an aggregate of 2.5 million common shares in the capital of the company and exploration expenditures, payable as follows:

- Upon signing of the agreement and receipt of approval by the TSX Venture Exchange, the company will issue 200,000 common shares (issued on December 24, 2021 at a price of \$0.14 per share for value of \$28,000);
- On or before February 1, 2022, the company shall issue 800,000 common shares (issued on May 6, 2022 at a price of \$0.15 per share for value of \$120,000); following the completion of not less than three diamond drilling holes of an aggregate of at least 450 feet on the property and completing a technical report, prepared in accordance with National Instrument 43-101 -- Standards of Disclosure for Mineral Projects;
- On or before December 1, 2022, the company shall issue 1.5 million common shares.

All of the common shares issued in connection with the agreement are subject to a four-month statutory hold period from the date of issue in accordance with applicable securities legislation.

During the six month period ended May 31, 2023, the Company notified US Copper Corp. that it had elected to drop its option on the Property.

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Three and Six Months Ended May 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

12. Exploration and evaluation expenditures (continued)

(c) Mutare Lithium Project:

On April 25, 2022, the Company entered into an equity subscription agreement with Li3 Resources Inc. (“Li3 Resources”), whereby the company acquired 500 common shares in the capital of Li3 Resources at a price of \$600 USD per Li3 Resources share for a subscription price of \$300,000 USD. Upon issuance of the Li3 Resources shares, the Company holds 50% of the outstanding Li3 Resources shares. Li3 Resources entered into an agreement to acquire up to a 50% interest in the Zimbabwe Mutare lithium project from London AIM-listed Premier African Minerals Ltd.

Pursuant to the agreement, Li3 Resources has until December 31, 2022 to spend the \$250,000 USD required funds to exercise the option to acquire the 50% interest in the Mutare lithium project. The funds will be invested into the Mutare lithium project for continuing exploration works, environmental and technical studies, and any administrative expenses. As of December 31, 2022, Li3 Resources has fully spent the \$250,000 USD required funds and exercised its option to acquire the 50% interest in the Mutare lithium project.

On May 18, 2023, the Company increased its interest in the Mutare lithium project to 50 per cent from 25 per cent. The company acquired the remaining 50 per cent of Li3 Resources Inc. that it did not own for \$200,000 USD, thereby increasing its interest in Li3 Resources to 100 per cent and eliminating non-controlling interest.

The changes to the non-controlling interest for the six month period ended May 31, 2023 and year ended November 30, 2022 are as follows:

<i>Period/Year ended</i>	May 31, 2023	November 30, 2022
Balance at beginning of period/year	\$ 25,817	\$ -
Non-controlling interest’s 50% share acquisition	-	194,160
Non-controlling interest’s 50% share of loss	(19,185)	(168,343)
Acquisition of remaining 50% interest	(6,632)	-
Balance at end of period/year	\$ -	\$ 25,817