CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Independent Auditor's Report

To the Shareholders of South Star Battery Metals Corp.:

Opinion

We have audited the consolidated financial statements of South Star Battery Metals Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred losses since its inception and has an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our report.

MNP LLP

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Other Information

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

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kate Duholke.

Vancouver, British Columbia

MNP LLP

March 28, 2024

Chartered Professional Accountants

SOUTH STAR BATTERY METALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT DECEMBER 31,

	2023	2022
ASSETS		
Current		
Cash and cash equivalents	$ 6,451,034	$ 17,257,618
Receivables	17,373	21,250
Prepaid expenses	95,986	138,365
	6,564,393	17,417,233
Property, plant and equipment (Note 5)	21,102,380	7,970,934
Non-current advances (Note 5)	1,557,571	1,083,721
	$ 29,224,344	$ 26,471,888
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	$ 1,563,302	$ 470,121
Land purchase liability (Note 5)	625,962	611,100
Lease liabilities	10,335	17,653
Deferred revenue (Note 7)	585,363	-
	2,784,962	1,098,874
Deferred revenue (Note 7)	14,397,340	13,717,660
Land purchase liability (Note 5)	-	530,003
Lease liabilities	-	9,603
	17,182,302	15,356,140
Shareholders' equity		
Share capital (Note 8)	39,657,239	35,232,539
Subscriptions received in advance (Note 8)	-	230,166
Reserves	5,374,211	4,845,609
Accumulated other comprehensive income (loss)	1,151,466	(63,127)
Deficit	(34,140,874)	(29,129,439)
	12,042,042	11,115,748
	$ 29,224,344	$ 26,471,888

Nature of operations and going concern (**Note 1**)
Subsequent events (Note 15)

Approved and authorized by the Board on March 28, 2024:

"Priscila Costa Lima"	Director	*"Richard Pearce"*	Director
Priscila Costa Lima		Richard Pearce	

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

SOUTH STAR BATTERY METALS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31,

		2023		2022
GENERAL EXPENSES				
Business development	$	87,317	$	65,954
Consulting and management fees (Note 10)		728,881		582,856
Depreciation (Note 5)		41,981		14,699
Exploration and evaluation expenditures (Note 6)		1,478,564		1,412,798
Foreign exchange gain		(39,911)		(92,153)
Information technology		79,676		17,384
Investor relations		342,969		794,304
Office and miscellaneous		209,331		77,152
Professional fees		213,152		961,668
Share-based payments (Notes 8 and 10)		228,564		320,832
Transfer agent and filing fees		49,778		64,709
Travel		179,418		46,167
Wages and support staff		594,270		-
Loss from operations		(4,193,990)		(4,266,370)
Finance expense (Note 9)		(1,622,178)		(767,859)
Gain on settlement of management bonus with equity (Note 10)		137,033		-
Interest income		667,700		131,743
		(817,445)		(636,116)
Net loss for the year		(5,011,435)		(4,902,486)
Other comprehensive income (loss)				
Items that may be reclassified to net loss				
Cumulative translation adjustment		1,214,593		(150,751)
Comprehensive loss for the year	$	(3,796,842)	$	(5,053,237)
Basic and diluted loss per share	$	(0.14)	$	(0.21)
Weighted average number of common shares outstanding – basic and diluted		36,665,662		23,579,830

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

SOUTH STAR BATTERY METALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31,

	2023	2022
CASH FROM OPERATING ACTIVITIES		
Net loss for the year	$ (5,011,435)	$ (4,902,486)
Items not affecting cash:		
Share-based payments	228,564	320,832
Depreciation	41,399	14,699
Finance expense	1,622,178	767,859
Settlement of management bonus with equity	(137,033)	-
Changes in non-cash working capital items:		
Receivables	4,345	(740)
Prepaid expenses	42,720	14,885
Accounts payable and accrued liabilities	86,269	42,082
Deferred revenue	-	13,396,000
Net cash provided (used) in operating activities	(3,122,993)	9,653,131
CASH FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,711,912)	(241,920)
Non-current advances, net	(401,191)	(1,094,296)
Purchase of land	(673,714)	(926,929)
Net cash used in investing activities	(12,786,818)	(2,263,145)
CASH FROM FINANCING ACTIVITIES		
Proceeds on issuance of common shares	4,590,748	6,542,553
Subscriptions received in advance	-	230,166
Share issuance costs	(96,176)	(388,531)
Exercise of options	-	9,625
Exercise of warrants	-	39,750
Lease payments	(21,090)	(9,467)
Promissory note repayment and interest	-	(2,721,174)
Funds received for promissory note	-	2,498,000
Net cash provided by financing activities	4,473,482	6,200,922
Effects of foreign exchange on cash	629,744	190,689
Change in cash and cash equivalents during the year	(11,436,329)	13,590,908
Cash and cash equivalents, beginning of year	17,257,618	3,476,021
Cash and cash equivalents, end of year	$ 6,451,034	$ 17,257,618
Supplemental cash flow information:		
Purchase of property, plant and equipment in accounts payable	$ 1,123,358	$ -
Finder warrants issued as share issuance costs	$ 4,005	$ 60,943

The Company did not pay any cash for income taxes during the periods ended December 31, 2023 and 2022.

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

SOUTH STAR BATTERY METALS CORP.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share capital						
	Number	**Amount**	**Subscriptions received in advance**	**Reserves**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**
Balance at December 31, 2021	20,417,678	29,652,818	-	3,460,219	87,624	(24,226,953)	$ 8,973,708
Common shares issued for private placements	12,213,600	5,973,872	-	568,681	-	-	6,542,553
Share issuance costs, cash	-	(388,531)	-	-	-	-	(388,531)
Share issuance costs, non-cash	-	(60,943)	-	60,943	-	-	-
Common shares issued for options exercised	35,000	15,573	-	(5,948)	-	-	9,625
Common shares issued for warrants exercised	89,000	39,750	-	-	-	-	39,750
Subscriptions received in advance	-	-	230,166	-	-	-	230,166
Warrants issued with stream agreement				440,882	-	-	440,882
Share-based payments	-	-	-	320,832	-	-	320,832
Cumulative translation adjustment	-	-	-	-	(150,751)	-	(150,751)
Net loss for the period	-	-	-	-	-	(4,902,486)	(4,902,486)
Balance at December 31, 2022	32,755,278	$ 35,232,539	$ 230,166	$ 4,845,609	$ (63,127)	$ (29,129,439)	$ 11,115,748
Common shares issued for private placements	9,096,067	4,524,881	(230,166)	296,033	-	-	4,590,748
Share issuance costs, cash	-	(96,176)	-	-	-	-	(96,176)
Share issuance costs, non-cash	-	(4,005)	-	4,005	-	-	-
Share-based payments	-	-	-	228,564	-	-	228,564
Cumulative translation adjustment	-	-	-	-	1,214,593	-	1,214,593
Net loss for the period	-	-	-	-	-	(5,011,435)	(5,011,435)
Balance at December 31, 2023	41,851,345	$ 39,657,239	$ -	$ 5,374,211	$ 1,151,466	$ (34,140,874)	$ 12,042,042

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

1. NATURE OF OPERATIONS AND GOING CONCERN

South Star Battery Metals Corp. (the "Company", or "STS") was incorporated in British Columbia on November 8, 1984. The Company is listed on the TSX Venture Exchange (the "Exchange") in Canada under the symbol "STS" and the OTC Bulletin Board in the United States under the symbol "STSBF".

The head office of the Company is 1507 – 1030 West Georgia Street, Vancouver, BC, V6E 2Y3. The registered records of the Company are located at 1200 – 750 West Pender Street, Vancouver, BC, V6C 2T8.

On June 22, 2022, the Company completed a share consolidation on the basis of 1 new common share for 5 old common shares. All share and per share information have been adjusted retrospectively to reflect the share consolidation.

The Company is a Canadian battery-metals project developer focused on the selective acquisition and development of graphite projects in the Americas.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of $34,140,874 as at December 31, 2023 which has been primarily funded by the issuance of shares and a streaming agreement (Note 7). The Company's ability to continue as a going concern depends upon its ability to raise adequate financing and to generate profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares, but there is no assurance that it will be able to continue to do so in the future. There is a material uncertainty related to these conditions that casts significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements. Any such adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Basis of Presentation

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

The consolidated financial statements of the Company are presented in Canadian dollars.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the subsidiaries controlled by the Company. Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

2. BASIS OF PREPARATION (cont'd…)

Basis of consolidation (cont'd…)

The consolidated financial statements include the financial statements of the Company and its subsidiaries as follows:

Company	Place of Incorporation	Effective Interest	Principal Activity	Functional currency
South Star Battery Metals Corp.	Canada	-	Corporate head	Canadian dollar
Brasil Graphite Corp. ("BGC")	Cayman Islands	100%	Holding	Canadian dollar
Brasil Grafite Mineração Ltda. ("BGM")	Brazil	100%	Mining development	Brazilian real
South Star Battery Metals Alabama Corp.	USA	100%	Mining exploration	US dollar
South Star Graphite Canada Corp. ("SSGC")	Canada	100%	Financial management	US dollar

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgment uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

Income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes. Management reassesses at reporting periods the likelihood of taxable income in future periods in order to determine whether to recognize any deferred tax assets.

Borrowing costs

The Company has made estimates with respect to applicable borrowing rates where borrowing rates are recognized for a significant financing component. In the case of the Stream Agreement (Note 7), the Company has applied a borrowing rate to match the estimated rate of return to the purchaser of 12%.

Property and equipment

Management reviews the estimated useful lives, residual values, and depreciation methods at the end of each financial year, and when circumstances indicate that such reviews should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such reviews are accounted for prospectively.

Assets not yet available for use including construction in progress are reviewed for impairment at the end of each financial year.

Achievement of commercial production

Once a project reaches the operating levels and manner intended by management, depreciation of capitalized costs begins. Significant judgment is required to determine when certain assets of the Company's reach this level. Management considers several factors including consistent operating results are being achieved at a predetermined level of design capacity. The Company has not started commercial production as of December 31, 2023.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd…)

Deferred revenue

Management has applied judgment in the assessment that the Stream Agreement (Note 7) constitutes a contract for the future sale of commodities to the counterparty. The contract will be settled through the delivery of commodity and in no event settled in cash. The deposit is therefore recorded as deferred revenue and is not a financial liability.

Land purchases and land purchase liability

The structure of the Company's land purchase agreements requires certain estimates regarding the timing of payments contingent on certain performance obligations. The actual timing of these payments could impact the discounted carrying value of the land assets and purchase obligations. Additionally, the Company estimates the borrowing cost applicable to the payment arrangements for the purposes of recording the cash price equivalent as at the purchase date.

Share-based payments

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Going concern

Management has applied judgment in the assessment of the Company's ability to continue as a going concern, considering all available information, and concluded that the going concern assumption is appropriate for a period of at least twelve months following the end of the reporting period. Given the judgment involved, actual results may lead to a materially different outcome.

4. MATERIAL ACCOUNTING POLICIES

Foreign currency translation

The Company's reporting currency and the functional currency of all of its operations is the principal currency of the economic environment in which they operate. Where the functional currency is the same as the presentation currency, foreign currencies are translated to the functional currency at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to the presentation currency using foreign exchange rates prevailing at the end of each reporting period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange gains or losses arising on foreign currency translation are reflected in profit or loss.

Where the functional currency differs from the presentation currency, all assets and liabilities are translated at the exchange rates prevailing at the end of each reporting period, and transactions are recorded to the functional currency at the exchange rate in effect at the date of the transaction. Equity accounts are translated at historical rates.

Exchange differences arising on foreign currency translation from functional to presentation currency are reflected in accumulated other comprehensive income.

4. MATERIAL ACCOUNTING POLICIES (cont'd…)

Borrowing costs

Interest and other financing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

Exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, acquisition costs are capitalized.

Exploration and evaluation expenditures are such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment, as well as directly attributable overhead, used during the exploration phase and expensed in the period in which they occur.

In the case of amounts capitalized as acquisition cost of mineral properties, if no economically viable ore body is discovered, such costs are expensed in the period that the property is determined to be uneconomical or abandoned.

Mineral exploration and evaluation expenditures are classified in accordance with IFRS 6.

During the year ended December 31, 2022 the Company determined that the commercial and technical viability of the Santa Cruz Graphite Project had met the thresholds for development under IFRS 6 and was reclassified to property and equipment.

Property, plant and equipment

The Company measures items of property, plant and equipment at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of an item of property and equipment includes its purchase price or construction costs, including import duties and non-refundable purchase taxes, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs. The initial cost of property and equipment also includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Company incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Capitalization of costs ceases once an asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. At this time, depreciation commences. For a new mine, this occurs upon commencement of commercial production. Any revenue earned prior to commencement of commercial production is recognized in the consolidated statement of operations and comprehensive loss.

Carrying amounts of property, plant and equipment, are depreciated to their estimated residual value over the estimated useful lives of the assets or the estimated life of the related mine or plant, if shorter. Where components of an asset have different useful lives, depreciation is calculated on each separate component. Components may be physical or non-physical, including the cost of regular major inspections and overhauls required in order to continue operating an item of property and equipment.

4. MATERIAL ACCOUNTING POLICIES (cont'd…)

Property, plant and equipment (cont'd…)

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Upon derecognition of an item of property and equipment, the difference between its carrying value and net sales proceeds, if any, is presented as a gain or loss in other operating income or expense in the consolidated statement of operations and comprehensive loss.

Depreciation is recognized using the straight-line method at the following rates:

- Office and computer equipment – 5 – 10 years
- Machinery and equipment – 10 years
- Buildings – 25 years
- Leasehold improvements – over life of lease
- Right-of-use assets – over life of lease

The carrying amounts of mining properties are depleted using the unit-of-production ('UOP') method over the estimated recoverable tonnes, when the mine is capable of operating at levels intended by management. Under this method, depletable costs are multiplied by the number of tonnes produced, and divided by the estimated recoverable tonnes contained in proven and probable reserves and a portion of resources where it is considered highly probable that those resources will be economically extracted.

Management reviews the estimated total recoverable tonnes contained in depletable reserves and resources at each financial year end, and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable tonnes contained in depletable reserves and resources are accounted for prospectively.

Decommissioning, restoration and similar liabilities

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the liability is incurred. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset. At the end of each period, these capitalized asset retirement costs are amortized as an expense over the economic life of the asset and the liability is increased to reflect the passage of time (accretion expense). Over time, the discounted liability is adjusted for changes in present value based on current market discount rate and the amount or timing of the underlying cash flows needed to settle the obligation.

The Company recognizes its environmental liabilities on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the net results for the period. As at December 31, 2023, the Company has not incurred any material decommissioning, restoration and environmental liabilities related to the exploration and development of its resource properties.

Impairment of non-financial assets

Exploration and evaluation assets are regularly tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment of an exploration and evaluation assets is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near expiry with no expectation of renewal, no further substantive expenditures are planned, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, or indications that the carrying amount is unlikely to be recovered in full by development or by sale.

4. MATERIAL ACCOUNTING POLICIES (cont'd…)

Impairment of non-financial assets (cont'd…)

The recoverable amount is the higher of the fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Deferred revenue

Graphite revenue subject to streaming agreement

The Company recognized the advanced consideration as deferred revenue and will recognize the amounts in revenue as it satisfies its performance obligation to deliver graphite concentrates to the customer over the life of the contract. In contracts for the delivery of graphite, the performance obligation is typically at the point in time when the graphite is credited to the graphite account for the customer. Following the crediting of graphite to the customer's graphite account, the customer has legal title to, physical possession of, and the risks and rewards of ownership of the graphite, and therefore, the ability to direct the use of, and obtain substantially all of the remaining benefits, from the graphite.

The Company determines the amortization of deferred revenue to the consolidated statements of operations on a per unit basis. In streaming arrangements, the estimated total quantity of graphite expected to be delivered to the customer over the term of the contract is used. Subsequent changes to expected deliveries result in an adjustment to revenue in the year of change and is retroactively adjusted for the new number of tonnes expected to be delivered under the contract.

Where consideration is received in advance of the Company's performance of its obligation, there is an inherent financing component in the transaction. When the period between the receipt of consideration and revenue recognition is greater than one year, the Company determines whether the financing component is significant to the contract.

Where a contract is determined to have a significant financing component, the transaction price is adjusted to reflect the financing. The discount rate used in adjusting the promised amount of consideration is the rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. This rate is not subsequently adjusted for any other changes over the contract term.

The accretion of the interest expense is recognized in the finance expense line in the consolidated statements of operations, unless capitalized to assets under construction in accordance with the Company's policy on capitalized borrowing costs.

The Company estimates the current portion of deferred revenue based on quantities anticipated to be delivered under the contract over the next twelve months. As at December 31, 2023, all deferred revenue was categorized as long-term as the Company is working into the start of commercial operations at the Santa Cruz Graphite Project.

Refer to Note 7 for details on the streaming agreement.

4. MATERIAL ACCOUNTING POLICIES(cont'd…)

Share capital

Share capital issued for consideration other than cash are valued at the fair value of assets received or services rendered. If the fair value of assets received or services rendered cannot be reliably measured, shares issued for consideration will be valued at the quoted market price at the date of issuance.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock and the related residual value is transferred from warrant reserve to capital stock.

Share-based payments

The Company records all share-based payment at fair value. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied. Agent stock options or warrants issued in connection with common share placements are recorded at their fair value on the date of issuance as share issuance costs.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the good or services received in the statement of loss and comprehensive loss. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' warrants, share capital is credited for consideration received and for fair value amounts previously credited to reserve. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities and are measured using enacted or substantially enacted tax rates expected to apply when these differences are reversed.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

4. MATERIAL ACCOUNTING POLICIES (cont'd…)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired and the business model which the Company is operating under. The Company's accounting policy for each category is as follows:

Fair value through profit and loss - Investments at fair value through profit and loss ("FVTPL") are recognized initially and subsequently measured at fair value. Gains or losses arising from changes in fair value are recorded in the statement of loss and comprehensive loss. The Company's cash and cash equivalents is classified as FVTPL.

Amortized cost - Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments constituted solely of payments of principal and interest that are held within a "held to collect" business model. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the financial assets to fair value. Subsequently, financial assets at amortized cost are measured using the effective interest method less a provision for expected losses.

Fair value through other comprehensive income - Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at fair value through other comprehensive income ("FVTOCI") is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other other comprehensive income. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings. The Company has no financial assets designated as FVTOCI.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, as follows:

Financial liabilities at amortized cost - Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce to fair value. The Company classifies its accounts payable and land purchase liability as amortized cost.

Financial liabilities classified FVTPL - This includes financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the loss for the period. The Company has no financial liabilities classified as FVTPL.

(Expressed in Canadian Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

Property and equipment	Office and computer equipment	Machinery and equipment	Leasehold improvements	Right-of-use asset	Construction in progress	Mine development	Land	Total
Cost								
Balance, December 31, 2021	$ 3,650	$ 12,785	$ -	$ -	$ -	$ -	$ -	$ 16,435
Additions	26,746	-	22,223	33,908	156,859	36,092	1,909,571	2,185,399
Development asset	-	-	-	-	-	5,735,914	-	5,735,914
Borrowing costs	-	-	-	-	-	-	9,944	9,944
Foreign exchange	2,826	-	330	504	2,328	536	43,599	50,123
Balance, December 31, 2022	$ 33,222	$ 12,785	$ 22,553	$ 34,412	$ 159,187	$ 5,772,542	$ 1,963,114	$ 7,997,815
Additions	154,143	117,232	-	-	12,419,587	144,309	-	12,835,271
Projects completed	-	5,735,231	-	-	(5,735,231)	-	-	-
Disposals	(1,277)	(7,264)	-	-	-	-	-	(8,541)
Borrowing costs	-	-	-	-	-	-	90,310	90,310
Foreign exchange	3,380	48,719	1,444	2,202	64,967	3,527	126,403	250,642
Balance, December 31, 2023	$ 189,468	$ 5,906,703	$ 23,997	$ 36,614	$ 6,908,510	$ 5,920,378	$ 2,179,827	$ 21,165,497
Accumulated Depreciation								
Balance, December 31, 2021	$ 2,715	$ 7,909	$ -	$ -	$ -	$ -	$ -	$ 10,624
Depreciation	170	2,300	2,339	9,890	-	-	-	14,699
Foreign exchange	176	1,200	35	147	-	-	-	1,558
Balance, December 31, 2022	$ 3,061	$ 11,409	$ 2,374	$ 10,037	$ -	$ -	$ -	$ 26,881
Additions	5,984	2,806	15,033	18,158	-	-	-	41,981
Disposals	(1,174)	(6,571)	-	-	-	-	-	(7,745)
Foreign exchange	235	699	275	791	-	-	-	2,000
Balance, December 31, 2023	$ 8,106	$ 8,343	$ 17,682	$ 28,986	$ -	$ -	$ -	$ 63,118
Net Book Value								
December 31, 2022	$ 30,161	$ 1,376	$ 20,179	$ 24,375	$ 159,187	$ 5,772,542	$ 1,963,114	$ 7,970,934
December 31, 2023	$ 181,362	$ 5,898,360	$ 6,315	$ 7,628	$ 6,908,510	$ 5,920,378	$ 2,179,827	$ 21,102,379

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT (cont'd…)

Santa Cruz Graphite Project

The Company owns 100% of the Santa Cruz Graphite Project through its wholly owned subsidiaries BGC and BGM. The project is located in the state of Bahia, Brazil and consists of 13 approved licenses covering 13,316 hectares. Development is currently underway.

The Company has entered into an agreement to acquire land pursuant to a payment schedule which is subject to the sellers' abilities to provide documentation required under Brazilian law. While the Company has rights to use the land, title to the land will transfer to the Company once the payments are completed. The timing of payments has been estimated relative to estimated timing of delivery by the sellers.

Land purchase liability		2023		2022
Balance, beginning of year	$	1,141,103	$	-
Additions		-		1,909,571
Borrowing costs		90,310		126,885
Payments		(673,714)		(926,929)
Foreign exchange		68,263		31,576
Balance, end of year	$	625,962	$	1,141,103
Current	$	625,962	$	611,100
Long-term	$	-	$	530,003

Borrowing costs recognized on land prior to commencement of development activities were expensed to the statement of loss and comprehensive loss.

Non-current advances

As at December 31, 2023, the Company had advanced deposits of $1,557,571 (2022 - $1,083,721) toward the purchase of machinery and assets for the Santa Cruz Graphite Project.

6. EXPLORATION AND EVALUATION ASSETS

BamaStar Graphite Project

During the year ended December 31, 2021, the Company entered into a binding earn-in and option agreement ("BamaStar Agreement") to earn up to a 75% interest in the BamaStar Graphite Project (formerly Ceylon Graphite Project), which is located on the northeast end of the Alabama Graphite Belt and covers approximately 500 acres in Coosa County, Alabama, USA.

The BamaStar Agreement calls for the Company to, on signing, undertake 3 years' worth of assessment work on the property with an annual minimum expenditure of $250,000 ($750,000 total) to earn a 75% in the BamaStar Graphite Project.

During the year ended December 31, 2023, the Company announced the receipt of a US$3.2 million grant (equaling approximately CA$4.4 million) from the Department of Defense ("DoD") under the Defense Production Act ("DPA") Title III authorities utilizing funds appropriated by the Inflation Reduction Act, to advance a National Instrument 43-101 Feasibility Study ("FS") for the BamaStar Graphite Project. The DoD will contribute funding to the BamaStar FS on a cost-share basis. As part of the agreement, the DoD will provide US$3,179,999 and the Company will contribute US$3,772,499 in matching funding on a cost-share basis over a period of 18 months, and after the successful delivery by the Company of a National Instrument 43-101 Preliminary Economic Assessment.

(Expressed in Canadian Dollars)

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

Exploration and evaluation expenditures

Exploration and evaluation expenditures incurred during the years ended December 31, 2023 and 2022 were as follows:

For the year ended December 31, 2023	BamaStar Graphite, USA	Total
Drilling	$ 935,573	$ 935,573
Field office expenses	157,308	157,308
Geological and technical reporting	290,741	290,741
Project management	86,379	86,379
Property costs	8,562	8,562
Expenses incurred during the year	$ 1,478,563	$ 1,478,563

For the year ended December 31, 2022	BamaStar Graphite, USA	Santa Cruz, Brazil	Total
Drilling	$ 212,079	$ -	$ 212,079
Field office expenses	44,619	58,483	103,102
Geological and technical reporting	75,925	86,110	162,035
Information technology	-	60,133	60,133
Material testing program	131,449	-	131,449
Permits and licenses	-	32,688	32,688
Professional fees	-	137,892	137,892
Project management	48,948	-	48,948
Property costs	15,615	-	15,615
Travel and transportation	14,639	27,543	42,182
Wages and service fees	-	466,675	466,675
Expenses incurred during the year	$ 543,274	$ 869,524	$ 1,412,798

(1) The Santa Cruz Project moved into development in the year ended December 31, 2022 (Note 4).

7. STREAM AGREEMENT

On April 4, 2022, as amended October 4, 2022, the Company entered into a binding streaming agreement ("Agreement") with Sprott Resource Streaming and Royalty Corp. ("Sprott" or "SRSR") for the Santa Cruz Graphite Project. The total cash consideration under the Agreement is up to US$28,000,000, as prepayment for graphite concentrates from the Santa Cruz Project. The Company will act as sales agent for Sprott on the percentage of production subject to the Agreement.

The Agreement is structured in two phases. The Phase 1 Stream is applicable on sales and delivery of the first 6,000 tpa of graphite concentrates and 15% of all graphite concentrates greater than 6,000 tpa ("Phase 1 Stream Production"). The Phase 1 Stream is an upfront prepayment of US$10,000,000 of graphite concentrate for 21.875% of the Phase 1 Stream Production until a total sale and delivery of 75,000 tonnes of concentrate has been achieved, at which point the Phase 1 Stream will be reduced by 50% to 10.9375%. SRSR will pay the Company 20% of the per tonne sales price for Phase 1 Stream Production.

7. STREAM AGREEMENT (cont'd…)

During the year ended December 31, 2022, the Company received a US$2,000,000 advance loan ("Promissory Note") from Sprott. The Promissory Note was amended and extended to a maturity date of December 14, 2022. The Promissory Note began accruing interest on October 4, 2022 at a rate of 1% per month until the Promissory Note is repaid. The Promissory Note was repaid with proceeds from the Phase 1 Stream Consideration during the year ended December 31, 2022.

The Company's (and its affiliates') obligations under the Promissory Note, the Agreement and related documents are secured by a pledge by the Company of the shares of its direct wholly-owned subsidiaries, SSGC and BGC, in favour of Sprott (collectively, the "Initial Share Pledges"). The Initial Share Pledges serve as collateral under a limited recourse guarantee provided by the Company with respect to the Promissory Note and Agreement. The obligations under the Agreement will be further guaranteed pursuant to a guarantee from each of BGM and BGC, and further secured by a pledge of the shares of BGM and certain assets of BGM (including real property) relating to the Santa Cruz Project.

The Company completed conditions precedent and received the initial graphite stream advance payment of US$10,000,000 for the Phase 1 Stream during the year ended December 31, 2022. In connection with the Phase 1 Stream, the Company issued Sprott 1,200,000 warrants ("Sprott Warrants") at an exercise price of $0.72 valued at $440,882 based on the Black-Scholes methodology inputs: risk-free interest rate of 3.71%, volatility rate of 126.47% and term of 3 years. The Sprott Warrants were recorded as a financing cost in the statement of loss and comprehensive loss.

The Phase 2 Stream provides a minimum of US$9,000,000 and up to US$18,000,000 cash consideration at the Company's election. The Phase 2 Stream is applicable on sales and delivery of 85% of all graphite concentrates greater than 6,000 tpa ("Phase 2 Stream Production"). The Phase 2 Stream is an upfront prepayment up to US$18,000,000 of graphite concentrate for up to 20% ("Phase 2 Stream Percentage") of the Phase 2 Stream Production. The Company has the option of a reduced Phase 2 draw request of a minimum of US$9,000,000 with the Phase 2 Stream Percentage reduced pro rata, provided there is viable alternative project financing available for the balance.

SRSR will pay the Company 20% of the per tonne sales price for Phase 2 Stream Production. The Company has the option to buy back up to 100% of the Phase 2 Stream based amount of the draw request and a scaling multiplier over four years. Phase 2 closing is subject to Sprott Phase 2 due diligence and investment committee update and approval, standard closing conditions, completion of condition precedents and the approval of the TSXV.

The Company recorded the Phase 1 Stream upfront payment as deferred revenue and recognizes amounts in revenue as graphite delivered to Sprott. The Company determines the amortization of deferred revenue on a per unit basis using the estimated total number of graphite expected to be delivered to Sprott over the life of the Phase 1 and 2 Stream Production. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months based on the mine plan.

Deferred revenue consists of: 1) initial cash deposit received by the Company for future delivery of payable graphite under the terms of the Agreement, and 2) a significant financing component of the Agreement resulting from the difference in the timing of the upfront payment received and the promised goods delivered. As such, the Company recognizes interest expense at each reporting period and will accrete the deferred revenue balance to recognize the significant financing element that is part of the Agreement. The interest rate of 12% is determined based on the rate implicit in the Agreement at the date of inception.

(Expressed in Canadian Dollars)

7. STREAM AGREEMENT (cont'd…)

The initial consideration received from the Agreement is considered variable, subject to changes in the total graphite tonnes to be delivered in the future. Changes to variable consideration will be reflected in the condensed consolidated interim statement of loss and comprehensive loss.

The following table summarizes the promissory note:

Promissory note		
Balance, December 31, 2021	$	-
Funds received		2,498,000
Interest		40,773
Repayment		(2,721,174)
Foreign exchange		182,401
Balance, December 31, 2022 and December 31, 2023	$	-

The following table summarizes deferred revenue:

Deferred revenue		2023		2022
Balance, beginning of year	$	13,717,660	$	-
Initial graphite stream prepayment (US$10,000,000)		-		13,396,000
Financing cost		1,619,602		166,847
Foreign exchange		(354,559)		154,813
Balance, end of year	$	14,982,703	$	13,717,660
Current, estimated deliverable within 12 months		585,363		-
Non-current		14,397,340		13,717,660

8. SHARE CAPITAL AND RESERVES

Authorized share capital

As at December 31, 2023, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares, are fully paid. On June 22, 2022, the Company completed a share consolidation on the basis of 1 new common share for 5 old common shares. All share and per share information have been amended retrospectively to reflect the share consolidation.

Share issuances

During the year ended December 31, 2023, the Company:

a) Closed a non-brokered private placement by issuing 434,277 units at $0.53 per unit ("Unit") for gross proceeds of $230,166. Each Unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holders to purchase one additional common share of the Company at an exercise price of $1.25 per common share for a period of five years from the date of issue and is subject to certain acceleration provisions. The Company paid cash finder's fees of $13,810 and issued 8,685 finder's warrants. The entire gross proceeds were subscriptions received in advance of closing as at December 31, 2022. The finder's warrants are exercisable at a price of $0.53 until January 12, 2028 and were valued at $4,005 using the following Black-Scholes assumptions: risk-free rate of 3.71%, expected life of 5 years and volatility of 131.10%.

8. SHARE CAPITAL AND RESERVES (cont'd…)

Share issuances (cont'd…)

b) Issued 127,925 Units at $0.53 per Unit for gross proceeds of $67,800.

c) Issued 8,533,865 Units at $0.53 per Unit for gross proceeds of $4,522,948. The warrants were allocated a residual value of $296,033. The Company paid cash finder's fees of $27,825.

During the year ended December 31, 2022, the Company:

a) issued 89,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $39,750.

b) closed a non-brokered private placement by issuing 3,467,254 units at $0.55 per unit with proceeds of $1,906,990. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holders to purchase one additional common share of the Company at an exercise price of $1.25 per common share for a period of five years from the date of issue and is subject to certain acceleration provisions. The Company paid cash finder's fees of $54,300.

   Pursuant to the private placement, the Company issued 1,636 finders' warrants. Each warrant is exercisable at $1.25 per common share over a period of five years. The warrants were valued at $662 based on the following Black-Scholes assumptions: risk-free interest rate of 3.14%, expected life of 5 years, annualized volatility of 121.90% and dividend rate of 0%.

c) issued 35,000 common shares pursuant to the exercise of stock options for gross proceeds of $9,625.

d) closed a non-brokered private placement by issuing 8,746,346 units at $0.53 per unit for gross proceeds of $4,635,563. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holders to purchase one additional common share of the Company at an exercise price of $1.25 per common share for a period of five years from the date of issue and is subject to certain acceleration provisions. The Company paid cash finder's fees of $246,088.

   Pursuant to the private placement, the Company issued 151,244 finders' warrants. Each warrant is exercisable at an average of $0.57 per common share over a period of five years. The warrants were valued at $60,271 based on the following Black-Scholes assumptions: risk-free interest rate of 3.32% - 3.59%, expected life of 5 years, annualized volatility of 131.1% - 131.45% and dividend rate of 0%. The funds provided by the tranches exceed the amount required to meet the condition precedent to the Phase 1 closing under the Sprott Agreement (Note 6).

Equity Plans

The Company has a restricted share unit plan ("RSU Plan") which governs the granting of any RSU granted under the fixed RSU Plan, to directors, officers, employees and consultants of the Company or a subsidiary of the Company. The maximum number of RSUs issuable under the RSU Plan is 2,400,893 common shares, being 10% of the issued and outstanding common shares of the Company at the time the RSU Plan was implemented.

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The vesting terms are determined by the board of directors.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

Stock options and share purchase warrants

Stock option and share purchase warrant transactions are summarized as follows:

	Stock options			Warrants		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, December 31, 2021	819,000	$	0.82	10,110,818	$	0.70
Exercised	(35,000)		0.28	(89,000)		0.45
Expired	(200,000)		1.58	-		-
Granted/issued	935,000		0.43	13,566,480		1.20
Outstanding, December 31, 2022	1,519,000	$	0.50	23,588,298	$	0.99
Expired	(104,000)		2.02	-		-
Granted/issued	208,000		0.74	9,104,752		1.25
Outstanding, December 31, 2023	1,623,000	$	0.43	32,693,050	$	1.06
Exercisable, December 31, 2023	1,623,000	$	0.43	32,693,050	$	1.06

The following incentive stock options and share purchase warrants were outstanding as at December 31, 2023:

	Number		Exercise price	Expiry date
Stock options				
	18,000	$	0.75	June 17, 2024
	100,000		0.62	December 7, 2024
	462,000		0.275	August 4, 2025
	835,000		0.41	August 23, 2027
	208,000		0.74	December 21, 2028
	1,623,000			
Share purchase warrants				
	2,626,000	$	0.75	February 16, 2024
	1,863,018		0.75	February 23, 2024
	1,060,000		0.30	May 4, 2024
	4,472,800		0.75	October 25, 2024
	3,468,890		1.25	June 23, 2027
	4,365,096		1.25	November 3, 2027
	69,194		0.53	November 3, 2027
	4,390,000		1.25	November 15, 2027
	73,300		0.53	November 15, 2027
	1,200,000		0.72	November 22, 2025
	434,277		1.25	January 9, 2028
	8,685		0.53	January 9, 2028
	127,925		1.25	May 23, 2028
	1,159,981		1.25	July 14, 2028
	7,373,884		1.25	August 11, 2028
	32,693,050			

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

Restricted share units

	Number		Weighted average fair value per share at grant date
Outstanding, December 31, 2021 and 2022	-	$	-
Granted	591,471		0.64
Outstanding, December 31, 2023	591,471	$	0.64
Vested, December 31, 2023	-	$	-

The Restricted Share Units ("RSUs") have time-based vesting conditions as follows:

	Number	Grant date price	Vesting date
Restricted Share Units			
	257,436	0.53	April 27, 2024
	334,035	0.73	January 5, 2025
	591,471		

Share-based payments

Restricted Share Units

As the performance conditions of the RSU granted were not market-related, the fair value per RSU used to calculate compensation expense for the RSU granted is determined to be equal to the market price on the date of grant. The value is then expensed over the vesting term. During the year ended December 31, 2023, the Company recognized share-based payments expense of $99,105 (2022 - $Nil) with respect to RSUs.

Stock options

During the year ended December 31, 2023, the Company granted 208,000 (2022 – 935,000) options with an exercise price of $0.74 (2022 - $0.43). In the year ended December 31, 2023, the Company recognized share-based payments expense of $129,459 (2022 - $320,832) for options vesting in the period.

The following weighted average assumptions were used for the valuation of stock options granted in the respective periods:

	2023	2022
Risk-free interest rate	3.23%	3.21%
Expected life of options	5 years	5 years
Annualized volatility	126.05%	122.73%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

(Expressed in Canadian Dollars)

9. FINANCE EXPENSE

Finance expense	2023	2022
Warrants issued for Stream Agreement (Notes 7 and 8)	$ -	$ 440,882
Finance expense on deferred revenue (Note 7)	1,619,602	166,847
Interest paid on promissory note (Note 7)	-	40,773
Accretion expense on lease liabilities	2,576	2,416
Accretion expense on land liabilities (Note 5)	-	116,941
	$ 1,622,178	$ 767,859

10. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel consist of the officers of the Company and the Company's Board of Directors. During the year ended December 31, 2023, the Company:

a) Paid or accrued management and consulting fees of $104,318 (2022 - $107,246) to a consulting company partially owned by the Company's Chief Financial Officer ("CFO");

b) Paid or accrued management and consulting fees of $329,068 (2022 – $438,962) to the Chief Executive Officer of the Company and employment benefits of $13,728 (2022 - $28,167) to the CEO of the Company;

c) Paid or accrued management and consulting fees of $2,700 (2022 - $10,000) to a director of the Company; and

d) Paid or accrued management and consulting fees of $16,580 (2022 - $Nil) to a company controlled by a director of the Company.

Included in accounts payable and accrued liabilities as of December 31, 2023 is $126,915 (2022 - $218,516) due to current officers, directors or companies with a director in common for cash advances, unpaid consulting fees and unpaid expenses. The amounts due to related parties are unsecured, non-interest bearing and due on demand.

During the period ended December 31, 2023, the Company granted 257,436 RSUs to the CEO in settlement of a compensation bonus in the amount of US$101,068 recorded as of December 31, 2022. The RSUs vest over the period of one year. Consequently, the Company recorded a recovery of $137,033 for the amount previously recorded to accounts payable for management bonus compensation in the year ended December 31, 2023 and related party share-based compensation of $92,705 related to the RSUs.

During the year ended December 31, 2023, the Company recorded share-based payments of $104,563 (2022 - $286,049) related to the fair value of stock options granted and vested to key management personnel and additional share-based payments expense of $6,400 (2022 - $nil) for RSUs.

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at December 31, 2023, the carrying value and fair values of the Company's financial instruments, with comparative figures for December 31, 2022 are shown in the table below:

	December 31, 2023		December 31, 2022	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Financial assets				
Cash and cash equivalents	$ 6,451,034	$ 6,451,034	$ 17,257,618	$ 17,257,618
Financial liabilities				
Accounts payable	1,563,302	1,563,302	470,121	470,121
Land purchase liability	654,701	625,962	1,253,685	1,141,103

Financial risk factors

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

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to try and have sufficient liquidity to meet liabilities when due. As at December 31, 2023, the Company had a cash and cash equivalents balance of $6,451,034 (2022 - $17,257,618) to settle current liabilities of $2,784,962 (2022 - $1,098,874). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. Land purchase commitments are subject to payment plans with some timing uncertainty relative to contractual deliverables by the seller (Note 4).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

Currency risk

The Company's main project is in Brazil with local operations. As such, the Company is exposed to foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar, United States dollar and the Brazilian real (R$) may have an adverse effect on the Company's business. The Company does not enter into any foreign exchange hedging contracts. As at December 31, 2023, the Company held net financial instruments liabilities in Brazil of R$4,400,000 (CAD$1,200,000). A 10% movement in the foreign exchange rate would have impacted other comprehensive income by approximately $120,000 as the Brazilian real is the functional currency of that entity. Foreign currency risk will have an impact the Company's net loss and net financial instruments.

(Expressed in Canadian Dollars)

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

Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy is to invest excess cash in high-interest bank accounts and investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at December 31, 2023, the Company had deposits of $776,111 (R$2,847,070) in interest-bearing cash equivalents in Brazil. As at December 31, 2023, the Company did not have any interest-bearing debt.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

12. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2022 – 27%) to income before income taxes. The reasons for differences are as follows:

	2023	2022
Income before income tax	$ (5,011,435)	$ (4,902,486)
Statutory income tax rates	27.00%	27.00%
Income tax expense computed at Canadian statutory rates	(1,353,000)	(1,324,000)
Impact of foreign statutory tax rates and foreign exchange	2,000	(159,000)
Permanent difference and other	62,000	206,000
Share issue costs	(26,000)	(121,000)
Adjustment to prior year's provision versus statutory tax returns	9,000	13,000
Change in unrecognized deferred tax assets	1,306,000	1,385,000
Income tax recovery	$ -	$ -

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

(Expressed in Canadian Dollars)

12. INCOME TAXES (cont'd…)

	2023	2022
Non-capital losses carried forward	$ 17,265,000	$ 15,829,000
Exploration and evaluation assets	2,202,000	2,195,000
Capital loss carry forward	343,000	343,000
Investment tax credits	39,000	39,000
Eligible capital expenditures	108,000	338,000
Land purchased	155,000	-
Intangible assets	1,940,000	-
Debt with accretion	1,757,000	61,000
Share issue costs	394,000	433,000

As at December 31, 2023, the Company has Canadian non-capital losses of $12,578,000 and Brazil non-capital losses of $4,682,000 that may be applied to reduce future taxable income. If Canadian losses are not used to offset future income, they will begin to expire in the year ended December 31, 2026 through the year ended December 31, 2043. Losses in Brazil carry forward indefinitely, however only 30% of the taxable income in one year can be applied against the loss carry-forward balance.

13. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests. Capital is comprised of the Company's shareholders' deficiency. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities.

The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. The Company has not changed its approach to capital management in the year ended December 31, 2023.

14. SEGMENTED INFORMATION

The Company operates in one segment, being mineral property exploration and development. As at December 31, 2023 and 2022, all of the Company's long-term assets are situated in Brazil.

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2023, the Company completed a non-brokered private placement of 9,301,352 common shares at a price of $0.72 per common share for gross proceeds of $6,697,119. The Company paid cash of $190,421 and issued 125,472 common shares as finder's fees.