



LITHIUM ION ENERGY LTD.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in Canadian Dollars)



KINGSTON
ROSS
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CHARTERED PROFESSIONAL ACCOUNTANTS

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April 26, 2024
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lithium Ion Energy Limited

Opinion

We have audited the consolidated financial statements of Lithium Ion Energy Limited and its subsidiaries (the Company), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of 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 2022, and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the company in accordance with ethical requirements that are relevant to our audit 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.

Emphasis of Matter - Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred ongoing losses during the year ended December 31, 2023 and had a cumulative deficit as at December 31, 2023. 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 the audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

In addition to the matter described in the *Emphasis of Matter - Material Uncertainty Related to Going Concern* section, we have determined that matters described below to be key audit matters to be communicated in our auditor's report.

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Independent Auditor's Report to the Shareholders of Lithium Ion Energy Limited
(continued)

Existence and Recoverability of Exploration and Evaluation Assets

We refer to financial statement summary of material accounting policy information on exploration and evaluation assets in Note 2 and related disclosure in Notes 4 and 5.

At December 31, 2023, the combined value of exploration and evaluation and related assets amounted to \$2,948,163.

At each reporting period end, management applies judgment in assessing whether there are any indicators of impairment relating to mining claims and deferred exploration costs. If there are indicators of impairment, the recoverable amount of the related asset is estimated in order to determine the extent of any impairment. Exploration and evaluation assets are assessed for impairment if sufficient evidence exists to determine technical feasibility and commercial viability, and facts and circumstances suggest the carrying amount exceeds the recoverable amount. Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to the area of interest are first tested for impairment and then reclassified to mining property development assets within property and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependable on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

In addition, in the 2023 fiscal year the Company completed the acquisition of three additional exploration and evaluation related properties, which are subject to equal levels of judgment and estimate by management.

We considered this a key audit matter due to the significance of the exploration and evaluation and relates assets balance and the judgments made by management in its assessment of indicators of impairment related to mining claims and deferred exploration costs and the acquired properties, which have resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.

To address the risk for material misstatement on exploration and evaluation and related assets, our audit procedures included, amongst other procedures:

- Assessing the compliance of Company's accounting policies over exploration and evaluation assets with applicable accounting standards in IFRS 6.
- Obtaining, for all mining claims, by reference to government registries, evidence to support the right to explore the area and claim expiration dates through examination of applicable licenses.
- Assessing the exploration and evaluation asset valuation processes and practices.
- Enquiring with management and reviewing budgets and other documentation as evidence that further exploration and evaluation activities in the area of interest will be continued in the future.
- Assessing whether any data exists to suggest that the carrying value of the exploration and evaluation assets is unlikely to be recovered through development or sale.
- Evaluating the analyses and calculations made by management with respect to the fair value assessment and proper compliance with IFRS at the date of acquisition.
- Assessing the compliance of Company's accounting policies with applicable accounting standards.

We assessed the adequacy of the Company's disclosures related to exploration and evaluation assets.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

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Independent Auditor's Report to the Shareholders of Lithium Ion Energy Limited
(continued)

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, 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 in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Independent Auditor's Report to the Shareholders of Lithium Ion Energy Limited
(continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Justin Rousseau.


Kingston Ross Pasmak LLP
Chartered Professional Accountants

Lithium Ion Energy Ltd.

Consolidated Balance Sheets
(Expressed in Canadian Dollars)

AS AT		December 31,	December 31,
	Notes	2023	2022
ASSETS		\$	\$
Current			
Cash and cash equivalents		63,026	542,212
Prepaid expenses and deposits		77,938	219,548
Sales tax and other receivables		291,315	281,592
Related party note receivable	7	-	101,749
Total current assets		432,279	1,145,101
Non-current			
Property and equipment	3	15,325	19,127
Exploration and evaluation assets	4	2,880,663	2,572,870
Other interest - Victory nickel project	5	67,500	-
Total assets		3,395,767	3,737,098
LIABILITIES			
Current			
Accounts payable and accrued liabilities		903,452	256,145
Non-current			
License purchase payable	4	289,520	253,560
Total Liabilities		1,192,972	509,705
SHAREHOLDERS' EQUITY			
Share capital	6	11,137,343	10,045,847
Contributed surplus		4,305,226	3,994,003
Accumulated other comprehensive loss		(226,616)	(193,760)
Accumulated deficit		(13,013,158)	(10,618,697)
Total shareholders' equity		2,202,795	3,227,393
Total liabilities and shareholders' equity		3,395,767	3,737,098

Nature and continuance of operations (Note 1)
Subsequent events (Note 9)

Approved on behalf of the Board of Directors and authorized for issuance on April __, 2024:

"Ali Haji"
Ali Haji, Director

"Matthew Wood"
Matthew Wood, Director

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

Lithium Ion Energy Ltd.

Consolidated Statements of Loss and Comprehensive Loss
For the years ended:
(Expressed in Canadian Dollars)

	Notes	December 31, 2023 \$	December 31, 2022 \$
EXPENSES			
Professional fees		116,427	155,365
Consulting	7	785,313	751,134
Stock based compensation	6	247,485	65,078
Filing fees		101,846	96,099
Travel and entertainment		115,281	204,403
Marketing expenses		780,006	1,039,869
General and office		103,540	242,855
Interest income		(2,080)	(25,436)
Depreciation	3	704	845
Other income		(3,981)	-
Uncollectible input tax credits		110,893	-
Foreign exchange (gain) or loss		39,027	549
Net loss		(2,394,461)	(2,530,761)
Foreign currency translation adjustment		(32,856)	(165,168)
Comprehensive loss		(2,427,317)	(2,695,929)
Basic and diluted net loss per share		(0.04)	(0.04)
Weighted average number of common shares outstanding		62,516,414	60,364,716

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

Lithium Ion Energy Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

					Accumulated Other		Total
	Note	Number of Common Shares	Share Capital	Contributed Surplus	Comprehensive Loss	Accumulated Deficit	Shareholder's Equity
			\$	\$	\$	\$	\$
Balance, December 31, 2021		60,333,534	9,795,260	4,005,437	(28,592)	(8,087,936)	5,684,169
Stock options exercised	6	300,000	250,587	(76,512)	-	-	174,075
Stock based compensation	6	-	-	65,078	-	-	65,078
Translation adjustment		-	-	-	(165,168)	-	(165,168)
Net loss		-	-	-	-	(2,530,761)	(2,530,761)
Balance, December 31, 2022		60,633,534	10,045,847	3,994,003	(193,760)	(10,618,697)	3,227,393
Stock options exercised	6	82,500	66,176	(16,262)	-	-	49,914
Common shares issued for cash	6	4,100,000	960,000	80,000	-	-	1,040,000
Acquisition of exploration and evaluation asset	6	571,428	131,428	-	-	-	131,428
Share issue costs - cash	6	-	(66,108)	-	-	-	(66,108)
Stock based compensation	6	-	-	247,485	-	-	247,485
Translation adjustment		-	-	-	(32,856)	-	(32,856)
Net loss		-	-	-	-	(2,394,461)	(2,394,461)
Balance, December 31, 2023		65,387,462	11,137,343	4,305,226	(226,616)	(13,013,158)	2,202,795

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

Lithium Ion Energy Ltd.

Consolidated Statements of Cash Flows
For the years ended:
(Expressed in Canadian Dollars)

	December 31, 2023	December 31, 2022
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(2,394,461)	(2,530,761)
Adjusted for:		
Depreciation	704	845
Interest income written off	1,749	-
Stock based compensation	247,485	65,078
Uncollectible input tax credits	110,893	
Interest income	-	(1,749)
Unrealized foreign exchange	35,960	15,274
Changes in non-cash working capital items:		
Prepaid expenses and deposits	141,610	56,077
Sales tax and other receivables	(120,616)	(126,563)
Accounts payable and accrued liabilities	646,607	(280,997)
Net cash used in operating activities	(1,330,069)	(2,802,796)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(287,259)	(688,087)
Net cash used in investing activities	(287,259)	(688,087)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued for cash	1,040,000	-
Shares issue costs	(66,108)	-
Proceeds from exercise of stock options	49,914	174,075
Promissory note - related party	100,000	(100,000)
Net cash provided by financing activities	1,123,806	74,075
Effect of foreign exchange	14,336	(10,999)
Net change in cash and cash equivalents	(479,186)	(3,427,807)
Cash, beginning of year	542,212	3,970,019
Cash, end of the year	63,026	542,212
Supplemental cash flow disclosure:		
Fair value adjustment upon exercise of stock options	16,262	-
Residual value of warrants issued in unit private placement	80,000	-
Acquisition of Bliss Lake project for common shares	131,428	-
Recognition of Victory Nickel Project - non-cash exchange	67,500	-

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

LITHIUM ION ENERGY LTD.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, and 2022
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Lithium Ion Energy Ltd. (Formerly Ion Energy Ltd.) was incorporated under the Business Corporation Act (Alberta) on June 5, 2017. On September 1, 2023, the Company changes its name from Ion Energy Ltd. to Lithium Ion Energy Ltd. The head office of the Company is located at Suite 400, 90 Adelaide Street West, Toronto, Ontario M5H 4A6. The registered office of the Company is located 1250 – 639 5th Avenue S.W. Calgary Alberta T2P 0M9.

The Company is engaged in the business of the acquisition and exploration of mineral properties with a focus on advancing projects containing lithium mineralization. The Company is actively advancing its mineral projects located in western Mongolia as well as mineral projects located in the Northwest Territories, Canada.

The Company trades on the TSX Venture Exchange under the trading symbol "ION", on the OTCQB under the symbol "IONGF", and on the Frankfurt Stock Exchange under the symbol "ZA4".

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2023, the Company has a deficit of \$13,013,158 (2022 - \$10,618,697). The Company is in the process of exploring and developing its mineral properties and has not yet determined whether those properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to fund property commitments and to complete the exploration and development of the properties and upon achieving future profitable production or proceeds from the disposition thereof.

There is a material uncertainty related to these conditions that may cast significant doubt about the Company's ability to continue as a going concern.

The Company has financed its operations primarily through the issuance of common shares since inception. The Company continues to seek capital through various means including the issuance of equity and/or debt. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future or on terms that are favorable to the Company. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

2. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

LITHIUM ION ENERGY LTD.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, and 2022
(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Basis of measurement

The consolidated financial statements have been prepared under the historical cost method except for share-based transactions and certain financial instruments which are measured at fair value.

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of Ion Energy Holdings Inc. and 1402166 B.C. Ltd. is also the Canadian dollar. The functional currency of Ion Energy LLC is the Mongolian tugrik.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries, Ion Energy Holdings Inc. ("Holdings Inc.") a company incorporated in Canada on November 1, 2019 and Ion Energy LLC ("Ion Mongolia") a company incorporated in Mongolia on October 4, 2017. Ion Energy Holdings Ltd. is a wholly owned subsidiary of Ion Energy Ltd. Ion Energy LLC is a wholly owned subsidiary of Ion Energy Holdings Ltd. On August 10, 2023, the Company acquired 100% of 1402166 B.C. Ltd. The Company has consolidated the assets, liabilities and expenses of its subsidiaries after the elimination of inter-company transactions and balances. The subsidiary's principal business is the acquisition and development of mineral properties.

(e) Financial instruments

Below is a summary showing the classification and measurement bases of the Company's financial instruments.

Classification	IFRS 9
Cash and cash equivalents	FVTPL
Sales tax and other receivables	Amortized cost
Related party note receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
License purchase payable	Amortized cost

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Gains or losses on these items are recognized in profit or loss.

ii. Investments recorded at fair value through other comprehensive income ("FVOCI")

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.

iii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

LITHIUM ION ENERGY LTD.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, and 2022
(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(e) Financial instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

ii. Financial liabilities recorded fair value through profit or loss ("FVTPL")

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Fair Value Hierarchy

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are a level 1 financial instrument measured at fair value on the consolidated statements of financial position.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains or losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains or losses recognized in other comprehensive income.

LITHIUM ION ENERGY LTD.
Notes to the Consolidated Financial Statements
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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(e) Financial instruments (Continued)

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(f) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, guaranteed investment certificates (GICs) and deposits held in trust and with banks that are readily convertible into known amounts of cash.

(g) Property and equipment

Property and equipment include furniture at the Company's head office and equipment of the Baavhai-Uul Project. Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The carrying amounts of property and equipment are depreciated using the straight-line method over the estimated useful life of the asset which is 10 years. Management reviews the estimated useful lives, residual values and depreciation and depletion methods of the Company's property and equipment at the end of each financial year, and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

Impairment

The carrying values of property and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of property and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, a recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount.

Derecognition

Upon disposal or abandonment, the carrying amounts of property and equipment are derecognized and any associated gains or losses are recognized in profit or loss. The cost and accumulated depreciation and impairment of fully depleted mineral properties and fully depreciated equipment are derecognized.

LITHIUM ION ENERGY LTD.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, and 2022
(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(h) Exploration and evaluation and pre-development expenditure

Exploration and evaluation expenditures include the costs of acquiring licenses, exploration and evaluation activity, and the fair value, at the date of acquisition, of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized.

Costs incurred before the Company has obtained legal rights to explore an area are recognized as exploration and evaluation expense in the consolidated statement of loss and comprehensive loss. Acquisition costs, including general and administration costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if sufficient evidence exists to determine technical feasibility and commercial viability, and facts and circumstances suggest the carrying amount exceeds the recoverable amount. Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to the area of interest are first tested for impairment and then reclassified to mining property development assets within property and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependable on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Actual costs incurred upon settlement of the decommissioning liability are charged against the provision to the extent the provision was established.

(i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax, risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on associated assets.

(j) Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit of production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profit or loss as extraction progresses. The Company has no material restoration, rehabilitation or environmental costs as the disturbance to date is minimal and the Company is in the early stages of exploration of its properties.

LITHIUM ION ENERGY LTD.

Notes to the Consolidated Financial Statements
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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(k) Share capital

Proceeds from the issuance of common shares are classified as equity on the consolidated statement of financial position. Incremental costs directly attributable to the issuance of shares are recognized as a deduction, net of any tax effects.

(l) Share-based payment transactions

The Company has a stock option plan, refer to note 7. Employees (including officers), directors and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Stock options granted during the period are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model.

The Company is also required to estimate the expected future forfeiture rate of options in its calculation of stock-based compensation expense. The cost of options is recognized, together with a corresponding increase in share-based payment reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant options become fully entitled to the award (the "vesting date"). The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and is the Company's best estimate of the number of options that will ultimately vest on the vesting date. The Company records share-based compensation expense and credits contributed surplus for all stock options granted which represents the movement in cumulative expense recognized as at the beginning and end of that period. Any consideration received on the exercise of stock options is credited to share capital.

Where the terms of a stock option award are modified, the minimum expense recognized in compensation expense is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the option or is otherwise beneficial to the options as measured at the date of modification.

(m) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers – being the Board of Directors. For management purposes, the Company is organized into one main operating segment, which involves exploration for lithium. All of the Company's activities are interrelated, and discrete financial information is reported to the Board as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

(n) Foreign operations

For entity whose functional currency is the Canadian dollar, transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences on monetary items are recognized in the year in which they arise.

The financial results of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of foreign operations are translated at the average rate of the exchange for the year. All assets and liabilities are translated at the rate of exchange ruling at the reporting date. Differences arising on translation are recognized as other comprehensive income ("OCI").

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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(o) Taxes

Taxes are comprised of current and deferred taxes. Tax expense is recognized in the profit or loss except to the extent that it relates to items recognized directly in other comprehensive income (loss) or elsewhere in shareholders' equity, in which case the related tax expense or recovery is also recognized directly in other comprehensive income (loss) or elsewhere in shareholders' equity.

Current tax expense is the expected cash tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax expense and related liability are recognized with respect to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to continue to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

(p) Loss per share

Loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Basic and diluted loss per share for each year presented are the same due to the potential issuances of shares under warrant or share option agreements being, in total, anti-dilutive.

(q) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(r) Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of twelve months or less. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term. During the year ended December 31, 2022, amounts totaling \$36,500 (December 31, 2021 - \$45,840) were included in the consolidated statements of loss and comprehensive loss related to leases of a short-term nature.

(s) Use of judgments and estimates

Management is required to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Management reviews these judgments, estimates and assumptions on an ongoing basis, including those related to fair values of financial instruments, recoverability of assets and income taxes. Actual results may differ from these estimates.

The key estimates and judgments concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(s) Use of judgments and estimates (continued)

Judgments

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations (disclosed below), that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Going Concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements.

Determining cash generating units ("CGUs")

For the purpose of assessing impairment of exploration and evaluation expenditures and property and equipment, assets are grouped at the lowest level of separately identified cash flows which make up the CGU. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU.

Recoverability of Exploration and Evaluation Assets

The application of the Company's accounting policy for exploration and evaluation expenditures and property and equipment requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events and circumstances. These assumptions may change if new information becomes available. If, after an expenditure has been capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is written off to profit or loss in the period to the extent that the carrying amount exceeds its recoverable amount, subject to further estimates by management.

Property Interests

Although the Company takes steps to verify title exploration and evaluation assets in which it has an interest, however, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Functional Currency

The assessment of the Company's functional currency and the functional currency of its subsidiaries involves judgment regarding the primary economic environment the Company and its subsidiaries operate in.

Current and Deferred Taxes

The Company applies judgment in determining the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain due to interpretations of complex tax regulations, changes in tax laws, and the amounts and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded.

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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(s) Use of judgments and estimates (continued)

Provisions

Management's determination of no material restoration, rehabilitation and environmental exposure is based on the facts and circumstances that existed during the period.

Contingencies

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

Non-cash transactions

Management uses judgement in determining that all significant non-cash transactions have been disclosed within the notes to the financial statements. These transactions, which have not been reflected in the statement of cash flows, include asset exchanges, debt for equity swaps, and acquisitions made through the issuance of shares. The valuation of these transactions has been determined based on fair value at the time of the transaction unless another measurement basis was more applicable.

Estimates

Deferred Taxes

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

Fair Value of Options and Warrants

The fair value of stock options and warrants issued are subject to the limitations of the Black Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black Scholes option pricing model requires the inputs of highly subjective assumptions, including the volatility of share prices, changes in input assumptions can materially affect the fair value estimate.

Useful Lives of Property and Equipment

Determination of the net book value of property and equipment requires management to make estimates of the useful economic life of the assets, residual value at the end of the asset's useful economic life, method of depreciation and whether impairment in value has occurred. Changes to estimates could be caused by a variety of factors, including changes to the useful life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to profit or loss in the period in which the change occurs, with a similar change in the carrying value of the asset on the consolidated statement of financial position.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(t) New Standards and Interpretations Adopted

In 2023 the Company adopted the amendment to IAS 1 – disclosure of material accounting policy information, in place of the disclosure of significant accounting policies. The adoption had no other material impact to the financial statements.

Certain new accounting standards and interpretations have been issued but were not effective for the year ended December 31, 2023. The Company has not early adopted any new standards. The Company is currently assessing the new and amended standards' impact on its consolidated financial statements; however, they are not expected to have a material impact on the Company's current or future reporting periods.

Amendments to IAS 1 – classification of liabilities as current or non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. No significant impact to the Company's financial statements is expected.

IFRS sustainability disclosure standards

The International Sustainability Standards Board (ISSB) of the IFRS Foundation has published IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures'. The objective of IFRS S1 and S2 is to require an entity to disclose information about its sustainability and climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. IFRS S2 applies to climate-related risks to which the entity is exposed (climate-related physical risks and climate-related transition risks) and climate-related opportunities available to the entity. An entity is required to provide disclosures required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reports and is required to report its sustainability-related financial disclosures at the same time as its related financial statements. The entity's sustainability-related financial disclosures are required to cover the same reporting period as the related financial statements.

While both Standards are effective from 1 January 2024. The following transitional reliefs are available:

- Comparative information: An entity is not required to disclose comparative information in the first annual reporting period in which it applies IFRS S1.
- Timing of reporting: In the first annual reporting period in which an entity applies IFRS S1, the entity is permitted to report its sustainability-related financial disclosures after it publishes its related financial statements (as specified in IFRS S1).
- Information on sustainability-related risks and opportunities other than climate: In the first annual reporting period in which an entity applies IFRS S1, the entity is permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements in IFRS S1 only insofar as they relate to the disclosure of climate-related financial information.

LITHIUM ION ENERGY LTD.

Notes to the Consolidated Financial Statements For the years ended December 31, 2023, and 2022 (Expressed in Canadian Dollars)

(t) New Standards and Interpretations Adopted (Continued)

The Company already has a sustainability reporting process in place however, the ISSB has confirmed that industry-specific disclosures are required and, in the absence of specific IFRS Sustainability Disclosure Standards, companies must consider the Sustainability Accounting Standards Board ('SASB') Standards to identify sustainability-related risks, opportunities and appropriate metrics. Accordingly, the directors are building capacity across the Company to perform a gap analysis, consider data reliability and environmental, social and governance risks and opportunities as well as appropriate targets, metrics and disclosure format.

3. PROPERTY AND EQUIPMENT

	Equipment	Furniture	Total
COST	\$	\$	\$
Balance, December 31, 2021	32,198	2,816	35,014
Foreign exchange variance	(3,850)	-	(3,850)
Balance, December 31, 2022	28,348	2,816	31,164
Foreign exchange variance	(342)	-	(342)
Balance, December 31, 2023	28,006	2,816	30,822
ACCUMULATED DEPRECIATION			
Balance, December 31, 2021	8,056	1,267	9,323
Depreciation for the year	2,984	845	3,829
Foreign exchange variance	(1,115)	-	(1,115)
Balance, December 31, 2022	9,925	2,112	12,037
Depreciation for the year	2,804	704	3,508
Foreign exchange variance	(48)	-	(48)
Balance, December 31, 2023	12,681	2,816	15,497
NET BOOK VALUE			
December 31, 2022	18,423	704	19,127
December 31, 2023	15,325	-	15,325

During the year ended December 31, 2023, depreciation totaling \$2,084 (year ended December 31, 2022 – \$2,984) was capitalized to the Baavhai Uul Project with the remaining \$704 (December 31, 2022 - \$845) expensed in the statement of loss and comprehensive loss.

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4. EXPLORATION AND EVALUATION ASSETS

	Baavhi Uul	Urgakh Naran	Bliss Lake	Little Nahanni	Total
	\$	\$	\$	\$	\$
Balance, December 31, 2021	1,586,084	473,423	-	-	2,059,507
Additions	176,300	511,787	-	-	688,087
Reclassification	(79,615)	79,615	-	-	-
Foreign exchange variance	(72,880)	(101,844)	-	-	(174,724)
Balance, December 31, 2022	1,609,889	962,981	-	-	2,572,870
Additions	24,755	200,770	150,476	22,935	398,936
Exchange for Victory Nickel interest (Note 5)	(67,500)	-	-	-	(67,500)
Foreign exchange variance	(12,682)	(10,961)	-	-	(23,643)
Balance, December 31, 2023	1,554,462	1,152,790	150,476	22,935	2,880,663

Baavhai Uul Project – Exploration License

The Company is the owner of a mineral exploration license (the “License”) to explore an area approximately 63,000 hectares in size containing lithium brine targets (the “Baavhai Uul Project”). The Company acquired the License pursuant to a purchase agreement dated February 15, 2019, for total consideration of \$1,229,630.

Under the terms of an amending agreement dated August 15, 2019, the following milestone payments remain outstanding:

- (i) On completion of an initial exploration programme as recommended by a technical report prepared in accordance with National Instrument 43-101 prepared for the Baavhai Uul Project, US\$200,000 in cash. As of December 31, 2023 \$289,520 (2022 - \$253,560) has been accrued in relation to this payment as a non-current liability.
- (ii) On completion of a feasibility study as such term shall be defined in the Technical Report, US\$200,000 in cash. This milestone has not yet been accrued as the probability of the company completing this item is not yet determinable.
- (iii) On the issuance of a mining license for the Baavhai Uul project located in Sukhbaatar province, US\$100,000 in cash. This milestone has not yet been accrued as the probability of the company completing this item is not yet determinable.

Future production on the Baavhai Uul Project is subject to a 1.5% gross revenue royalty.

Urgakh Naran Project – Exploration License

On February 10, 2021, the Company acquired the Urgakh Naran Lithium Brine Project (the “Urgakh Naran Project”) located in Mongolia’s Dornogovi Province. The name “Urgakh Naran” is Mongolian for “Rising Sun” and the Project covers an area of approximately over 29,770 hectares of prospective lithium terrain located 150km west northwest of the Company’s Baavhai Uul Lithium Brine Project. The Company acquired the Urgakh Naran Project as a result of a successful tender bid submitted to the Mineral Resource Authority of Mongolia.

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4. EXPLORATION AND EVALUATION ASSETS (Continued)

Acquisition of 1402166 B.C. LTD. (Bliss Lake Mineral Claims)

In August 2023, the Company completed the acquisition of 100% of the issued and outstanding common shares of 1402166 B.C. LTD. a company holding the rights to mineral claims located in the Northwest Territories (“NWT”), Canada known collectively as the “Bliss Lake Claims”. Pursuant to an amending agreement dated June 20, 2023, which closed on August 11, 2023 (“Closing Date”) the Company issued 571,428 common shares with a fair value of \$131,428. The Company completed initial prospecting work on the property and spent a further \$19,048.

The Company was determined to be the acquirer in the transaction. The acquisition was determined to be an asset acquisition as 1402166 B.C did not meet the definition of business. The Company allocated the fair value of consideration paid to the value of the exploration and evaluation asset acquired.

The Company will issue up to 1,250,000 common shares (with a floor price per share of \$0.20) one year from Closing if an assay result of a sample from the Property during the 12 months after the Closing Date yields a grade of at least 0.5% Li₂O, and up to 1,250,000 common shares (with a floor price per share of \$0.20) two years from Closing if an assay result of a sample from the Property during the 24 months after the Closing Date yields a grade of at least 0.5% Li₂O. If the Company announces a mineral resource estimate of at least 5 million tonnes of measured, indicated and inferred resources containing Lithium Oxide (Li₂O) grading of at least 1.00% on the mining claims on the Property, the Company will pay an additional \$300,000 cash payment within five days of the announcement to certain vendors. One third of the share-based milestone payments and one half of the cash-based milestone payment (should the above conditions be met) are payable to the Company’s CFO, Robert Payment. Mr. Payment became an officer of the Company after the close of the acquisition of 1402166 B.C. Ltd.

Little Nahanni Mineral Claims

The Company acquired the Little Nahanni Claims by staking during the year ended December 31, 2023, for a total cost of \$22,935.

5. OTHER INTEREST – VICTORY NICKEL PROJECT

On January 25, 2022, the Company entered into a binding term sheet which set out the terms for an exploration joint venture with Aranjin Resources Ltd. (“Aranjin”). The joint venture allowed for both companies to grant one another reciprocal exploration rights to their respective exploration licenses within Mongolia. Under the terms of the agreement, Aranjin was granted a right to explore Ion’s properties for base metals (including copper, lead, zinc, nickel, cobalt and associated metals) and to earn an 80% interest in and to all base metal projects discovered and/or defined on the Ion Properties subject to the existing royalties and subject to the completion by Aranjin of its work commitment of \$3.0 million over three years. Ion was granted a right to explore Aranjin’s properties for lithium and an 80% interest in and to all lithium projects discovered and/or defined on the Aranjin licenses, subject to the existing royalties. Aranjin is considered to be a related party as two of the Company’s directors also serve as directors of Aranjin.

During the year ended December 31, 2023, the Company entered an agreement with Aranjin whereby it agreed to formally separate a portion of Baavhi Uul exploration license covering the area identified by Aranjin known as the “Victory Nickel Project” in exchange for a 20% free carried interest in the Victory Nickel Project.

The exchange of a portion of the Company’s exploration license for the 20% carried interest represented a non-monetary transaction and was accounted for at fair value which was determined to be \$67,500.

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6. SHARE CAPITAL

Authorized

Unlimited number of common voting shares.

Issued and Outstanding

As of December 31, 2023, there were 65,087,471 common shares outstanding.

Common shares issued during the year ended December 31, 2023, were as follows:

- (i) On January 11, 2023, the Company issued a total of 82,500 shares in exchange of options exercised at a price of \$0.605 with the total proceeds of \$49,913. The value attributed to these options was \$16,262.
- (ii) On March 2, 2023, the Company issued 100,000 common shares in a non-brokered private placement at \$0.40 per share for aggregate gross proceeds of \$40,000.
- (iii) On July 20, 2023, the Company completed a non-brokered private placement of 4,000,000 units of the Company ("Units") at a price of \$0.25 per Unit, for aggregate gross proceeds of \$1,000,000 (the "Offering"). Each Unit consists of one common share of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one Share for \$0.40 for a period of 12 months after the closing of the Offering. In connection with the Offering, the Company recorded share issue costs of \$66,108 in relation to the private placement. The residual value of warrants issued in relation to the units have been valued at \$80,000 and have been allocated to contributed surplus.
- (iv) On August 11, 2023, the Company acquired the Bliss lake mineral claims which were held by 1402166 B.C. Ltd. by issuing 571,428 common shares with a fair value of \$131,428 (Note 4).

Common shares issued during the year ended December 31, 2022, were as follows:

- (i) On January 11, 2022, 135,000 stock options were exercised at a price of \$0.55 for total proceeds of \$74,250. The value attributed to these options was \$43,989.
- (ii) On July 26, 2022 and on August 25, 2022, the Company issued a total of 165,000 shares in exchange of options exercised at a price of \$0.605 with the total proceeds of \$99,825. The value attributed to these options was \$32,524.

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6. SHARE CAPITAL (Continued)

Stock Options

The Company has established a stock option plan (the "Plan") for its directors, officers and consultants under which the Company may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors. Options may be exercised for a maximum term of ten years from the date of the grant. They are non-transferable and expire the greater of 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire one year thereafter. Unless otherwise stated, the options fully vest when granted.

The following table reflects the continuity of stock options:

	Number of Options		Weighted Average Exercise Price
Balance at December 31, 2021	4,645,549	\$	0.35
Issued	330,000		0.605
Exercised	(300,000)		0.580
Balance at December 31, 2022	4,675,549	\$	0.35
Issued	2,072,000		0.300
Exercised	(82,500)		0.605
Cancelled	(1,593,049)		0.312
Balance at December 31, 2023	5,072,000	\$	0.31

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

Expiry date	Number of Options	Number of Exercisable Options	Weighted Average Exercise Price	Weighted Average Remaining Years
October 21, 2025	3,000,000	3,000,000	\$0.32	1.81
March 2, 2025	2,072,000	2,072,000	\$0.30	1.17
	5,072,000	5,072,000	\$0.31	1.55

Share-based compensation expense of \$247,485 (December 31, 2022 - \$65,078) related to options granted and vested during the period. The Black-Scholes option pricing model used the following weighted average assumptions:

	December 31, 2023	December 31, 2022
Risk-free interest rate	4.30%	1.29%
Expected life of options	2 years	2 years
Annualized volatility	93.00%	86%
Dividend rate	0%	0%
Weighted average fair value per option	\$ 0.26	\$0.19

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6. SHARE CAPITAL (Continued)

Warrants

The Company enters into agreements for various services for which all or partial consideration is comprised of warrants. As the fair value of the provision of services is difficult to measure, the Company measures the fair value of services received or to be received by reference to the fair value of warrants granted using the Black-Scholes Model.

A summary of warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2021	21,302,546	\$ 0.56
Expired	(9,112,546)	0.40
Balance at December 31, 2022	12,190,000	\$ 0.69
Issued	4,000,000	0.40
Balance at December 31, 2023	16,190,000	\$ 0.62

The following table summarizes the warrants outstanding as of December 31, 2023:

Expiry date	Number of Warrants	Weighted Average Exercise Price	Weighted Average
April 13, 2024	11,500,000	\$0.70	0.28
April 13, 2024	690,000	\$0.50	0.28
July 19, 2025	4,000,000	\$0.40	1.55
	16,190,000	\$0.40	0.60

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7. RELATED PARTY TRANSACTIONS

Key management personnel include those individuals having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals.

During the years ended December 31, 2023, and 2022, the Company entered the following transactions with key management:

	December 31, 2023	December 31, 2022
	\$	\$
Consulting fees	496,691	515,755
Share-based compensation	235,538	-
Total	732,229	515,755

As at December 31, 2023, and 2022, the following balances with related parties were outstanding:

	December 31, 2023	December 31, 2022
Related party balances	\$	\$
Accounts payable	263,229	-
Promissory note - Aranjin Resources Ltd.	-	101,749

Other related party transactions were as follows:

- The Company paid or accrued \$36,500 (2022 - \$36,500) for the office rent to Steppe Gold Ltd., whose Board includes three common directors.
- In connection with an equity financing completed during the year ended December 31, 2023, certain officers and directors, acquired an aggregate of 260,000 Units, for gross proceeds of \$65,000 (Note 6).
- On September 29, 2022, the Company agreed to loan \$100,000 to Aranjin Resources Ltd. ("Aranjin"). The loan is considered a related party transaction as there are two common directors of the respective companies. During the year ended December 31, 2023, the loan was repaid in full and the parties agreed that accrued interest would be forgiven.
- One third of the share-based milestone payments and one half of the cash-based milestone payment in relation to the acquisition of 1402166 B.C Ltd. are payable to the Company's CFO, Robert Payment (Note 4). Mr. Payment became an officer of the Company after the close of the acquisition of 1402166 B.C. Ltd.
- During the year ended December 31, 2023, the Company entered an agreement with Aranjin whereby it agreed to formally separate a portion of Baavhi Uul exploration license covering the area identified by Aranjin known as the "Victory Nickel Project" in exchange for a 20% free carried interest in the Victory Nickel Project (Note 5). Aranjin is considered to be a related party as two of the Company's directors also serve as directors of Aranjin.

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8. INCOME TAX

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

	December 31 2023	December 31 2022
	\$	\$
Loss for the year	(2,394,461)	(2,530,761)
Expected income tax (recovery)	(643,000)	(670,652)
Change in statutory, foreign tax, foreign exchange rates and other	272,000	(16,559)
Permanent differences	(75,000)	17,246
Share issue costs	57,000	52,501
Change in unrecognized deductible temporary differences	389,000	617,464
Total income tax expense (recovery)	-	-

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

	December 31 2023	December 31 2022
	\$	\$
Deferred tax assets (liabilities)		
Share issue costs	111,503	146,750
Exploration and evaluation assets	39,083	96,544
Capital losses	101,250	99,375
Non-capital losses	2,316,000	1,931,722
	2,567,836	2,274,391
Unrecognized deferred tax assets	(2,567,836)	(2,274,391)
Net deferred tax assets	-	-

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

	December 31 2023	Expiry Date Range	December 31 2022	Expiry Date Range
	\$		\$	
Temporary Differences				
Share issue costs	413,000	2042 to 2045	553,700	2042 to 2045
Exploration and evaluation assets	39,083	No expiry date	364,000	No expiry date
Capital losses	375,000	No expiry date	375,000	No expiry date
Non-capital losses	8,620,000	2042 to 2045	7,726,889	2042 to 2045
Canada	8,064,000	2041 to 2043	7,167,562	2040 to 2042
Mongolia	556,000	2026	559,327	2025

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9. CAPITAL RISK MANAGEMENT

The Company's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to acquire and conduct exploration and evaluation activities on mineral properties. The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, such that it can provide returns for shareholders and benefits for other stakeholders.

10. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk). All amortized cost financial instruments approximate their fair value due to the short term to maturity.

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents balance.

Cash and cash equivalents are held with a Canadian chartered bank and a financial institution in Mongolia, as well as in trust with a law firm with which the Company frequently does business. Sales tax and other receivables consist primarily of HST recoverable. Related party note receivable is due from a Company with a number of common directors.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet its obligations, it will consider securing additional equity or debt funding. The Company's cash and cash equivalents are currently invested in business accounts with high-credit quality financial institutions and in trust and are available on demand by the Company. The Company's financial obligations consist of accounts payable and accrued liabilities.

Years ended		Less than one year	1-3 years	3-5 years	More than 5 years	Total
Dec 31, 2023	Accounts payable and accrued liabilities	1,192,972	-	-	-	1,192,972
Dec 31, 2022	Accounts payable and accrued liabilities	509,705	-	-	-	509,705

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such interest rate, foreign exchange rates and commodity and equity prices.

(iv) Interest rate risk

The Company has cash and cash equivalents and no interest-bearing debt. The Company does not believe it is exposed to material interest rate risks.

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10. FINANCIAL RISK MANAGEMENT (continued)

(v) Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar. The Company has cash balances in Mongolian tugrik and US dollars that are subject to foreign currency risk.

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and other liabilities, that are denominated in US dollars and Mongolian Tughrik. Sensitivity to a plus or minus 5% change in the foreign exchange rate of the US dollar compared to the Canadian dollar would affect net income by \$10,000 (December 31, 2022 - \$5,417) with all other variables held constant.

(vi) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to lithium, and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the work market price of lithium. There is no assurance that, even if commercial quantities of lithium deposits are produced in the future, a profitable market will exist for them. As of December 31, 2023, the Company was not a lithium producer. Even so, commodity prices may affect the completion of future equity transactions such as equity offerings. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

11. SUBSEQUENT EVENTS

Subsequent to December 31, 2023, the Company completed the following transaction:

- a) The Company announced the settlement of \$143,669 in debt in exchange for the issuance of 606,675 common shares. The transaction is subject to approval by the TSX-V.
- b) The Company granted 1,250,000 stock options exercisable at a price of \$0.09 for a period of two years from the grant date. The options vested at the grant date.
- c) The Company announced its intention to extend 11,500,000 share purchase warrants exercisable at a price of \$0.70 for an additional one-year period. The warrants were originally set to expire on April 12, 2024. The transaction is subject to TSX-V approval.
- d) The Company announced its intention to extend 4,000,000 share purchase warrants exercisable at a price of \$0.40 for an additional one-year period. The warrants were originally set to expire on July 20, 2024. The transaction is subject to TSX-V approval.