



BATTERY MINERAL RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(Unaudited)

(Expressed in Canadian Dollars)

BATTERY MINERAL RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Canadian Dollars - Unaudited)

As at

Reported in CAD	Note	September 30, 2021	December 31, 2020
ASSETS			
Current assets			
Cash	5	\$ 531,471	\$ 4,168,118
Receivables	6	123,818	54,113
Prepays	7	209,847	15,499
Assets included in disposal group held for sale	20	34,413,011	41,638,421
Total current assets		35,278,148	45,876,151
Non-current assets			
Equipment	8	61,663	89,648
Exploration advances	9	404,000	666,097
Exploration and evaluation assets	10	48,617,823	23,179,316
Total non-current assets		49,083,486	23,935,061
TOTAL ASSETS		\$ 84,361,634	\$ 69,811,212
LIABILITIES			
Current liabilities			
Trade and other payables	11, 14	\$ 867,900	\$ 904,802
Flow-through premium liability	13	321,123	-
Income taxes payable		183,000	183,000
Liabilities related to disposal group held for sale	20	9,231,996	9,543,460
Total current liabilities		10,604,019	10,631,262
TOTAL LIABILITIES		10,604,019	10,631,262
EQUITY			
Share capital	13	61,062,762	35,239,267
Contributed surplus	12, 13, 20	32,867,784	32,408,573
Subscriptions received in advance	13	-	400,001
Cumulative translation adjustment on held for sale disposal group	20	-	(700,245)
Non-controlling interest on held for sale disposal group	20	-	3,466,256
Deficit		(20,172,931)	(11,633,902)
TOTAL EQUITY		73,757,615	59,179,950
TOTAL LIABILITIES AND EQUITY		\$ 84,361,634	\$ 69,811,212
Nature of operations and going concern	1		
Contingent liabilities	18		
Subsequent events	21		

Approved on behalf of the Board:

/s/ Lazaros Nikeas

/s/ Stephen Dunmead

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

BATTERY MINERAL RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars - Unaudited)

For the three and nine months ended September 30, 2021

	Note	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
EXPENSES					
Consulting fees		\$ 45,243	\$ -	\$ 228,188	7,458
Depreciation of equipment	8	2,872	2,872	8,615	8,616
Director fees	14	24,059	23,951	70,899	72,257
Foreign exchange loss		23,407	45,952	422,073	23,193
General and administration		55,383	16,098	140,148	82,736
Investor relations		169,059	-	309,875	-
Management fees	14	252,314	121,950	564,572	360,903
Professional fees	14	108,663	239,525	632,970	596,575
Property examination costs		1,460	7,980	32,882	150,706
Stock based compensation	13	249,436	-	452,757	-
Transaction costs	3	120,517	-	525,236	-
Loss from operations		(1,052,413)	(458,328)	(3,388,215)	(1,302,444)
Impairment of exploration and evaluation assets	10	(5,325)	(73,118)	(158,646)	(2,393,158)
Recognition of flow-through premium	13	60,165	-	109,928	549,564
Gain on revaluation of Fusion options		6,454	-	32,271	-
Listing expenses	4	-	-	(1,985,907)	-
Loss for the period for continuing operations		\$ (991,119)	\$ (531,446)	\$ (5,390,569)	\$ (3,146,038)
Discontinued operation gain	20	1,616,470	401,611	1,205,610	401,611
Remeasurement gain / (loss) on disposal group held for sale	20	(347,850)	48,626	(3,501,424)	48,626
Total discontinued operation		1,268,620	450,237	(2,295,814)	450,237
Gain / (loss) for the period		\$ 277,501	\$ (81,209)	\$ (7,686,383)	\$ (2,695,801)
Cumulative translation adjustment on disposal group	20	84,682	-	(852,645)	-
Gain / (loss) and comprehensive gain / (loss) for the period		\$ 362,183	\$ (81,209)	\$ (8,539,029)	\$ (2,647,175)
Loss per share					
Basic and diluted loss per ordinary share		\$ (0.01)	\$ (0.00)	\$ (0.04)	\$ (0.03)
Basic and diluted weighted average number of ordinary shares outstanding		170,075,730	106,551,094	153,794,642	99,419,304
Loss per share - Discontinued operations					
Basic and diluted gain / (loss) per ordinary share		\$ 0.00	\$ (0.00)	\$ (0.05)	\$ (0.00)
Basic and diluted weighted average number of ordinary shares outstanding		170,075,730	106,551,094	153,794,642	95,814,224

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

BATTERY MINERAL RESOURCES CORP.

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

	# of shares issued	Share capital	Contributed surplus	Contingently issuable shares	Receivable share subscriptions	Deficit	Total	Non-controlling interest and Cumulative translation adjustment	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2019	91,887,870	11,335,824	-	-	1,100,000	(251,519)	12,184,305	-	12,184,305
Shares issued for cash	4,130,615	2,685,000	-	-	(1,300,000)	-	1,385,000	-	1,385,000
Shares issued to Weston for cash	2,600,000	1,727,690	-	-	-	-	1,727,690	-	1,727,690
Share issue costs	-	(9,247)	-	-	-	-	(9,247)	-	(9,247)
Shares issued to Yorktown for ESI (Note 19)	30,000,000	19,500,000	-	-	-	-	19,500,000	-	19,500,000
Contingently issuable shares on acquisition of ESI	-	-	-	11,250,000	-	-	11,250,000	-	11,250,000
Non-controlling interest on acquisition of ESI	-	-	-	-	-	-	-	3,723,094	3,723,094
Goodwill related to common control transaction of ESI	-	-	-	-	-	(6,174,592)	(6,174,592)	-	(6,174,592)
Capital contribution from Yorktown related to ESI (Note 19)	-	-	10,000,000	-	-	-	10,000,000	-	10,000,000
Contingently issuable shares re-allocated to contributed surplus	-	-	11,250,000	(11,250,000)	-	-	-	-	-
Goodwill re-allocated to contributed surplus	-	-	(5,507,736)	-	-	6,174,592	666,856	(666,856)	-
Subscription receipts (Note 13)	-	-	-	-	200,000	-	200,000	-	200,000
Subscriptions received in advance (Note 13)	-	-	-	-	400,001	-	400,001	-	400,001
Loss for the year	-	-	-	-	-	(3,872,354)	(3,872,354)	-	(3,872,354)
Discontinued operation income	-	-	-	-	-	928,518	928,518	112,422	1,040,940
Remeasurement gain on ESI (Note 20)	-	-	-	-	-	2,457,923	2,457,923	297,596	2,755,519
Excess purchase price on common control transaction (Note 19)	-	-	11,596,715	-	-	(11,596,715)	-	-	-
Dividend received (Note 20)	-	-	5,069,594	-	-	-	5,069,594	-	5,069,594
Cumulative translation adjustment on held for sale disposal group	-	-	-	-	-	700,245	700,245	(700,245)	-
Balance at December 31, 2020	128,618,485	35,239,267	32,408,573	-	400,001	(11,633,902)	56,413,939	2,766,011	59,179,950
Shares issued for cash	1,923,077	1,250,000	-	-	-	-	1,250,000	-	1,250,000
Shares issued for flow through shares (Note 13)	735,294	500,000	-	-	-	-	500,000	-	500,000
Shares issued for settlement of the claim dispute in Idaho (Note 10, 13)	200,000	130,000	-	-	-	-	130,000	-	130,000
Shares issued for historic property obligations (Note 10, 13)	900,000	585,000	-	-	-	-	585,000	-	585,000
Shares issued related to Fusion amalgamation (Note 4)	3,100,000	2,015,000	-	-	-	-	2,015,000	-	2,015,000
Stock options related to Fusion amalgamation (Note 4)	-	-	38,725	-	-	-	38,725	-	38,725
Shares issued for Chilean property acquisition (Note 10, 13)	21,156,074	13,751,448	-	-	-	-	13,751,448	-	13,751,448
Shares issued to Bluequest for Chilean property acquisition (Note 10, 13)	10,000,000	6,043,000	-	-	-	-	6,043,000	-	6,043,000
Shares issued for flow through shares (Note 13)	1,388,888	999,999	-	-	-	-	999,999	-	999,999
Shares issued to Weston for Chilean property acquisition (Note 10, 13)	1,538,462	1,001,120	-	-	-	-	1,001,120	-	1,001,120
Shares issued for flow through shares (Note 13)	1,675,384	1,306,800	-	-	-	-	1,306,800	-	1,306,800
Flow through premium liability (Note 13)	-	(431,051)	-	-	-	-	(431,051)	-	(431,051)
Shares issue costs	-	(1,063,496)	-	-	-	-	(1,063,496)	-	(1,063,496)
Options exercised related to Fusion amalgamation (Note 4)	62,500	12,500	(32,271)	-	-	32,271	12,500	-	12,500
Cancellation of shares in relation to the Transaction (Note 4)	(425,885)	(276,825)	-	-	-	-	(276,825)	-	(276,825)
Share-based payments (Note 13)	-	-	452,757	-	-	-	452,757	-	452,757
Subscriptions received in advance (Note 13)	-	-	-	-	(400,001)	-	(400,001)	-	(400,001)
Loss for the period	-	-	-	-	-	(5,422,841)	(5,422,841)	-	(5,422,841)
Discontinued operation loss (Note 20)	-	-	-	-	-	1,205,610	1,205,610	-	1,205,610
Remeasurement loss on ESI (Note 20)	-	-	-	-	-	(3,501,424)	(3,501,424)	-	(3,501,424)
Payout of minority ESI shareholders (Note 20)	-	-	-	-	-	-	-	4,988,020	4,988,020
Cumulative translation adjustment on held for sale disposal group	-	-	-	-	-	(852,645)	(852,645)	-	(852,645)
Balance at June 30, 2021	170,872,279	61,062,762	32,867,784	-	-	(20,172,931)	73,757,615	7,754,031	81,511,645

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

BATTERY MINERAL RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (Expressed in Canadian Dollars - Unaudited)

	September 30, 2021	September 30, 2020
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the period	\$ (8,539,029)	\$ (3,146,038)
Items not affecting cash:		
Depreciation	8,615	8,616
Impairment of exploration and evaluation assets	158,646	2,393,158
Listing expense for Fusion Amalgamation	1,985,907	-
Share-based payments	459,211	-
Recognition of flow-through premium	(109,928)	(549,564)
Remeasurement loss on disposal group held for sale	3,501,424	-
Discontinued operation gain	(1,205,610)	-
Cumulative translation adjustment on disposal group	852,645	-
Changes in non-cash working capital items:		
Receivables	(69,705)	315,607
Prepaid expenses	(194,348)	31,487
Trade and other payables	1,186,299	(232,338)
Net cash used in operating activities	(1,965,873)	(1,179,072)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Exploration and evaluation assets	(18,057,379)	(3,618,526)
Restricted cash	-	1,100,000
Net cash used in investing activities	(18,057,379)	(2,518,526)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Proceeds from issuance of shares issued for Chilean property acquisition	13,056,508	-
Proceeds from issuance of shares	1,250,000	3,112,690
Proceeds from issuance of flow-through shares	2,806,799	-
Shares issued to Weston Energy LLC	1,001,120	-
Proceeds from Fusion options exercised	12,500	-
Proceeds returned from cancellation of shares	(276,825)	-
Share issue costs	(1,063,496)	(9,247)
Subscription receipts	(400,001)	200,000
Net cash provided by financing activities	16,386,605	3,303,443
Change in cash during the period	(3,636,647)	(394,155)
Cash, beginning of period	4,168,118	469,112
Cash, end of period	\$ 531,471	\$ 74,957
Non-cash financing and investing activities:		
	September 30, 2021	September 30, 2020
Amortization of equipment reclassified to E&E	\$ 19,370	\$ 10,287
Exploration and evaluation in accounts payable	758,604	545,144
Exploration and evaluation advances applied to exploration and evaluation assets	262,097	1,166,620
Shares issued to Yorktown in consideration for ESI	-	19,500,000
Disposal group classified as held for sale	-	(19,500,000)

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

BATTERY MINERAL RESOURCES CORP.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2021

1. NATURE OF OPERATIONS AND GOING CONCERN

Battery Mineral Resources Corp. (the "Company") was incorporated on November 26, 2019, under the laws of British Columbia, Canada. The Company's registered office and principal place of business is located Suite 400 – 744 West Hastings Street, Vancouver, BC V6C 1A5.

The Company holds resource interests including copper, gold, cobalt, lithium, and graphite properties. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as exploration and evaluation properties represent net costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

The Company's principal business activities include the potential resumption of operations and production of copper concentrates in 2022 at the recently acquired Punitaqui Mine Complex, the acquisition and exploration of mineral exploration and evaluation assets in Canada, the United States, Chile, and South Korea. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration and development stage.

On September 9, 2020, the Company completed the acquisition of an 89.2% interest in ESI Energy Services Inc. ("ESI") (Note 19), a company in the business of supplying backfill separation machines ("Padding Machines") to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors. ESI is considered to be held for sale and ESI and the Company are under common control.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

On February 12, 2021, the Company completed a reverse takeover transaction with Fusion Gold Ltd. ("Fusion"). Trading of the Company's common shares commenced on February 22, 2021 (Note 4).

On May 26, 2021, the Company completed the acquisition of ESI concurrent with the completion of the ESI going private transaction. The result is the Company now owns 100% of the ESI common shares (Note 19, 20).

On May 28, 2021, the Company's wholly-owned Chilean subsidiary Minera BMR SpA completed the acquisition from Minera Altos de Punitaqui Limitada ("MAP"), a wholly-owned subsidiary of Xiana Mining Inc., of the Punitaqui Mining Complex ("Punitaqui"), a recently producing copper-gold mine located in the Coquimbo region of Chile (Note 3, 10, 13).

While there can be no assurances that the Company will be able to raise additional financing in the future, or at favourable terms, if needed, management is of the opinion that additional financing will be available to continue its planned activities in the normal course of operations. If the Company is unable to raise the necessary capital and generate sufficient cash flows to meet obligations as they come due, the Company may have to reduce or curtail its operations or obtain financing at unfavourable terms. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Furthermore, failure to continue as a going concern would require the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

BATTERY MINERAL RESOURCES CORP.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2021

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2020.

Approval of the financial statements

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2021.

Basis of presentation

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

Functional and presentation currency

These unaudited condensed interim consolidated financial statements are presented in Canadian Dollars, unless otherwise noted, which is the functional currency of the parent and of its subsidiaries.

BATTERY MINERAL RESOURCES CORP.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2021

2. BASIS OF PREPARATION (cont'd.)

Basis of consolidation

These unaudited condensed interim consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries as follows:

Name of Subsidiaries	Principal Activity	Country of Incorporation	Proportion of Ownership Interest and Voting Power Held Incorporation	
			September 30, 2021 %	December 31, 2020 %
North American Cobalt Inc. (formerly Battery Mineral Resources Limited)	Resource Exploration	Canada	100	100
North American Cobalt Inc.	Resource Exploration	USA	100	100
Battery Mineral Resources (Nevada), Inc.	Resource Exploration	USA	100	100
Opirus Minerals Group Pty Ltd.	Intermediate Holding Company	Australia	100	100
Battery Mineral Resources Korea (formerly Won Kwang Mines Inc.)	Resource Exploration	South Korea	100	100
ESI Energy Services Inc. ("ESI") *	Oil and Gas Service Company	Canada	100	89.2
Ozzies, Inc. (formerly ESI Pipeline Services, Inc.)*	Oil and Gas Service Company	USA	100	89.2
Energy Services (Australia) Pty Ltd.*	Oil and Gas Service Company	Australia	100	89.2
Minera BMR SpA	Resource Exploration	Chile	100	-

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances have been eliminated upon consolidation. Assets, liabilities, income, and expenses of entities subject to consolidation are recorded from the date of acquisition to the date of disposal.

* Note: ESI and related subsidiaries are classified as assets held for sale in these financial statements (Notes 19, 20)

BATTERY MINERAL RESOURCES CORP.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2021

2. BASIS OF PREPARATION (cont'd...)

Significant estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and the reported expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events, or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates are made when applying accounting policies. The critical estimates that have the most significant effects on the amounts recognized in the unaudited condensed interim consolidated financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Valuation of common shares issued

Valuation of common shares issued for the net assets of the Old Battery subsidiaries and of ESI are classified as equity based on the value of consideration provided. The measurement date is defined as the earliest of the date at which the commitment for shares were entered into or the current fair value of the cash consideration which has been exchanged for the shares issued.

Deferred revenue

Deferred revenue consisted of advances received by the Company in consideration for future commitments to deliver ore extracted from the Company's exploration and evaluation assets. As deliveries are made, the Company would record a portion of the deferred revenue as sales, based on a proportionate share of deliveries made compared with the total estimated contractual commitment. The Company was to earn into ownership in a mill and determined there was no financing component.

BATTERY MINERAL RESOURCES CORP.

Notes to Unaudited Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the nine months ended September 30, 2021

2. BASIS OF PREPARATION (cont'd...)

Significant judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements are, but are not limited to, as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Acquisition of an associated company

The Company acquired 89.2% ownership of ESI on September 9, 2020 (Note 19). The process for determining whether the acquisition was an asset purchase versus a business acquisition was performed. Primary consideration was given to the Oil and Gas Padding Service Company and ESI was considered to meet the definition of a business. As both the Company and ESI were under common control by Yorktown Energy LLC ("Yorktown"), the acquisition of ESI was scoped out of IFRS 3 as the acquisition was a transaction under common control. The Company's intent is to sell ESI to a third party within the next 12 months and accordingly has recorded the investment in ESI as a current asset held for sale and discontinued operations and will account for the acquisition fair market value less cost to sell. Any gain on a bargain purchase is recognised in deficit due to the common control ownership.

Shares issued to acquire ESI and contingently issuable shares were valued based on the most recent third-party financing. Contingently issuable shares were also based on probability of occurrence as further disclosed in Note 20.

On May 28, 2021, the Company acquired 100% of ESI common shares by completing a go private transaction.

Assets held for sale

Current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Additional accounting policies relevant to Assets held for sale (Note 20) are as follows:

i. Inventory

Inventory classified under current assets are valued at the lower of cost and net realizable value on a first-in, first-out basis. The cost of inventory includes all costs incurred in the normal course of business to bring each product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any expected selling costs. If the carrying amount exceeds net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if circumstances which caused it no longer to exist and the inventory is still on hand.

BATTERY MINERAL RESOURCES CORP.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2021

2. BASIS OF PREPARATION (cont'd...)

Significant judgements (cont'd...)

ii. Property, plant and equipment

Property, plant and equipment is recorded at fair value.

iii. Revenue recognition

Rental revenue from padding machines and oilfield service equipment is recognized with the passage of time under month-to-month contracts, starting when the equipment is delivered, which is the time control of the goods has passed to the purchaser and collection is reasonably assured. Upon commencement of the rental contract, customers are invoiced in advance for equipment.

Spare parts and consumables related to rented machines are invoiced in advance for the full value of the spare parts and consumables delivered. Payments for spare parts and consumables delivered are recorded as deferred revenue. Upon return of the rented equipment, the customer is refunded the value of any spare parts and consumables returned, less a restocking fee.

Sales of spare parts not related to rented machines as mentioned above are reflected as inventory sales. Revenue on the sale of machines and inventory is recognized when the control of the goods passes to the customer, collection is reasonably assured and generally when physical delivery has occurred. Contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year are not expected to occur. As a result, there is no adjustment to any of the transaction prices for the time value of money. Mobilization and other services are also rendered. The revenue is recognized over time, as the services are rendered, which typically occurs within one or few days.

For the mobilization revenue, ESI acts as a principal, as a result of which presentation of mobilization revenue is at gross.

ESI uses the following practical expedients:

- ESI applies the requirements of the revenue standard to a portfolio of similar contracts (or similar performance obligations) because there is an expectation that the effects on the financial statements will not materially differ from applying the guidance to the individual contracts (or individual performance obligations).
- ESI does not adjust the promised amount of consideration for the effects of a significant financing component because there is an expectation, at contract inception, that the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.
- Where ESI has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of completed performance to date, revenue is recognized in the amount to which the Company has a right to invoice.

BATTERY MINERAL RESOURCES CORP.

Notes to Unaudited Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the nine months ended September 30, 2021

3. PUNITAQUI ACQUISITION

On May 28, 2021, the Company entered into a loan purchase agreement with Bluequest Resources AG ("Bluequest"), whereby the Company acquired Bluequest's interest in secured loan obligations with a principal amount of US\$10,000,000 and unpaid accrued interest of US\$1,506,559 due from Xiana Mining Inc. ("Xiana") to Bluequest (the "Xiana Indebtedness") inclusive of all associated rights, and Bluequest's security interest in Minera Altos de Punitaqui Limitada ("MAP"), a wholly-owned subsidiary of Xiana and the Punitaqui Mining Complex owned by MAP. Acquiring the Xiana Indebtedness and the associated security enabled the Company to acquire its leasehold interest in the Punitaqui Mining Complex free and clear of the prior claims of any third party secured creditors. In consideration for the Xiana Indebtedness, the Company (i) issued 10,000,000 Common Shares to Bluequest at US\$0.50, equal to \$6,043,000 (US\$5,000,000) and (ii) may be required to pay up to US\$5,000,000 of additional payments subject to achieving certain production milestones at the Punitaqui Mine, with each milestone payment to be satisfied, at the election of Bluequest, by the payment of cash, the issuance of Common Shares at prevailing market prices (subject to a minimum issue price of C\$0.41), or a combination of both (Note 18). On closing, the Company paid a cash consideration \$180,000 (US\$149,217), for the unsecured Minera Altos de Punitaqui ("MAP"), indebtedness to Bluequest as past of the loan purchase agreement.

Concurrently, on May 28, 2021, the Company entered into a 99-year lease agreement with MAP, to access and utilize MAP's mining concessions, mineral properties, equipment, and water rights. This lessee-operator structure allows Battery to utilize all the MAP assets without assuming any potential unknown liabilities while participating in 100% of the economic results of MAP. In addition, MAP has granted the Company a 15-year call option pursuant to which the Company can convert its leasehold interest in the Punitaqui Mining Complex into a direct ownership interest, for no consideration other than any outstanding quarterly installments payable under the terms of the original lease agreement. The lease payments are denominated in USD and Chilean Pesos and consist of 23 quarterly installments payable over the course of six years beginning on June 30, 2021. The total lease consideration per the lease agreement is \$15,030,000 (US\$12,450,000). Upon closing the Company paid \$5,343,000 (US\$4,426,000) in cash for the rights to the option payment and \$4,510,000 (US\$3,736,000) in cash for the upfront lease payment. The total future lease payments amount to \$11,712,330 (US\$9,450,000) and will be capitalized to Punitaqui acquisition costs when each quarterly installment is paid.

The Company issued 1,069,138 shares to Weston Energy for \$694,940 (US\$555,952) in exchange for the debtor in possession ("DIP") secured loan.

The Company has also entered into a Promissory Purchase Agreement Over Equity Rights ("Promissory Purchase Agreement") with Xiana. The Promissory Purchase Agreement allows the Company to exercise the right to acquire 100% of the equity interest in MAP from Xiana at any time over the next 10 years, for a purchase price consideration of US\$100. As of September 30, 2021, the Company has not exercised the rights per the Promissory Purchase Agreement.

As the Company has entered into a Promissory Purchase Agreement to acquire the equity interest in MAP, the Company has accounted for the Punitaqui acquisition as a business combination under IFRS 3.

The following purchase price allocation is based on management's best estimate of the assets acquired and liabilities assumed and is subject to change upon finalizing the values of the net assets acquired.

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3. PUNITAQUI ACQUISITION (cont'd...)

The consideration for the Punitaqui acquisition was:

Cost of acquisition:

Option payment	\$	5,343,000
Lease payment		4,510,000
DIP payment		695,000
Issuance of 10,000,000 shares to Bluequest		6,043,000
Cash payment to Bluequest		180,000
Fair value of consideration	\$	16,771,000

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

Fair value of MAP:

Inventory	\$	2,142,000
Taxes receivables		1,579,000
Mineral property		31,923,000
Trade and other payables		(30,900,000)
Asset retirement obligation		(4,744,000)
		-
Net identifiable assets equal to purchase price	\$	16,771,000

The Company has capitalized 100% of the fair value of MAP as acquisition costs to the Punitaqui exploration and evaluation asset (Note 10). The Company has expensed \$525,236 as transaction costs, related to the Punitaqui acquisition.

As of September 30, 2021, the Company made the quarterly lease payment of \$905,380 (US\$720,414), which has been capitalized to acquisition costs in Punitaqui exploration project.

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4. REVERSE TAKEOVER TRANSACTION

On December 23, 2019, Fusion entered into a definitive amalgamation agreement with BMR, 1234525 B.C. Ltd., a newly incorporated wholly owned subsidiary of Fusion, and Weston Energy LLC ("Weston"). This agreement was amended on March 25, 2020, May 14, 2020, August 31, 2020, December 29, 2020, and January 31, 2021; together the definitive amalgamation agreement and the amendments are referred to hereinafter as the "New Definitive Agreement".

The New Definitive Agreement (i) extends the time for completion of the Transaction from August 31, 2020, to March 1, 2021, and (ii) increases the expense reimbursement fee from \$250,000 to \$350,000 (payable by Battery to Fusion in the event the Transaction is not completed by December 31, 2020, for any reason other than as a result of the failure of Fusion to fulfill a material condition or obligation under the Definitive Agreement).

Pursuant to the New Definitive Agreement, Fusion acquired all of the issued and outstanding securities of BMR, by way a three cornered amalgamation under the British Columbia Business Corporations Act pursuant to which BMR and Fusion Subco amalgamated, shareholders of BMR exchanged their shares of BMR for shares of Fusion on a one-for-one basis on a post-consolidation basis (as defined below) and BMR became a wholly-owned subsidiary of Fusion (together with the related transactions and corporate procedures set out in the New Definitive Agreement, the "Transaction").

In connection with the Transaction, Fusion consolidated its common shares on a 2:1 basis (the "Consolidation"). In addition, upon closing of the Transaction, Fusion changed its name to "Battery Mineral Resources Corp.". On closing the Transaction, the Resulting Issuer met the TSXV's initial listing requirements for a Tier 1 or Tier 2 mining issuer.

In connection with the Transaction, BMR completed a private placement of: (i) flow-through common shares of BMR at a price of \$0.68 per share; and (ii) common shares of BMR at a price of \$0.65 per share, to raise aggregate gross proceeds of \$1,750,000. Shares issued under the private placement were immediately exchanged for one post-consolidation common share of Fusion upon closing of the Transaction (together, the "Concurrent Financing").

On February 15, 2021, the Company completed a reverse takeover transaction ("RTO"), with Fusion Gold Ltd. (Fusion), a TSX Venture Exchange listed company, to complete a share exchange that resulted in the Company's shareholders taking over Fusion (the "Transaction"). The Transaction is intended to constitute Fusion's "qualifying transaction" and is structured as a three-cornered amalgamation pursuant to which the Company amalgamated with 1234525 B.C. Ltd. The amalgamated entity become a wholly owned subsidiary of Fusion and the security holders of the Company exchanged securities of the Company for securities of Fusion on a one-for-one basis (after a consolidation of Fusion's common shares on a 2:1 basis). As a result of the shareholders of the Company own more shares in the combined entity, the Company is deemed to control the new entity and the continuing financial statements will be those of the Company.

Trading of the Company's common shares commenced on February 22, 2021.

BATTERY MINERAL RESOURCES CORP.

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4. REVERSE TAKEOVER TRANSACTION (cont'd...)

For accounting purposes, the acquisition was treated as an RTO. As such, effective as at the date of closing, the fair value of the consideration deemed to be paid by the Company and the fair value assigned to Fusion's identified assets acquired and liabilities assumed are presented below:

Cost of acquisition:

Fair value of post-consolidation common shares retained by Fusion shareholders - 3,100,000 at \$0.65	\$	2,015,000
Fair value of Fusion stock options		38,725
Total consideration	\$	<u><u>2,053,725</u></u>

Allocated as follows:

Cash	\$	60,963
Receivables		7,386
Trade and other payables		(531)
	\$	<u>67,818</u>
Allocation to listing expense		1,985,907
	\$	<u><u>2,053,725</u></u>

BATTERY MINERAL RESOURCES CORP.

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5. CASH

Cash is comprised as follows:

		30-Sep-21		31-Dec-20
Cash in Canadian financial institutions	\$	494,561	\$	4,135,035
Cash in American financial institutions		35,417		14,784
Cash in Australian financial institutions		1,165		77
Cash in South Korean financial institutions		328		18,222
Total	\$	531,471	\$	4,168,118

6. RECEIVABLES

Receivables are comprised as follows:

		30-Sep-21		31-Dec-20
GST/HST receivable	\$	124,244	\$	54,524
QST receivable		(426)		(426)
VAT receivables		-		15
Total	\$	123,818	\$	54,113

7. PREPAID EXPENSES

Prepaid expenses are comprised as follows:

		30-Sep-21		31-Dec-20
Prepaid expenses	\$	209,847	\$	15,499
Total	\$	209,847	\$	15,499

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8. EQUIPMENT

	Motor vehicles	Mining equipment	Computer equipment	Office equipment	Total
Cost					
At December 31, 2019	\$ 13,465	\$ 47,420	\$ 48,727	\$ 25,803	\$ 135,415
Additions	-	-	-	-	-
At December 31, 2020	\$ 13,465	\$ 47,420	\$ 48,727	\$ 25,803	\$ 135,415
Additions	-	-	-	-	-
At September 30, 2021	\$ 13,465	\$ 47,420	\$ 48,727	\$ 25,803	\$ 135,415

Accumulated depreciation

At December 31, 2019	-	(1,102)	(912)	-	(2,014)
Additions	(6,447)	(13,230)	(11,489)	(12,587)	(43,753)
At December 31, 2020	\$ (6,447)	\$ (14,332)	\$ (12,401)	\$ (12,587)	\$ (45,767)
Additions	(3,052)	(9,923)	(8,615)	(6,395)	(27,985)
At September 30, 2021	\$ (9,499)	\$ (24,255)	\$ (21,016)	\$ (18,982)	\$ (73,752)

Carrying amounts

At December 30, 2020	\$ 7,018	\$ 33,088	\$ 36,326	\$ 13,216	\$ 89,648
At September 30, 2021	\$ 3,966	\$ 23,165	\$ 27,711	\$ 6,821	\$ 61,663

As of September 30, 2021, \$6,615 (September 30, 2020: \$9,923) of mining equipment depreciation has been capitalized to the McAra Canadian Cobalt Project recorded in field office and other (Note 10). As of September 30, 2021, \$1,070 (September 30, 2020: \$19,034) of motor vehicle and office equipment depreciation has been capitalized to the Geuman and Taehwa Projects recorded in field office and other (Note 10).

As of September 30, 2021, \$8,615 (September 30, 2020: \$8,616) of computer equipment depreciation has been recorded as depreciation of equipment expense.

BATTERY MINERAL RESOURCES CORP.

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9. EXPLORATION ADVANCES

The Company has made advance payments of for drilling and exploration services for its Cobalt Project. The deposits will be capitalized to the Company's exploration and evaluation assets, as the services are rendered.

	30-Sep-21	31-Dec-20
Exploration Advances	404,000	666,097
Total	\$ 404,000	\$ 666,097

10. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves inherent risks due to difficulties of determining the validity of certain mineral claims and leases as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated the titles to its exploration and evaluation assets and to the best of its knowledge, the titles are in good standing.

	Canadian Cobalt Projects \$	U.S. Cobalt Projects \$	U.S. Lithium Projects \$	South Korea Graphite Projects \$	Chile Copper Punitaqui Project \$	Total \$
Balance as December 31, 2019	15,692,069	1,049,607	2,229,691	1,658,937	-	20,630,304
Additions during year	3,973,424	230,759	458,186	215,167	-	4,877,536
Impairment	(19,365)	-	(2,309,159)	-	-	(2,328,524)
Balance as December 31, 2020	19,646,128	1,280,366	378,718	1,874,104	-	23,179,316
Additions during period	3,728,331	301,947	4,152	192,731	21,369,992	25,597,153
Impairment	(158,646)	-	-	-	-	(158,646)
Balance as September 30, 2021	23,215,813	1,582,313	382,870	2,066,835	21,369,992	48,617,823

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10. EXPLORATION AND EVALUATION ASSETS (cont'd...)

McAra Project area, Ontario Canada

The Company holds a 100% interest in the McAra project, located in Ontario, Canada. The property is subject to net smelter returns royalties ("NSR") ranging from 1% to 2% of which 1.5% can be acquired for \$750,000.

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

Gowganda Project area, Ontario Canada

The Company holds a 100% interest in certain claims the Gowganda project area, located in Ontario, Canada. The property is subject to NSR's ranging from 1% to 3% of which 0.5% to 1% of the royalty can be acquired for \$250,000 to \$1,000,000.

The Company issued 297,000 common shares valued at \$193,050, upon completion of the Transaction, related to the Gowganda Project historic property obligations (Note 13).

Gowganda Transition-Claims, Ontario, Canada

The Company has an option agreement to acquire a 60% interest in certain claims in the Gowganda project area located in Nicol, Haultain, Milner, Van Hise and Lawson townships through completing option payments, and exploration expenditures as follows:

	Payments	Exploration expenditures
By December 19, 2019:	\$100,000 (paid)	
By September 2, 2020:	\$nil	\$400,000 (incurred)
By March 2, 2021:	\$300,000 (paid)	
By March 2, 2022:	\$250,000	\$2,000,000

On December 17, 2019, the Company amended the option agreement by paying the \$100,000 option payment in advance of the obligation date of March 2, 2020, and in doing so the optionor extended the annual exploration expenditures commitment of \$400,000 to September 2, 2020.

As of December 31, 2020, the Company has met the \$400,000 expenditure commitment.

Of the total exploration expenditures, 25% of the work must be spent on gold exploration expenditures.

The Company can acquire an additional 20% interest in the property through completion of a feasibility study within three years of exercise of the above option.

The Company has the right to extend the period to four years for payment of \$250,000 in cash or shares if the Company's stock is free trading.

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

On March 1, 2021, the Company and the Gowganda Transition optionor agreed to amend their March 2, 2019, agreement. Under the amendment, the Company has waived the work expenditure requirement for the second-year option of \$1,000,000 and removed the requirement for the Company to expend funds on gold exploration going forward. The consideration received by the optionor includes second option payment of \$150,000 and an additional \$150,000 cash payment due on or before March 2, 2021, for the return of its Gowganda Gold property and the assignment of additional contiguous claims. The assigned claims include a 1% NSR to the Company.

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10. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Fabre Project area, Quebec Canada

The Company holds a 100% interest in the Fabre project area located in Quebec, Canada.

The property is subject to a 2% gross smelter returns royalty ("GSR") of which 1% can be acquired for \$1,000,000 and an additional 1% can be acquired for an additional \$1,500,000.

Shining Tree Project area, Ontario Canada

The Company holds a 100% interest in the Shining Tree Project area, located in Ontario, Canada.

The property is subject to a 1% NSR of which 0.5% can be purchased for \$250,000.

Elk Lake Project area, Ontario Canada

The Company holds a 100% interest in certain claims the Elk Lake project area, located in Ontario, Canada.

The property is subject to NSR's ranging from 1% to 2% of which 0.5% to 1% of the royalty can be acquired for \$250,000 to \$1,000,000.

The Company issued 97,000 common shares valued at \$63,050, upon completion of the Transaction, related to the Elk Lake Project historic property obligations (Note 13).

Elk Lake Project Area (Silverstrike property), Ontario, Canada

The Company has a purchase option agreement, with Ashley Gold Mines Limited ("Ashley") to acquire a 100% interest in the Elk Lake (Silverstrike property), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: \$22,000 (paid)

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

Elk Lake Project Area (Mapes-Johnson property), Ontario, Canada

The Company has a purchase option agreement, to acquire a 100% interest in the Elk Lake (Mapes-Johnson property), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: \$11,000 (paid)

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

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10. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Elk Lake Project area, Ontario Canada (cont'd.)

Sunvest property claims

The Company has a joint venture agreement with Sky Gold Corp. (formerly Sunvest Minerals Corp.) and acquired a 60% interest in certain claims in the Elk Lake project area in Ontario.

The Company can earn an additional 5% interest from Sky Gold through issuance of 150,000 common shares or payment of \$45,000.

The property is subject to a 2% NSR of which 1% can be purchased for \$500,000.

Wilder Project area, Ontario, Canada

Wilder Project area (Kell claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the Wilder (Kell claims), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: \$44,000 (paid)

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

Wilder Project area (Thompson claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the Wilder (Thompson claims), located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: \$16,500 (paid)

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

The Company issued 212,000 common shares valued at \$137,800, upon completion of the Transaction, related to the Wilder Project historic property obligations (Note 13).

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10. EXPLORATION AND EVALUATION ASSETS (cont'd...)

White Reserve Project area (White Reserve claims), Ontario, Canada

The Company has a purchase option agreement with Ashley to acquire a 100% interest in the White Reserve claims, located in Ontario. Pursuant to the agreement, the Company is required to make payments as follows:

- By February 14, 2020: \$44,000 (paid)

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

The Company issued 12,000 common shares valued at \$7,800, upon completion of the Transaction, related to the White Reserve Project historic property obligation (Note 13).

Iron Mask area (Brady claims and leases), Ontario, Canada

The Company had a purchase option agreement to acquire a 100% interest in the Brady Iron Mask claims and leases, located in Ontario.

The Company issued 200,000 common shares valued at \$130,000, upon completion of the Transaction, related to the Iron Mask historic property obligation (Note 13).

During the nine months ended September 30, 2021, the Company has abandoned the Iron Mask projects and recorded impairment of \$140,321 (December 31, 2021: \$19,365).

Other Projects, Ontario Canada

Other Projects are comprised of mineral claims located in the Province of Ontario.

The Company issued 20,000 common shares valued at \$13,000, upon completion of the Transaction, related to the Other Projects historic property obligations (Note 13).

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

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10. EXPLORATION AND EVALUATION ASSETS (cont'd...)

U.S. Cobalt Projects

	Bonanza	Quartzburg	Total
	\$	\$	\$
Balance at December 31, 2019	1,049,607	68,118	1,117,725
Additions			
Exploration expenditures			
Consulting	85,256	-	85,256
Government and land payments	143,629	-	143,629
Travel	1,874	-	1,874
Additions during period	230,759	-	230,759
Impairment	-	(68,118)	(68,118)
Balance at December 31, 2020	1,280,366	-	1,280,366

	Bonanza	Quartzburg	Total
	\$	\$	\$
Balance at December 31, 2020	1,280,366	-	1,280,366
Additions			
Property acquisition and staking costs	262,432	-	262,432
Consulting	23,707	-	23,707
Environmental and permitting	10,066	-	10,066
Field office and other	4,880	-	4,880
Government and land payments	862	-	862
Additions during period	301,947	-	301,947
Balance as September 30, 2021	1,582,313	-	1,582,313

U.S. Cobalt Projects

Bonanza Project, Idaho, USA

The Company holds a 100% interest in certain land tenure rights in the Bonanza Project in Idaho.

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

As of September 30, 2021, the Company has reached an agreement relating to the settlement of the claim dispute in Idaho (Note 13). The Company issued 200,000 common shares valued at \$130,000, upon completion of the Transaction (Note 13). In exchange for the shares, the Company has received the right to all claims the US Company held in Idaho on the Bonanza Project, including the ones in dispute.

Quartzburg Projects, Oregon, USA

During the year ended December 31, 2020, the Company has abandoned the Quartzburg project and recorded an impairment of \$68,118.

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10. EXPLORATION AND EVALUATION ASSETS (cont'd...)

U.S. Lithium Projects

	Amargosa	Panamint	Total
	\$	\$	\$
Balance at December 31, 2019	368,027	1,861,664	2,229,691
Additions			
Property acquisition and staking costs	4,427	-	4,427
Exploration expenditures			
Assay	-	10,113	10,113
Consulting	4,855	49,104	53,959
Drilling	-	320,588	320,588
Geological	-	8,197	8,197
Government and land payments	1,409	1,345	2,754
Project management	-	30,111	30,111
Travel	-	28,037	28,037
Additions during period	10,691	447,495	458,186
Impairment	-	(2,309,159)	(2,309,159)
Balance at December 31, 2020	378,718	-	378,718

	Amargosa	Panamint	Total
	\$	\$	\$
Balance at December 31, 2020	378,718	-	378,718
Additions			
Property acquisition and staking costs	4,152	-	4,152
Additions during period	4,152	-	4,152
Balance as September 30, 2021	382,870	-	382,870

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10. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Amargosa Project area, Nevada, USA

The Company holds a 100% interest in certain land tenure rights in the Amargosa Project in Nevada.

The property is subject to a 5% GSR of which 2.5% can be purchased for US\$7,000,000.

2.5% of the 5% GSR is held by an officer of the Company.

Panamint Project area, California, USA

The Company had a purchase option agreement to acquire a 100% interest in the certain claims and leases in the Panamint property. The option required the Company to pay US\$2,500,000 for a 100% interest.

The Company had annual work expenditure requirements of US\$100,000 and an annual minimum payment of US\$100,000 until November 1, 2036.

The property was subject to a 2.5% NSR of which 1.25% can be purchased for US\$5,000,000.

During the year ended December 31, 2020, the Company has abandoned the Panamint projects and recorded impairment of \$2,309,159.

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10. EXPLORATION AND EVALUATION ASSETS (cont'd...)

South Korea Graphite Projects

	Geuman & Taehwa	Total
	\$	\$
Balance at December 31, 2019	1,658,937	1,658,937
Additions		
Exploration expenditures		
Consulting	4,438	4,438
Drilling	29,896	29,896
Field office and other	41,132	41,132
Project management	124,992	124,992
Travel	14,709	14,709
Additions during period	215,167	215,167
Balance at December 31, 2020	1,874,104	1,874,104

	Geuman & Taehwa	Total
	\$	\$
Balance at December 31, 2020	1,874,104	1,874,104
Additions		
Property acquisition and staking costs	25,668	25,668
Exploration expenditures		
Drilling	25,806	25,806
Field office and other	14,878	14,878
Project management	126,186	126,186
Travel	193	193
Additions during period	192,731	192,731
Balance as September 30, 2021	2,066,835	2,066,835

Geuman and Taehwa Projects, South Korea

The Company holds a 100% interest in two exploration stage graphite projects in the Geuman and Taehwa regions of South Korea. The Geuman and Taehwa projects are past producing mines.

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10. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Chile Copper Project

	Punitaqui	Total
	\$	\$
Balance at December 31, 2020	-	-
Additions		
Property acquisition and staking costs	19,470,937	19,470,937
Exploration expenditures		
Consulting	101,639	101,639
Drilling	796,346	796,346
Environmental and permitting	378,847	378,847
Field office and other	564,443	564,443
Project management	55,995	55,995
Travel	1,785	1,785
Additions during period	21,369,992	21,369,992
Balance as September 30, 2021	21,369,992	21,369,992

Punitaqui Mining Complex, Chile

The Company holds the rights to 100% equity interest in the Punitaqui Mining Complex ("Punitaqui") in the Coquimbo region of Chile (Note 3).

Punitaqui includes a centralized process plant which was historically fed by four proximal copper-gold deposits: San Andres, Cinabrio, Dalmacia, and Los Mantos. The company is currently modifying its existing tailings disposal permit while consolidating its various exploitation permits. Punitaqui was a past producing mining operation which consists of an integrated copper and gold mining complex including all required infrastructure and sources of water and power. The Punitaqui project is situated within a 25km long mineralized district that is a classic IOCG and mantos-style copper belt that is comprised of mantos and structural controlled copper-gold-silver veins. A number of extensional and resource infill drill targets have been identified within and surrounding each of the four main deposits and throughout the 11,800 hectares of concessions.

The copper-gold process plant consists of a standard copper sulphide crush-grind-flotation circuit to produce a marketable copper-gold concentrate. Port facilities are within 100 kilometers for shipping to domestic and foreign smelters. The MAP plant historically operated at a permitted capacity of 3,000 tonnes per day ("tpd") with allowances to 3,600 tpd, with a potential capacity of 4,000 tpd to be investigated.

BATTERY MINERAL RESOURCES CORP.

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11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

		30-Sep-21		31-Dec-20
Trade payables	\$	755,400	\$	704,802
Accrued liabilities		112,500		200,000
Total	\$	867,900	\$	904,802

12. DEFERRED REVENUE

The Company, through North American Cobalt Inc., was subject to an early-stage Process Facility and Cobalt Supply Agreement (the "Agreement") with ESI, formerly part of the Weston Energy Group, which has been continued from Old Battery, inclusive of an advance of \$10,000,000 from ESI classified as deferred revenue. In May 2018, ESI advanced \$10,000,000 to North American Cobalt Inc. (then a subsidiary of Old Battery) as an incentive to enter the Agreement. Pursuant to the Agreement, ESI would finance, build, and operate a cobalt processing facility that would be supplied by feedstock material mined by the Company from its cobalt properties in Ontario. The liability is re-payable if the Company does not use commercially reasonable efforts to advance the development of its Ontario cobalt properties.

Once the process facility achieved commercial production, the Company was to provide ESI the lesser of a) the amount of metals extracted and b) not less than 2,250 metric tonnes of contained cobalt.

The Company would earn an initial 35% interest in the processing facility and related assets once sufficient quantities of feedstock material have been delivered such that ESI achieves a one-time return of capital expenditures (approximates ESI's investment in the mill) incurred to design and construct the processing facility. The Company would earn a further 40% interest once ESI achieves a two-times return of capital expenditures incurred to design and construct the processing facility. If the Company earns a cumulative 75% interest, the Company and ESI would establish a joint venture to assume responsibility for purchasing feedstock material from the Company, operating the processing facility and marketing cobalt concentrate.

The Company would have a right of first refusal to purchase ESI's interest if ESI wishes to sell to a third party and an option to purchase ESI's remaining 25% interest after the joint venture is formed. The Agreement contains various default and termination events. Certain events, such as ESI's failure to raise required financing, commence design and procurement activities or advance construction by determined dates, would entitle the Company to terminate the Agreement and receive a \$20,000,000 fee.

On April 20, 2020, the Company, through Weston, received a notice of default from ESI. On September 9, 2020, ESI became a subsidiary of the Company (Note 19). The ESI liability, while being a \$10,000,000 liability on the Company's records, was written down to \$nil on ESI's records. On consolidation, the \$10,000,000 liability is eliminated, and the benefit of that elimination is scoped out of the purchase equation due to the pre-existing relationship with ESI and is recorded as a capital contribution due to the nature of the common control transaction.

On January 29, 2021, the Company received notice that the amount was no longer considered repayable.

BATTERY MINERAL RESOURCES CORP.

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13. SHARE CAPITAL

a) Authorized share capital

The Company has authorized share capital of unlimited common shares without par value.

b) Share issuances

During the year ended December 31, 2020, the Company:

- i. issued 4,130,615 common shares for a total consideration of \$2,685,000 of which \$1,300,000 was received in advance.
- ii. received subscription receivables of \$200,000.
- iii. In relation to the Flow-Through Shares, the Company entered into an Escrow Agreement whereby the Flow-Through Agent (“Agent”), held \$1,100,000 of funds in trust as at December 31, 2019 to be released in two tranches of \$550,000 each, when the Company provides the Agent proof that eligible flow-through expenditures were incurred and paid for in full. During the year ended December 31, 2020, the Company received \$1,100,000 of the funds held in escrow.
- iv. issued 2,600,000 common shares for a cash consideration of \$1,727,690 to the Weston Group.
- v. issued 30,000,000 common shares for a total consideration of \$19,500,000 to Yorktown in consideration for 89.2% ownership in ESI (Note 19).
- vi. Received \$400,001 toward a private placement in relation to the Qualifying Transaction with Fusion completed on February 12, 2021 (Note 3).

During the period ended September 30, 2021, the Company:

- i. Received \$1,750,000 of subscription receipts consisting of flow-through and non flow-through shares as follows: 735,294 flow-through shares to be issued at an issuance price of \$0.68 per flow-through share for proceeds of \$500,000 and 1,923,077 non flow-through shares in the Company at an issuance price of \$0.65 per share for proceeds of \$1,250,000.
- ii. issued 200,000 shares related to the settlement of the claim dispute in Idaho (Note 10).
- iii. issued 900,000 shares related to the historic property obligations (Note 10).
- iv. cancelled 425,885 common shares in relation to the Transaction.
- v. exercised 62,500 options at \$0.20 related to the Fusion amalgamation.
- vi. issued 3,100,000 shares related to the share exchange that would result in the Company’s shareholders taking over Fusion (Note 4).
- vii. issued 21,156,074 shares for a cash consideration of \$13,056,508 and non-cash consideration of \$694,940 (US\$555,952) related to Punitaqui acquisition. The non-cash consideration of 1,069,138 shares were issued to Weston in exchange for the debtor in possession loan used to secure the rights to acquire Punitaqui (Note 3, 14).

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For the nine months ended September 30, 2021

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

- viii. issued 10,000,000 shares related to Bluequest for \$6,043,000 (US\$5,000,000) pursuant to a loan purchase agreement with Bluequest (Note 3).
- ix. 1,538,462 common shares for additional proceeds of \$1,000,000 (US\$800,000), relating to the second and final tranche of the Punitaqui acquisition. The shares were issued to Weston Energy (Note 14).
- x. issued 1,388,888 flow-through shares ("Flow-Through Shares") at a price of \$0.72 per Flow-Through Share for total gross proceeds of \$999,999.

The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. to incur \$999,999 of qualifying Canadian Exploration Expenses ("CEE") and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2021. The Company attributed a flow-through premium liability of \$97,222 and reduced share capital by the same amount. Transaction costs relating to the Offering amounted to \$60,000.

- xi. issued 1,675,384 Flow-Through Shares at a price of \$0.78 per Flow-Through Share for total gross proceeds of \$1,306,800.

The subscription agreement for the Flow-Through Shares requires North American Cobalt Inc. to incur \$1,306,800 of qualifying Canadian Exploration Expenses ("CEE") and renounce the CEE to the Flow-Through Shares shareholders with an effective date of December 31, 2021. The Company attributed a flow-through premium liability of \$311,770 and reduced share capital by the same amount. Transaction costs relating to the Offering amounted to \$75,600.

c) Flow-through premium liability

Pursuant to flow-through agreements, the Company was obligated to incur \$2,306,799 in Canadian exploration expenses ("CEE"). As at September 30, 2021, the Company has spent \$903,789 in CEE. Accordingly, the flow through premium liability was derecognized and recorded in profit or loss.

Balance as of December 31, 2019	\$	549,564
Recognition of flow-through premium		(549,564)
Balance as of December 31, 2020	\$	-
Flow-through premium liability additions		431,050
Recognition of flow-through premium		(109,928)
Balance as of September 30, 2021	\$	321,122

Stock options

As of September 30, 2021, 6,012,500 options remain outstanding, of which 6,000,000 was issued to Officers and Directors of the Company and 12,500 relating to the Fusion amalgamation (Note 4 and 21). Total stock-based compensation expense for the nine months ended September 30, 2021, was \$452,757 (nine months ended September 30, 2020: \$Nil)

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

As of September 30, 2021, the Company had outstanding and exercisable stock options as follows:

Price	Options outstanding			Options exercisable		
	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price (C\$)	Number exercisable	Weighted-average remaining contractual life (years)	Weighted-average exercise price (C\$)
\$0.20	12,500	1.98	0.20	12,500	1.98	0.20
\$0.85	5,000,000	7.51	0.85	-	-	-
\$0.85	1,000,000	7.76	0.85	-	-	-
	6,012,500	7.54	0.85	12,500	1.98	0.20

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

	Options	Weighted average exercise price (C\$)
Outstanding at January 1, 2021		
Options assumed on the Fusion amalgamation	75,000	0.20
Exercised	(62,500)	0.20
Granted	6,000,000	0.85
Expired	-	-
Forfeited	-	-
Outstanding at September 30, 2021	6,012,500	0.85

The Company uses the Black-Scholes option pricing model to estimate the fair value for all stock-based compensation. The expected volatility assumption inherent in the pricing model is based on the historical volatility of the Company's stock over a term equal to the expected term of the option granted.

During the nine months ended September 30, 2021, the Company granted 6,000,000 stock options at a weighted average exercise price of \$0.85 to employees and consultants. The weighted average assumptions used in the stock option pricing model and the resulting weighted average fair values per option for the options granted during the nine months ended September 30, 2021 were as follows:

Risk-free rate:	0.25%
Expected life:	8 years
Expected volatility:	82.13%
Expected dividends:	Nil
Weighted average fair value per option:	\$0.50

Warrants

As of September 30, 2021, no warrants were issued or outstanding.

BATTERY MINERAL RESOURCES CORP.

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14. RELATED PARTY TRANSACTIONS

- Compensation of key management personnel

Key management includes members of the Board of Directors, the Executive Chairman, the President and Chief Executive Officer, the Vice President and the Chief Financial Officer. The aggregate compensation paid, or payable, to key management personnel, which include the amounts disclosed above, during the nine months ended September 30, 2021:

	For the nine months ended September 30, 2021		For the nine months ended September 30, 2020	
Director fees	\$	70,899	\$	48,306
Management fees		430,246		238,953
Professional fees		99,000		50,000
Total	\$	600,145	\$	337,259

As of September 9, 2020, the Company issued 30,000,000 common shares to Yorktown Energy LLC ("Yorktown") valued at \$19,500,000, in exchange for 89.2% of the commonly held shares in ESI. As the Weston Group is controlled by Yorktown, the ESI acquisition is being treated as an acquisition under common control. The Company intends to dispose of the ESI business and is accounting for the ESI acquisition as asset group held for sale (Note 19 and 20).

On January 29, 2021, the Company and ESI mutually agreed to terminate without any liability the Process Facility and Cobalt Supply Agreement (Note 12).

On May 26, 2021, the Company completed the acquisition of ESI concurrent with the completion of the ESI going private transaction. The result is the Company now owns 100% of the ESI common shares (Note 20).

On May 28, 2021, the Company issued 1,069,138 shares to Weston, valued at \$694,940 (US\$555,952) in exchange for the debtor in possession loan used to secure the rights to acquire Punitaqui (Note 3 and 13).

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

As at September 30, 2021, the Company paid or accrued management fees of \$430,246 (September 30, 2020: \$454,263) of which \$nil (September 30, 2020: \$93,360) was capitalized to project costs and \$430,246 (September 30, 2020: \$360,903) expensed to management fees.

As of September 30, 2021, included in trade and other payables was \$87,585 (Dec 31, 2020: \$19,089) due to directors and officers of the Company.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

The Company's financial instruments consist of cash, restricted cash, receivables, and trade and other payables. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity, and commodity price.

Currency risk

The Company conducts exploration and evaluation activities in the Canada, United States, Chile and South Korea. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and foreign currencies. As at September 30, 2021, the Company had foreign currency liabilities of approximately \$469,304. Each 10% change in the foreign currencies relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately \$46,930.

The Company is exposed to currency risk on bank accounts that are denominated in a currency other than Canadian dollars, being United States Dollars (USD), Australian Dollars (AUD), Chilean Pesos (CLP) and Korean Won (KRW). The Group is also exposed to currency risk on payables that are denominated in a currency other than Canadian dollars, being USD, CAD, CLP and KRW.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in significant financial institutions and the Company considers this risk to be remote. The Company's receivables primarily include balances receivable from the government of Canada.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash and highly liquid short-term investments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning, and approval of significant expenditures and commitments.

Commodity price risk

The ability of the Company to raise funds to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of cobalt, lithium, and graphite as well as oil and gas prices. The Company monitors copper, gold, cobalt, lithium, and graphite prices to determine the appropriate course of action to be taken.

BATTERY MINERAL RESOURCES CORP.

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16. SEGMENTED INFORMATION

The Company operates in one segment being the acquisition and exploration of exploration and evaluations assets located in Canada, United States, Chile and South Korea.

The following table presents geographic information regarding operating segments.

	Canada	USA	South Korea	Chile	Corporate	Total
	\$	\$	\$	\$	\$	\$
CAPITAL ASSETS						
Exploration and evaluation	19,646,128	1,659,084	1,874,104	-	-	23,179,316
Equipment	33,088	-	20,234	-	36,326	89,648
Disposal group classified as held for sale	-	-	-	-	32,094,961	32,094,961
As at December 31, 2020	19,679,216	1,659,084	1,894,338	-	32,131,287	55,363,925
Exploration and evaluation	23,215,813	1,965,183	2,066,835	21,369,992	-	48,617,823
Equipment	23,165	-	10,787	-	27,711	61,663
Disposal group classified as held for sale	-	-	-	-	25,181,015	25,181,015
As at September 30, 2021	23,238,978	1,965,183	2,077,622	21,369,992	25,208,726	73,860,501

17. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company holds an 100% interest in ESI, recorded as assets held sale, which is being actively marketed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

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18. CONTINGENT LIABILITIES

In August 2020, the Company reached an agreement relating to the settlement of the claim dispute in Idaho (Note 10). The Company has agreed to issue 200,000 common shares valued at \$130,000 issued for mineral claims at \$0.65 per share to the US Company upon completion of the Transaction (Note 13). In exchange for the shares, the Company has received the right to all claims the US Company held in Idaho, including the ones in dispute.

In August 2020, the Company agreed to issue up to 900,000 additional shares to be issued for historical Cobalt district property payments for \$585,000, after the completion of the Transaction (Note 13).

The Company had a contingent obligation under an August 31, 2020, agreement of purchase and sale entered into between the Company and the Yorktown Entities (Note 19). Upon the transfer of 89.2% ownership of ESI shares to the Company in exchange for 30,000,000 common shares, up to 30,000,000 additional common shares of the Company may be issued to the Yorktown Entities if the Company receives, on or prior to September 30, 2021, proceeds in excess of \$10,000,000 on account of its ownership of ESI shares in certain circumstances. Based on the agreement Yorktown would receive, for each dollar in excess of proceeds of \$10,000,000, a fee of \$1.538 per dollar payable in shares of the Company. As at September 30, 2021, the Company estimated the probability of issuing the contingent shares as nil.

On September 9, 2020, ESI became a subsidiary of the Company and the amount was eliminated on consolidation (Note 12).

On January 29, 2021, the Company received notice that the amount was no longer considered repayable (Note 12).

On May 25, 2021, the Company completed the go private transaction with ESI. The Company bought out the remaining 10.8% minority ownership in ESI at a set price \$0.75 per ESI common share. The go private transaction will result in the Company owning 100% of ESI. The Company continues to pursue a sale of the ESI Group being Held for Sale (Note 19 and 20).

On May 28, 2021, pursuant to a loan purchase agreement with Bluequest, the Company has a contingent liability of US\$5,000,000 of additional payments on achievement of certain production milestones at the Punitaqui Mine, with each milestone payment to be satisfied, at the election of Bluequest, by the payment of cash, the issuance of Common Shares at prevailing market prices (subject to a minimum issue price of C\$0.41), or a combination of both (Note 3). As at September 30, 2021, the Company estimated the probability of achieving the production milestones as nil.

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19. ACQUISITION OF DISPOSAL GROUP HELD FOR SALE

As consideration to acquire 89.2% of the shares of ESI, the Company, on September 9, 2020, issued 30,000,000 common shares at \$0.65 per share for a value of \$19,500,000, and up to 30,000,000 contingently issuable shares valued at \$11,250,000. The Company's value per share is based on its most recent third-party financing.

As both the Company and ESI are controlled by Yorktown, the acquisition is considered to be a common control transaction.

The Company had a pre-existing relationship with ESI and due to the common control transaction, the benefit of the \$10,000,000 elimination of the streaming liability, notified as being in default, is considered to be a contribution of capital by Yorktown (Note 12), and is recorded in contributed surplus.

While ESI met the definition of a business under IFRS 3, the interest in ESI is considered to be held for resale and is actively being marketed. Shares are issuable to Yorktown on the basis of one share at \$0.65 per share for each dollar of sale proceeds received in excess of \$10,000,000 upon Yorktown locating a buyer on or before September 30, 2021. The Company has recorded the net assets acquired on a fair value less costs to sell basis.

The preliminary allocation of the estimated cost of acquisition is summarized as follows:

Consideration for 89.2% interest in ESI		
Common shares	\$	19,500,000
Contingently issuable shares as a fee		11,250,000
Total		30,750,000
Costs to sell		
Contingently issuable shares as a fee		(11,250,000)
Other transaction costs		(100,000)
Total costs to sell	\$	(11,350,000)

The consideration and cost to sell (above) have been grossed up to a 100% level being \$34,473,094 to determine the full entity values, including the value attributed to non-controlling interest.

Costs to sell have been offset against the capital assets acquired on a pro-rata basis. Any consideration over net assets acquired has been allocated to deficit as a result of the common control transaction.

Net assets acquired		
Assets:		
Cash	\$	7,910,449
Short term investments		2,639,179
Accounts receivable		2,447,976
Prepaid		227,125
Inventory		758,390
Property and equipment		18,054,036
Right-of-use assets		47,498
Intangible		1,522,695
Total assets	\$	33,607,348
Liabilities:		
Accounts payable	\$	(1,777,675)
Deferred revenue		(121,552)
Debt		(3,339,029)
Lease liability		(70,590)
Total liabilities	\$	(5,308,846)
Total net assets acquired		28,298,502
Goodwill allocated to deficit		6,174,592
		34,473,094
Net assets attributable to non-controlling interest - 10.8%		(3,723,094)
Total	\$	30,750,000

As a result of the common control acquisition, the excess of consideration over net assets acquired was recorded in deficit.

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19. ACQUISITION OF DISPOSAL GROUP HELD FOR SALE (cont'd...)

As at September 9, 2020, the Company has estimated the fair value of the contingent consideration for the sale of the 89.2% interest in ESI to be \$11,250,000, based on the net value of expected proceeds on the sale of ESI less \$10,000,000, probability weighted for likelihood, and multiplied by a factor of 1.538 representing the contractual fee to Yorktown payable in shares of the Company. The \$11,250,000 has been grossed up to a 100% level and treated as a cost to sell ESI assets, along with other estimated closing costs, and has been offset against the assets acquired. The costs to sell resulted in the grind of the net tangible assets of ESI, including property and equipment by \$11,706,112, right of use assets by \$30,798, and intangible assets by \$987,305 to determine the fair market value less to cost sell of ESI net asset group. The Company has estimated additional costs to sell relating to accounting and legal costs to the ESI proposed disposal of \$100,000.

On May 26, 2021, the Company completed the acquisition of ESI concurrent with the completion of the ESI going private transaction. The result is the Company now owns 100% of ESI's common shares. In taking ESI private, the Company agreed to a cash payment to each minority shareholder of \$0.75 per share is based on the number of ESI common shares held by minority shareholders before the share consolidation. The total cash payout to buy out the 10.8% minority interest totaled \$4,988,020.

20. DISPOSAL GROUP HELD FOR SALE

The Company is committed to a plan to sell its 100% ownership of ESI. ESI currently operates in western Canada as well as in the United States of America. ESI, together with its operating subsidiaries, ESI Pipeline Services, Inc. and ESI Energy Services (Australia) Pty Ltd., supplies (rents and sells) backfill separation machines to mainline pipeline contractors, renewables and utility construction contractors, as well as oilfield pipeline and construction contractors. Accordingly, the ESI business is presented as a disposal group held for sale.

As September 30, 2021, the Company has estimated the cost to sell ESI to be \$1,027,500 (December 31, 2020: \$1,027,500), which is calculated as 3% transactions fee based of ESI estimated enterprise fair value, plus and additional costs to sell relating to accounting and legal costs to the ESI proposed disposal of \$100,000. The costs to sell has been revised since the September 9, 2020, acquisition date as the contingent shares were estimated to have a zero percent probability of issuance as of September 30, 2021. As this was considered a common controlled fee, the reduction of \$11,250,000 (December 31, 2020: \$11,250,500) plus a portion of the gross-up of \$346,715 (December 31, 2020: \$346,715) for a total of \$11,596,715 (December 31, 2020: \$11,596,715) has been applied to contributed surplus (Note 19). The remaining costs to sell of \$1,127,500 (December 31, 2020: \$1,127,500) has been treated as a cost to sell ESI assets and has been offset against the assets held for sale resulted in the grind of the net tangible assets of ESI, including property and equipment by \$1,049,512 (December 31, 2020: \$1,053,604), right of use assets by \$962 (December 31, 2020: \$1,119), and intangible assets by \$77,026 (December 31, 2020: \$72,777) to determine the fair market value less the cost to sell of ESI net asset group.

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20. DISPOSAL GROUP HELD FOR SALE (cont'd...)

a) Assets and liabilities of disposal group held for sale as at September 30, 2021 are as follows:

Assets held for sale		
Cash	\$	2,824,939
Accounts receivable		3,218,080
Prepaid		230,700
Inventory		702,271
Property and equipment		25,539,245
Right-of-use assets		23,402
Intangible		1,874,374
Total assets	\$	34,413,011
Assets included in disposal group classified as held for sale	\$	34,413,011
Liabilities held for sale		
Accounts payable	\$	(1,781,239)
Deferred revenue		(237,281)
Income tax payable		(6,317)
Debt		(7,182,838)
Lease liability		(24,321)
Liabilities included in disposal group classified as held for sale	\$	(9,231,996)
Non-controlling interest on net assets		-
Company share of ESI net assets	\$	25,181,015

As of September 30, 2021, the Company has withdrawn an additional \$2,000,000 in cash from ESI to help fund the Puntaqui project in Chile.

b) Assets and liabilities of disposal group held for sale as at December 31, 2020 are as follows:

Assets held for sale		
Cash	\$	9,797,453
Accounts receivable		1,948,481
Prepaid		75,540
Inventory		712,153
Property and equipment		27,197,289
Right-of-use assets		28,882
Intangible		1,878,623
Total assets	\$	41,638,421
Assets included in disposal group classified as held for sale	\$	41,638,421
Liabilities held for sale		
Accounts payable	\$	(1,399,301)
Income tax payable		(171,875)
Deferred revenue		(69,522)
Debt		(7,872,298)
Lease liability		(30,464)
Liabilities included in disposal group classified as held for sale	\$	(9,543,460)
ESI net assets		32,094,961
Non-controlling interest on net assets		(3,466,256)
Company share of ESI net assets	\$	28,628,705

For the reporting period ending December 31, 2020, the Company has reclassified the assets and liabilities of the disposal group as current.

On December 21, 2020, ESI issued a \$5,683,420 special dividend of which the Company received \$5,069,594, which was recorded to contributed surplus due to common control.

BATTERY MINERAL RESOURCES CORP.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2021

20. DISPOSAL GROUP HELD FOR SALE (cont'd...)

c) Income or expenses from disposal group held for sale

For the three months and nine months ended September 30, 2021, ESI's net loss was \$1,890,293 and \$1,479,433, respectively, excluding depreciation charges.

	For the three months ended September 30, 2021	For the nine months ended September 30, 2021
REVENUE		
Sales	\$ 4,427,549	\$ 8,947,303
COSTS AND EXPENSES		
Cost of purchases	252,073	428,800
Operating and maintenance	1,493,710	3,903,605
Selling and administrative	659,454	3,248,062
Total costs and expenses	\$ 2,405,237	\$ 7,580,467
INCOME FROM OPERATIONS	\$ 2,022,312	\$ 1,366,836
(Losses) / Gains on disposal of property and equipment	70,436	548,969
Finance and other income	35,488	96,762
Finance and other costs	(62,424)	(182,837)
Foreign exchange gain (loss)	(175,519)	(350,297)
Income before income taxes	\$ 1,890,293	\$ 1,479,433
Income taxes	-	-
Income and comprehensive income from discontinued operations	\$ 1,890,293	\$ 1,479,433

For the nine months ended September 30, 2021, the Company recorded a remeasurement loss for the change in fair value of the disposal group held for sale as follows:

Remeasurement loss	\$	(3,501,424)
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Due to the common ownership by Yorktown, the benefit of the reduction of the sale fee to Yorktown has been allocated to deficit to the extent of the amount allocated to goodwill on September 9, 2020 (Note 19) less goodwill allocated to non-controlling interest and the balance to contributed surplus.

BATTERY MINERAL RESOURCES CORP.

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For the nine months ended September 30, 2021

21. SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the Company:

- The Company has granted an aggregate of 6.25 million restricted share units (the “RSUs”) to its directors, officers, employees, and consultants, pursuant to the RSU plan. The RSU will vest over the next 1 to 3 years.
- The Company through ESI Energy Services Inc., a BMR subsidiary company, entered into a loan agreement with USMT 18 LLC for a secured loan (the “Loan”) in the amount of US\$1,200,000. The Loan is repayable one year from closing with an option to extend for an additional one year, and bears interest at a rate of 8.5% per annum, with interest payable monthly. In addition, a 1.5% origination fee and a 2% exit fee is payable in connection with the Loan. In the event the loan is repaid prior to June 30, 2022, yield maintenance will be payable by the borrower through June 30, 2022. The Loan will be secured by certain real property owned by two subsidiaries of Battery, including the borrower.