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**FULL CIRCLE LITHIUM CORP.**  
**(formerly ESG Capital 1 Inc.)**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2023 AND FOR THE PERIOD FROM MAY 24, 2022**  
**(DATE OF INCORPORATION) TO OCTOBER 31, 2022**  
**(EXPRESSED IN UNITED STATES DOLLARS)**

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## Independent Auditor's Report

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To the Shareholders of Full Circle Lithium Corp. (formerly ESG Capital 1 Inc.):

### Opinion

We have audited the consolidated financial statements of Full Circle Lithium Corp. (formerly ESG Capital 1 Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2023 and October 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended October 31, 2023 and the period from May 24, 2022 (Date of Incorporation) to October 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2023 and October 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year ended October 31, 2023 and the period from May 24, 2022 (Date of Incorporation) to October 31, 2022 in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company is in the pre-revenue stage and has incurred losses since its inception. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### *Accounting for the Reverse Take-Over Transaction (the RTO)*

##### *Key Audit Matter Description*

As described in Note 3 to the consolidated financial statements, the Company entered into an RTO agreement with ESG Capital 1 Inc. during the year ended October 31, 2023.

We considered the accounting for the RTO a key audit matter due to the significant judgement applied by management in concluding that this transaction did not represent a business under IFRS 3 Business Combinations and the use of significant estimates by management in estimating the fair value of the consideration paid as part of the transaction.

## *Audit Response*

Our approach to addressing the matter included, but was not restricted to, the following procedures:

- We obtained and examined the underlying agreements related to the acquisition;
- We evaluated management's assessment on whether the acquisition represents an asset acquisition or a business under IFRS 3 Business Combinations;
- We assessed the methodology used to estimate the fair value of the consideration paid as part of the transaction;
- We evaluated the fair value of the net assets of ESG Capital 1 Inc. as at the date of the RTO, in order to determine the accuracy of the listing expense;
- We reviewed the presentation and adequacy of the related consolidated financial statements disclosures.

## **Other Information**

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Toronto, Ontario  
February 21, 2024

  
Chartered Professional Accountants  
Licensed Public Accountants

**Full Circle Lithium Corp. (formerly ESG Capital 1 Inc.)**  
**Consolidated Statements of Financial Position**  
**As at October 31, 2023 and 2022**  
**(Expressed in United States Dollars)**

	Notes	October 31, 2023	October 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 3,734,264	\$ 2,384,006
Other receivables	8	50,873	10,517
Prepaid expenses and deposit	9	205,716	7,916
<b>Total current assets</b>		<b>3,990,853</b>	<b>2,402,439</b>
Restricted cash	7	294,816	-
Property and equipment	10	3,650,148	1,117,201
Right-of-use assets	11	485,228	480,759
<b>Total assets</b>		<b>\$ 8,421,045</b>	<b>\$ 4,000,399</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	12, 18	\$ 716,782	\$ 144,430
Lease liability	13	481,380	5,876
<b>Total current liabilities</b>		<b>1,198,162</b>	<b>150,306</b>
Lease liability	13	-	484,618
<b>Total liabilities</b>		<b>\$ 1,198,162</b>	<b>\$ 634,924</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	\$ 10,532,826	\$ 3,569,287
Reserves	14, 15	2,079,934	237,718
Accumulated other comprehensive loss		(239,685)	(143,599)
Accumulated deficit		(5,150,192)	(297,931)
<b>Total shareholders' equity</b>		<b>7,222,883</b>	<b>3,365,475</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 8,421,045</b>	<b>\$ 4,000,399</b>

Nature of operations (Note 1)  
Going concern (Note 2)  
Commitments and contingencies (Note 19)  
Subsequent event (Note 25)

Approved by the Board of Directors on February 21, 2024

"Paul Fornazzari" Director

"Michael Cosic" Director

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

**Full Circle Lithium Corp. (formerly ESG Capital 1 Inc.)**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the year ended October 31, 2023 and for the period from May 24, 2022 (Date of Incorporation)**  
**to October 31, 2022**  
**(Expressed in United States Dollars)**

	Notes	Year ended October 31, 2023	Period from May 24, 2022 (Date of Incorporation) to October 31, 2022
<b>Operating expenses</b>			
Salaries and wages	18	\$ 848,444	\$ -
Professional fees	18	748,324	140,893
General and administrative	17	667,497	41,049
Share-based compensation	15, 18	563,171	86,098
Battery development		253,138	-
Travel & accommodation		185,779	29,568
Investor relations		84,596	-
Depreciation	10, 11	61,887	-
Transfer agent and filing fees		44,083	-
<b>Total operating expenses</b>		<b>(3,456,919)</b>	<b>(297,608)</b>
<b>Other items</b>			
Interest income		80,904	-
Foreign exchange gain (loss)		(490)	14,412
Interest expense		(4,230)	-
Accretion expense	13	(35,565)	(14,735)
Listing expense	3	(1,435,961)	-
<b>Net loss</b>		<b>\$ (4,852,261)</b>	<b>\$ (297,931)</b>
<b>Other comprehensive loss</b>			
Foreign currency translation		(96,086)	(143,599)
<b>Net and comprehensive loss</b>		<b>\$ (4,948,347)</b>	<b>\$ (441,530)</b>
Basic and diluted loss per common share		\$ (0.08)	\$ (0.01)
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>63,760,133</b>	<b>37,367,350</b>

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

**Full Circle Lithium Corp. (formerly ESG Capital 1 Inc.)**  
**Consolidated Statements of Cash Flows**  
**For the year ended October 31, 2023 and for the period from May 24, 2022 (Date of Incorporation)**  
**to October 31, 2022**  
**(Expressed in United States Dollars)**

	Notes	Year ended October 31, 2023	Period from May 24, 2022 (Date of Incorporation) to October 31, 2022
<b>Operating activities</b>			
Net loss		\$ (4,852,261)	\$ (297,931)
Adjustments for:			
Listing expenses	3	1,435,961	-
Share-based compensation	15	563,171	86,098
Depreciation	10, 11	61,887	-
Changes in non-cash working capital items:			
Restricted cash		(294,816)	-
Other receivables		(41,615)	-
Prepaid expenses and deposit		(202,874)	(7,916)
Accounts payable and accrued liabilities		417,480	144,430
<b>Net cash used in operating activities</b>		<b>(2,913,067)</b>	<b>(75,319)</b>
<b>Investing activities</b>			
Cash acquired in reverse take-over (RTO)		1,126,269	-
Purchase of property and equipment	10	(2,493,908)	(1,117,201)
<b>Net cash used in investing activities</b>		<b>(1,367,639)</b>	<b>(1,117,201)</b>
<b>Financing activities</b>			
Proceeds from issuance of shares, net of issuance cost		5,751,746	3,710,390
Principal portion of lease liability payments	13	(24,435)	9,735
<b>Net cash provided by financing activities</b>		<b>5,727,311</b>	<b>3,720,125</b>
Effects of foreign currency translation		(96,347)	(143,599)
<b>Net change in cash and cash equivalents</b>		<b>1,350,258</b>	<b>2,384,006</b>
Cash and cash equivalents, beginning of year/period		2,384,006	-
<b>Cash and cash equivalents, end of year/period</b>		<b>\$ 3,734,264</b>	<b>\$ 2,384,006</b>

**Supplemental Disclosure with Respect to Cash Flows (Note 22)**

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

**Full Circle Lithium Corp. (formerly ESG Capital 1 Inc.)**  
**Consolidated Statements of Changes in Equity**  
**For the year ended October 31, 2023 and for the period from May 24, 2022 (Date of Incorporation) to October 31, 2022**  
**(Expressed in United States Dollars)**

	Shares	Share capital	Reserves	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
<b>Balance, May 24, 2022</b>	-	\$ -	\$ -	\$ -	\$ -	\$ -
Shares issued in private placements	50,854,000	4,003,497	-	-	-	4,003,497
Share issuance costs	-	(434,210)	151,620	-	-	(282,590)
Share-based compensation	-	-	86,098	-	-	86,098
Foreign currency translation	-	-	-	(143,599)	-	(143,599)
Net loss for the period	-	-	-	-	(297,931)	(297,931)
<b>Balance, October 31, 2022</b>	50,854,000	\$ 3,569,287	\$ 237,718	\$ (143,599)	\$ (297,931)	\$ 3,365,475
Shares issued in private placements	13,974,786	6,221,618	1,054,493	-	-	7,276,111
Share issuance costs	-	(817,456)	224,552	-	-	(592,904)
Shares issued connection with RTO	3,500,000	1,559,377	-	-	-	1,559,377
Share-based compensation	-	-	563,171	-	-	563,171
Foreign currency translation	-	-	-	(96,086)	-	(96,086)
Net loss	-	-	-	-	(4,852,261)	(4,852,261)
<b>Balance, October 31, 2023</b>	68,328,786	\$ 10,532,826	\$ 2,079,934	\$ (239,685)	\$ (5,150,192)	\$ 7,222,883

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

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**Full Circle Lithium Corp. (formerly ESG Capital 1 Inc.)**  
**Notes to Consolidated Financial Statements**  
**For the year ended October 31, 2023 and for the period from May 24, 2022 (Date of Incorporation)**  
**to October 31, 2022**  
**(Expressed in United States Dollars)**

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## **1. Nature of Operations**

### *Nature of business*

Full Circle Lithium Corp. (formerly ESG Capital 1 Inc.) (“FCL”, or the “Company”) was incorporated in the Province of Ontario, Canada on March 8, 2021 pursuant to the Business Corporation Act (Ontario) (the “OBCA”). The common shares of the Company are listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “FCLI”, and on the OTCQB Venture Market under the trading symbol “FCLIF”. The Company’s registered office is located at Suite 902, 18 King Street East, Toronto, ON, M5C 1C4. The principal business of the Company is lithium and battery material reintegration.

## **2. Going Concern**

These consolidated financial statements have been prepared on a going concern basis, which assumes that assets will be realized, and liabilities discharged in the normal course of business in the foreseeable future. Accordingly, these consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or on the discharge or classification of liabilities, should the Company be unable to continue its business in the normal course. Such adjustments could be material.

The Company is in pre-revenue stage and has incurred losses since its inception. For the year ended October 31, 2023, the Company has incurred a net loss of \$4,852,261 (period from May 24, 2022 (date of incorporation) to October 31, 2022 - \$297,931). The Company also had operating cash outflows of \$2,913,067 (period from May 24, 2022 (date of incorporation) to October 31, 2022 - \$75,319).

The Company will periodically have to raise funds to continue operations, and, though it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These factors indicate the existence of material uncertainties that may cast significant doubt as to the Company’s ability to continue as a going concern.

## **3. Reverse Take-Over Transaction**

On April 21, 2023, the Company completed a qualifying transaction (the “Qualifying Transaction”) with Full Circle Lithium Inc. (“FCLI”) by way of a “three-cornered amalgamation”, resulting in the reverse take-over of the Company by FCLI’s former shareholders.

The Qualifying Transaction was completed in accordance with the terms of the definitive agreement (the “Definitive Agreement”) entered on January 17, 2023, between the Company, FCLI and 1000412731 Ontario Inc. (“the Company Subco”), a wholly-owned subsidiary of the Company.

On closing of the Qualifying Transaction, the Company consolidated all of its issued and outstanding common shares on a 1.17:1 basis, and FCLI amalgamated with the Company Subco to form a new corporation, which became a wholly-owned subsidiary of the Company continuing under the name “Full Circle Canada Inc.” and which in turn owns all of the shares of Full Circle Lithium (US) Inc., the Company’s wholly owned subsidiary, which holds all of the Company’s assets and conducts the business of the Company. In consideration for the Qualifying Transaction, the Company issued a total of 50,854,000 common shares of the Company to shareholders of FCLI. The former shareholders of the Company retained 3,500,000 common shares after the completion of the combined entity. Each share retained by the former shareholders of the Company was valued at \$0.45 (CAD\$0.60) per share, for consideration of \$1,559,377. This valuation was based on the value of the subscription receipts issued for concurrent financing as part of the Qualifying Transaction, where each subscription receipt is issued at CAD\$0.70 and is exercisable into one common share of the Company and one-half common share purchase warrant (Note 14).

**Full Circle Lithium Corp. (formerly ESG Capital 1 Inc.)**  
**Notes to Consolidated Financial Statements**  
**For the year ended October 31, 2023 and for the period from May 24, 2022 (Date of Incorporation)**  
**to October 31, 2022**  
**(Expressed in United States Dollars)**

**3. Reverse Take-Over Transaction (continued)**

Immediately after the completion of the transaction, the former holders of FCLI's shares owned 94% of the shares of the combined entity, and the existing shareholders of the Company owned 6% of the total combined entity shares. As a result of the Qualifying Transaction, the former shareholders of FCLI acquired control of the Company, thereby constituting a reverse take-over of the Company. The reverse take-over is considered a purchase of the Company's net assets by the shareholders of FCLI.

The Company did not meet the definition of a business due to a lack of substantive processes. Therefore, the Qualifying Transaction was outside the scope of IFRS 3 – Business Combinations. Instead, the Qualifying Transaction was accounted for under IFRS 2 – Share-Based Payment. The Qualifying Transaction was accounted for as a reverse takeover transaction, with FCLI identified as the accounting acquirer, and the Company identified as the accounting acquiree. These consolidated financial statements are issued under the legal parent, the Company, but are considered to be a continuation of the financial results of FCLI. Following the reverse take-over, on May 1, 2023, the Company commenced trading on the TSX-V under the trading symbol FCLI.

Immediately prior to the Qualifying Transaction taking effect, the Company changed its name to "Full Circle Lithium Corp.". Upon the completion of the Qualifying Transaction, the former directors and officers of the Company resigned from all offices with the Company and new directors and officers were appointed.

A summary of the costs in regard to the Qualifying Transaction are listed below:

<b>Net assets of FCL</b>	
Cash and restricted cash	\$ 1,126,269
Accounts payable	(71,392)
Subscription receipts payable	(931,461)
	<b>\$ 123,416</b>
<b>Consideration</b>	
3,500,000 shares of FCLI at a value of \$0.45 (CAD\$0.60) per share	<b>\$ 1,559,377</b>
<b>Listing expense</b>	<b>\$ 1,435,961</b>

**4. Basis of Presentation**

*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 International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on the historical cost basis. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These consolidated financial statements are presented in United States dollars.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on February 21, 2024.

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations or cash flow.

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**Full Circle Lithium Corp. (formerly ESG Capital 1 Inc.)**  
**Notes to Consolidated Financial Statements**  
**For the year ended October 31, 2023 and for the period from May 24, 2022 (Date of Incorporation)**  
**to October 31, 2022**  
**(Expressed in United States Dollars)**

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#### **4. Basis of Presentation (continued)**

##### *Basis of consolidation*

These consolidated financial statements include the financial statements of the parent company, Full Circle Lithium Corp., and pursuant to having completed the Qualifying Transaction, its subsidiaries, Full Circle Canada Inc., and Full Circle Lithium (US) Inc., a corporation domiciled in the State of Georgia, United States.

A subsidiary is an entity over which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. A subsidiary is consolidated from the date upon which control is acquired by the Company. All intercompany transactions have been eliminated upon consolidation.

#### **5. Summary of Material Accounting Policies**

##### *Functional currency*

The functional currency determination is based on management's assessment of the primary economic environment in which the entities operate. The functional currency of the Company and Full Circle Canada Inc., is the Canadian dollar. The functional currency of Full Circle Lithium (US) Inc., is the United States dollar.

##### *Earnings (loss) per share*

Basic earnings (loss) per share is computed by dividing net income attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to purchase common shares at the average market price during the period.

##### *Operating segments*

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The Company has one operating segment.

##### *Foreign currency translation*

Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date.

Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the initial transaction. Non-monetary items that are measured at fair values are reported at the exchange rate on the date when fair values are determined. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of foreign entities to reporting currency on consolidation, which are recognized in other comprehensive loss.

On consolidation, the assets and liabilities of entities are translated into the reporting currency at the rate of exchange at the reporting date and the consolidated statement of loss and comprehensive loss are translated at the average exchange rates for the period. The exchange differences arising on translation for consolidation purposes are recognized in other comprehensive loss.

## **5. Summary of Material Accounting Policies (continued)**

### *Share-based payment transactions*

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

If and when the stock options are exercised, the applicable amounts of reserves are transferred to share capital.

### *Income Taxes*

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences; any differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Recent accounting pronouncements include Amendments to IAS 12, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, narrowing the scope for exemption when recognizing deferred taxes (January 1, 2023). We do not expect IAS 12 amendments effective January 1, 2023, will have an effect on our consolidated financial statements.

### *Property and equipment*

Property and equipment are recognized as an asset when it is probable that an associated future economic benefit will flow to the Company and the cost can be measured reliably. Property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes costs incurred initially to acquire or construct a capital asset and costs incurred subsequently to add to, replace part of or service it. If a replacement cost is recognized in the carrying amount of a capital asset, the carrying amount of the replaced part is derecognized. Property and equipment are depreciated on a straight-line basis over their expected useful lives to their estimated residual value.

**Full Circle Lithium Corp. (formerly ESG Capital 1 Inc.)**  
**Notes to Consolidated Financial Statements**  
**For the year ended October 31, 2023 and for the period from May 24, 2022 (Date of Incorporation)**  
**to October 31, 2022**  
**(Expressed in United States Dollars)**

**5. Summary of Material Accounting Policies (continued)**

Computer equipment is depreciated using the straight-line method over 3 years. Leasehold improvements that are available for use are depreciated using the straight-line method over 20 years. The equipment and a portion of the leasehold improvements located at the Company's facility in Nahunta, Georgia related to lithium and battery material reintegration operations are in development and are not available for use and therefore is not being depreciated.

*Impairment of non-financial assets*

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

*Cash and equivalents*

Cash and equivalents include cash on hand and, when applicable, short-term, highly liquid deposits which are either cashable or with original maturities of less than three months at the date of their acquisition.

*Financial instruments*

<b>Financial Instrument</b>	<b>Classification</b>
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), amortized cost, or fair value through other comprehensive income ("FVTOCI"). 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 FVTOCI. Gains or losses on these items are recognized in profit or loss.

ii. 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 FVTPL: 1) the object 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".

iii. Fair value through other comprehensive income ("FVTOCI")

All financial assets not classified at amortized cost or FVTOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset as FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## **5. Summary of Material Accounting Policies (continued)**

### *Financial instruments (continued)*

#### Financial liabilities

Financial liabilities are classified as either financial liabilities at amortized cost or FVTPL. 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 five 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 FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above. 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 and 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 FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

#### 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.

#### *Related party transactions*

Parties are considered to be related if one party has the ability to directly or indirectly 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.

#### *Leases and right-of-use assets*

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the leases as an operating expense on a straight-line basis over the term of the lease.

## **5. Summary of Material Accounting Policies (continued)**

When a lease is identified, the Company allocates the consideration in the contract to each of the lease components, separately from the non-lease components, on the basis of their relative stand-alone price.

A right-of-use asset (a "lease asset") and a lease liability are recognized in the statement of financial position at the lease commencement date.

### Right-of-use assets

A lease asset is initially recognized at cost, which comprises the amount of the initial measurement of the lease liability, adjusted for any lease payments made or any lease incentives received at or before the commencement date, plus any initial direct costs incurred by the Company and an estimate of costs to be incurred in dismantling, removing or restoring the asset or site, as required by the terms and conditions of the lease.

The lease asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the lease asset or the end of the lease term. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

### Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

## **5. Summary of Material Accounting Policies (continued)**

### *Research and Development ("R&D")*

All research costs are expensed in the period incurred. Development costs are expensed in the period incurred, unless they meet the criteria for capitalization, in which case they are capitalized and amortized over the useful life. Development costs are written off when there is no longer an expectation of future benefits. No development costs have been capitalized to date, as there is no certainty whether future economic benefits could be attributed to these development costs through future commercialization of the battery development activities that are currently being undertaken.

### Accounting standards issued but not yet effective

#### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishments of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The Company does not expect the impact to be material to the Company's current or future reporting periods.

## **6. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting year. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

### Business combinations

At the time of acquisition, the Company considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Company accounts for an acquisition as a business combination where an integrated set of activities and assets, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired.

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an asset acquisition. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their fair values, and no goodwill or deferred tax is recognized.

## **6. Significant Accounting Judgments, Estimates and Assumptions (continued)**

### Control

At the time of acquisition, the Company assesses whether it has control over the acquiree. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Where control exists, the Company consolidates the results of the acquired entity.

In the acquisition of FCLI, it was determined that control resides with FCLI as the former shareholders of FCLI became the majority shareholders of the combined entity. As a result, the transaction was accounted for as a reverse takeover.

### Fair value of consideration in reverse takeover transaction

The fair value of consideration to acquire the Company in the reverse take-over transaction comprised of common shares, for which the fair value at the date of issuance is a significant estimate. In determining the estimate, management considered recent financings. The Company applied IFRS 2 Share-based Payment in accounting for the acquisition.

### Term and incremental borrowing rate of lease

In determining lease terms, the Company used its judgment to determine if the extension and purchase options would be exercised. Furthermore, the Company does not believe the interest rate implicit in its leases can be readily determined. It therefore used its judgment to determine the incremental borrowing rate and used it as the discount rate to establish its lease liability. For every lease, management makes a judgment to determine the appropriate lease term. Management considers all relevant facts and circumstances that create an economic incentive for the Company to exercise a renewal option or not to exercise a termination option, including, for example, investments in extensive leasehold improvements. The periods covered by the renewal options are included in the lease term only if management is reasonably certain it will renew the lease. Management considers reasonable certainty to be a high threshold. Changes in the economic environment can have an impact on management's lease term assessments, and any changes in the estimates that management makes for lease terms could have a significant impact on the Company's consolidated statement of financial position and consolidated statement of net loss and comprehensive loss. Management considers the best economic information available to split the fair value of the lease between building and land.

### Estimation of decommissioning and restoration costs and the timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the plant. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

### Share-based payments

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

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**6. Significant Accounting Judgments, Estimates and Assumptions (continued)**

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

**7. Restricted Cash**

Restricted cash represents funds held as financial assurance as required by 40 CFR §261.143 and other regulations set forth by the United States Environmental Protection Agency, in connection to the coverage of the estimated future costs of closure of the lithium-ion battery recycling facility to be operated by the Company in Nahunta, Georgia, United States.

**8. Other Receivables**

	<b>October 31, 2023</b>	<b>October 31, 2022</b>
HST receivable	\$ 49,109	\$ -
Subscriptions receivable	-	10,517
Accrued interest	1,764	-
	<b>\$ 50,873</b>	<b>\$ 10,517</b>

**9. Prepaid Expenses and Deposit**

	<b>October 31, 2023</b>	<b>October 31, 2022</b>
Prepaid expenses	\$ 170,518	\$ -
Deposit	35,198	7,916
	<b>\$ 205,716</b>	<b>\$ 7,916</b>

**10. Property and Equipment**

	<b>Computers</b>	<b>Equipment</b>	<b>Leasehold improvement</b>	<b>Land</b>	<b>Total</b>
<b>Cost</b>					
Balance, May 24, 2022	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	445,587	671,614	-	1,117,201
Balance, October 31, 2022	-	445,587	671,614	-	1,117,201
Additions	4,594	944,270	1,627,118	8,000	2,583,982
<b>Balance, October 31, 2023</b>	<b>\$ 4,594</b>	<b>\$ 1,389,857</b>	<b>\$ 2,298,732</b>	<b>\$ 8,000</b>	<b>\$ 3,701,183</b>

**Accumulated Depreciation**

Balance, May 24, 2022 and October 31, 2022	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	1,061	-	49,974	-	51,035
<b>Balance, October 31, 2023</b>	<b>\$ 1,061</b>	<b>\$ -</b>	<b>\$ 49,974</b>	<b>\$ -</b>	<b>\$ 51,035</b>

**Net Book Value**

Balance, October 31, 2022	\$ -	\$ 445,587	\$ 671,614	\$ -	\$ 1,117,201
<b>Balance, October 31, 2023</b>	<b>\$ 3,533</b>	<b>\$ 1,389,857</b>	<b>\$ 2,248,758</b>	<b>\$ 8,000</b>	<b>\$ 3,650,148</b>

Certain additions of equipment and leasehold improvements are related party transactions. See Note 18 for further details.

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**10. Property and Equipment (continued)**

As at October 31, 2023, equipment and certain leasehold improvements located at the Company's facility in Nahunta, Georgia related to lithium and battery material reintegration operations in development and are not available for use and therefore is not being depreciated. However, certain leasehold improvements are available for use at October 31, 2023 and are therefore being depreciated.

**11. Right-of-Use Assets**

	Land	Building	Total
Balance, May 24, 2022	\$ -	\$ -	\$ -
Additions	60,095	420,664	480,759
Balance, October 31, 2022	\$ 60,095	\$ 420,664	\$ 480,759
Depreciation	-	(10,852)	(10,852)
Lease modification (Note 13)	1,915	13,406	15,321
<b>Balance, October 31, 2023</b>	<b>\$ 62,010</b>	<b>\$ 423,218</b>	<b>\$ 485,228</b>

Management allocated the value between land and building based on their stand-alone fair values. As at October 31, 2023, the building is available for use and therefore is being depreciated.

**12. Accounts Payable and Accrued Liabilities**

	October 31, 2023	October 31, 2022
Accounts payable	\$ 152,128	\$ 96,390
Accrued liabilities	564,654	48,040
	<b>\$ 716,782</b>	<b>\$ 144,430</b>

**13. Lease Liability**

The lease of the Company relates to a piece of land and building in Nahunta, Georgia, United States, where the lithium-ion battery recycling facility will be situated. The term of the lease commenced on June 9, 2022 for monthly rent of \$2,500, and expires on June 7, 2032. There is an option to extend the term for an additional 10 years, for a monthly rent of \$5,000.

The lease includes an option to purchase the property by the Company, (i) if exercised prior to June 9, 2023, for a price of \$250,000; or, (ii) if exercised on or after June 9, 2023, for a price of \$250,000 upon transfer of title, and a further \$250,000 contingent upon the receipt by the Company of a legal opinion from a law firm that the lien on the property has been extinguished. The lease of property is subject to a general lien up to \$250,000.

	Total
Balance, May 24, 2022	\$ -
Additions	480,759
Accretion expense	14,735
Lease payments	(5,000)
Balance, October 31, 2022	\$ 490,494
Lease modification	15,321
Accretion expense	35,565
Lease payments	(60,000)
<b>Balance, October 31, 2023</b>	<b>\$ 481,380</b>

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**13. Lease Liability (continued)**

Allocated as:	October 31, 2023	October 31, 2022
Current	\$ 481,380	\$ 5,876
Non-current	-	484,618
	\$ 481,380	\$ 490,494

The lease that the Company entered into is a related party transaction. See Note 18 for further details.

Undiscounted remaining cash flows	October 31, 2023	October 31, 2022
Less than one year	\$ 483,333	\$ 30,000
Greater than one year	-	517,500
Total undiscounted lease liability	483,333	547,500
Amount representing implicit interest	(1,953)	(57,006)
Lease liability	\$ 481,380	\$ 490,494

At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date and the exercise of a purchase option estimated to be made in June of 2024. The lease payments are discounted using an interest rate of 7.0%, which is the Company's incremental borrowing rate based on estimated commercial mortgage rates in the United States. The effective interest rate is 7.72%.

After the completion of a reverse take-over of the Company and the listing of its shares, in May 2023, the lease was modified for an increase of monthly lease payment to \$5,000 per month. The lease liability was remeasured at the present value of the lease payments that were not paid at that date, and the exercise of the purchase option is estimated to be made in November 2023. The lease payments are discounted using an interest rate of 7.0%, which is the Company's incremental borrowing rate based on estimated commercial mortgage rates in the United States. The effective interest rate is 7.25% upon modification.

On May 7, 2023, the Company entered into a term sheet in connection to negotiations with the landlord regarding a potential transaction wherein the purchase option would be exercised for the Company to acquire ownership of the property under lease. In accordance with the term sheet, an advance payment of \$30,000 was made by the Company to the landlord.

On September 24, 2023, the Company entered into a Contract for the Purchase of Real Estate with the landlord regarding the exercise of the purchase option for the Company to acquire ownership of the property under lease. The transaction price is \$500,000, payable as follows:

- i) \$250,000 upon closing less a credit of \$30,000 paid in advance; and
- ii) \$250,000 pursuant to an escrow agreement in which \$125,000 will be paid to the seller on March 28, 2024, and the remaining \$125,000 will be paid to the seller upon satisfaction of the lien on the property.

As of October 31, 2023, the transaction is yet to be completed. In addition to the \$30,000 paid in advance upon signing of the term sheet, which was applied against lease liability, a further \$5,000 was paid in advance to the escrow agent in connection to the transaction, which are included in prepaid expenses and deposits in these consolidated financial statements.

Subsequent to October 31, 2023, the Company has completed the purchase of the property under lease (Note 25). In accordance with the purchase agreement between the parties, a total of \$250,000 was paid to the landlord, inclusive of the \$30,000 paid in advance to the landlord, and the \$5,000 held by the escrow agent. The remaining balances are held in escrow and will be paid subject to the fulfillment of conditions.

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#### **14. Share Capital**

##### Authorized share capital

The authorized share capital consists of an unlimited number of common shares without par value.

##### Issued shares

*For the year ended October 31, 2023:*

On January 18, 2023, the Company closed the private placement of 13,974,786 units of subscription receipts at CAD\$0.70 per unit, for aggregate proceeds of \$7,276,111 (CAD\$9,782,350) (the "Financing"). Upon the completion of the Qualifying Transaction (Note 3), each unit of subscription receipt was exchanged for one common share of the Company, and one-half of one common share purchase warrant of the Company (the "Warrant"). Each whole Warrant is exercisable at a price of CAD\$1.10 per common share for 24 months from the date of satisfaction of the escrow release conditions. The Warrants were assigned a fair value of \$1,054,493 (CAD\$1,417,710) estimated by using the Black-Scholes option pricing model, using the following assumptions: share price – CAD\$0.60, exercise price – CAD\$1.10; risk-free interest rate – 3.88%; expected volatility – 90.13%, using comparable companies; dividend yield – 0%; and expected life – 2.0 years.

In connection with the Financing, and pursuant to the terms of an agency agreement dated January 17, 2023, entered into by the Agents, the Company and FCLI, the Agents are entitled to: (i) a cash commission of \$457,175 (CAD\$614,647) (the "Cash Fee"); and (ii) 869,495 compensation options (the "Compensation Options"). In addition, the Company paid legal fees of \$135,729 (CAD\$182,480) included in share issuance cost. Each Compensation Option is exercisable for one common share of the Company and one half of one warrant to purchase a common share of the Company (a "Compensation Warrant"), at a price of CAD\$0.70 subject to adjustment, for a period of 24 months commencing upon satisfaction of the Escrow Release Conditions, with each whole Compensation Warrant underlying the Compensation Options being exercisable into one common share at a price of CAD\$1.10 until the date that is 24 months following the satisfaction of the Escrow Release Conditions. The Compensation Options were assigned a fair value of \$224,552 (CAD\$301,899) estimated by using the Black-Scholes option pricing model, using the following assumptions: share price CAD\$0.70, exercise price – CAD\$0.70; risk-free interest rate – 3.88%; expected volatility – 90.13%, using comparable companies; dividend yield – 0%; and expected life – 2.0 years.

On April 21, 2023, the Company closed the Qualifying Transaction, and exchanged the subscription receipts for shares and warrants, respectively, of the Company on a one-for-one basis.

*For the period from May 24, 2022 (date of incorporation) to October 31, 2022:*

On May 24, 2022, the Company founders issued 7,050,000 common shares at US\$0.0001 per common share, for aggregate proceeds of \$705.

On June 6, 2022, the Company completed a non-brokered private placement of 13,850,000 common shares at US\$0.01 per common share, for aggregate proceeds of \$138,500.

On June 16, 2022, the Company completed a non-brokered private placement of 11,000,000 common shares at CAD\$0.025 per common share, for aggregate proceeds of \$212,713 (CAD\$275,000).

#### **14. Share Capital (continued)**

On August 23, 2022, the Company completed a non-brokered private placement of 18,954,000 common shares at CAD\$0.25 per common share, for aggregate proceeds of \$3,651,579 (CAD\$4,738,500). In connection with the non-brokered private placement, the Company paid certain eligible persons (the "Finders") a cash commission in total of \$252,384 (CAD\$330,000), equal to 8.0% of the gross proceeds of the non-brokered private placement delivered by Finders, issued 1,314,400 non-transferable broker warrants ("Finders' Warrants") equal to 8.0% of the common shares issued under the non-brokered private placement delivered by Finders recorded as share issued cost, and legal and financing fees of \$30,206 (CAD\$39,574). Each Finders' Warrant is exercisable at CAD\$0.25 per common share for 24 months from the date of the going public transaction and listing of the common shares ("IPO date"). The Finders' Warrants were assigned a fair value of \$151,620 estimated by using the Black-Scholes option pricing model, using the following assumptions: share price CAD\$0.25, exercise price of CAD\$0.25; a risk-free interest rate – 3.48%; expected volatility – 100%, using comparable companies; dividend yield – 0%; and an expected life – 2.6 years.

#### **15. Stock Options ("Options")**

On August 2, 2022, the Company's Option Plan was approved by the Board of Directors (the "Board"). Pursuant to the terms of the Options, the Board may designate directors, officers, employees and consultants of the Company eligible to receive options to acquire such numbers of common shares as the Board may determine, the term of each option is specified by the Board, up to a maximum of ten years from the date of grant. The maximum number of common shares reserved for issuance for the instruments granted under the Options at any time is 10% of the issued and outstanding common shares of the Company.

*For the year ended October 31, 2023:*

On April 26, 2023, the Company granted 2,000,000 Options to management, employees and a consultant with an exercise price of CAD \$0.70. Of these Options, 20% vested immediately, and 20% vests every six months afterwards for a period of 24 months. A fair value of CAD\$864,738 was determined using the Black-Scholes option pricing model. The following assumptions were used: share price CAD\$0.60; dividend yield – 0%; expected volatility 97.21%, using comparable companies; risk free interest rate – 2.98%; and expected life – 5.0 years.

On September 5, 2023, the Company granted 375,000 Options to a consultant with an exercise price of CAD \$0.70. Of these options, one-third vested immediately, and one-third vests every six months afterwards for a period of 12 months. A fair value of CAD\$182,395 was determined using the Black-Scholes option pricing model. The following assumptions were used: share price of CAD\$0.65; dividend yield – 0%; expected volatility 99.15%, using comparable companies; risk free interest rate – 3.94%; and expected life – 5.0 years.

*For the period from May 24, 2022 (date of incorporation) to October 31, 2022:*

On August 2, 2022, the Company granted 1,500,000 stock options to management, with an exercise price of CAD \$0.25. The options vest 20% on the grant date, and 20% vests every six months afterwards for a period of 24 months. A fair value of CAD\$282,905 was determined using the Black-Scholes option pricing model. The following assumptions were used: share price of CAD\$0.25; dividend yield – 0%; expected volatility 100%, using comparable companies; risk free interest rate – 2.80%; and an expected life – 5 years.

During the year ended October 31, 2023, the Company recorded share-based compensation of \$563,171 (period from May 24, 2022 (date of incorporation) to October 31, 2022 - \$86,098).

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**15. Stock Options (“Options”) (continued)**

The following table reflects the continuity of Options from May 24, 2022 (date of incorporation) to October 31, 2023:

	Number of Options	Weighted average exercise price CAD (\$)
Balance, May 24, 2022	-	\$ -
Granted	1,500,000	0.25
Balance, October 31, 2022	1,500,000	\$ 0.25
Granted	2,375,000	0.70
Forfeited	(25,000)	0.70
<b>Balance, October 31, 2023</b>	<b>3,850,000</b>	<b>\$ 0.52</b>

The following table reflects the actual Options issued and outstanding as at October 31, 2023:

Expiry date	Exercise price CAD (\$)	Weighted average remaining contractual life (years)	Total options	Options exercisable
August 2, 2027	0.25	3.76	1,500,000	900,000
April 26, 2028	0.70	4.49	1,975,000	790,000
September 5, 2028	0.70	4.85	375,000	125,000
		<b>4.24</b>	<b>3,850,000</b>	<b>1,815,000</b>

**16. Warrants**

The following table reflects the continuity of warrants from May 24, 2022 (date of incorporation) to October 31, 2023:

	Number of warrants	Weighted average exercise price CAD (\$)
Balance, May 24, 2022	-	\$ -
Issued (Note 14)	1,314,400	0.25
Balance, October 31, 2022	1,314,400	\$ 0.25
Issued (Note 14)	7,856,888	1.06
<b>Balance, October 31, 2023</b>	<b>9,171,288</b>	<b>\$ 0.94</b>

The following table reflects the actual share purchase warrants issued and outstanding as at October 31, 2023:

Expiry date	Exercise price CAD (\$)	Remaining contractual life (years)	Grant date fair value (\$)	Number of warrants outstanding
April 21, 2025	1.10	1.47	1,054,493	6,987,393
April 21, 2025	0.70	1.47	224,552	869,495
April 21, 2025	0.25	1.47	151,620	1,314,400
			<b>1,430,665</b>	<b>9,171,288</b>

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**17. General and Administrative Expenses**

Details of the Company's general and administrative expenses are summarized as follows:

	Year ended October 31, 2023	Period from incorporation on May 24, 2022 to October 31, 2022
Administrative expenses	\$ 253,090	\$ 29,495
Insurance	175,801	-
Rent and equipment rentals	101,355	-
Supplies	67,925	-
Advertising	34,773	-
Utilities and waste disposal	34,553	11,554
	<b>\$ 667,497</b>	<b>\$ 41,049</b>

**18. Related Party Transactions**

Key management includes directors and other key personnel, including the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO"), Chief Technology Officer ("CTO"), Chief Financial Officer ("CFO"), and former Chief Financial Officer ("former CFO"), who have authority and responsibility for planning, directing, and controlling the activities of the Company.

All related party transactions are in the normal course of operations and are measured at fair value. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured, and have no fixed terms of repayments.

Related party transactions with directors and companies controlled by directors include the following:

	Year ended October 31, 2023	Period from incorporation on May 24, 2022 to October 31, 2022
<b>Share-based compensation</b>		
Independent directors <sup>(1)</sup>	\$ 195,396	\$ 25,112
<b>Professional fees</b>		
Company, which Chairman is a partner <sup>(2)</sup>	99,077	-
	<b>\$ 294,473</b>	<b>\$ 25,112</b>

(1) Share-based compensation was issued to four independent directors of the Company.

(2) The Chairman of the Company is a partner at Fasken Martineau DuMoulin LLP ("Fasken"). Professional fees were paid by the Company for services relating to general corporate management matters rendered by Fasken to the Company.

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**18. Related Party Transactions (continued)**

Related party transactions with other management personnel and former management personnel and companies controlled by those management personnel include the following:

	Year ended October 31, 2023	Period from incorporation on May 24, 2022 to October 31, 2022
<b>Share-based compensation</b>		
CEO	\$ 110,974	\$ 27,982
COO	105,579	25,112
CTO	34,294	7,892
Former CFO <sup>(1)</sup>	1,625	-
<b>Professional fees</b>		
Company controlled by CEO <sup>(2)</sup>	60,209	33,904
COO <sup>(3)</sup>	163,000	16,000
CTO <sup>(3)</sup>	46,000	6,000
Company, which former CFO is a senior employee <sup>(4)</sup>	72,069	8,244
<b>Salaries and wages</b>		
CEO	162,434	-
COO	135,000	-
CFO <sup>(5)</sup>	3,470	-
<b>Purchase of property and equipment</b>		
Company controlled by COO <sup>(6)</sup>	33,148	598,095
Company controlled by COO <sup>(7)</sup>	1,400	-
CTO	2,000	-
<b>Lease payment</b>		
Company controlled by COO <sup>(8)</sup>	60,000	5,000
	<b>\$ 991,202</b>	<b>\$ 728,229</b>

(1) The former CFO of the Company ceased to be CFO effective July 31, 2023.

(2) The CEO is the owner of Vamp Financial Corp ("Vamp"). Consulting fees were paid by the Company for services relating to general corporate management matters rendered by Vamp to the Company.

(3) The COO and CTO's fees were capitalized to property and equipment during the year ended October 31, 2023.

(4) The former CFO is a senior employee of Marrelli Support Services Inc. ("MSSI"). Professional fees were paid by the Company for services relating to general accounting and financial reporting matters rendered by MSSI to the Company.

(5) The CFO of the Company commenced to be CFO effective August 1, 2023.

(6) Equipment and leasehold improvements were purchased from Southwest Technologies LLC ("SW LLC"), a company owned by the COO.

(7) Equipment and leasehold improvements were purchased from Full Circle Lithium, LLC ("FCL LLC"), a company owned by the COO.

(8) The Company entered into a lease agreement with FCL LLC, a Company owed by the COO for land and building. See Note 11 and 13 for further details.

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**18. Related Party Transactions (continued)**

Balances due to related parties include the following:

	<b>October 31, 2023</b>	<b>October 31, 2022</b>
<b>Accounts payable and accrued liabilities</b>		
CEO <sup>(1)</sup>	\$ 50,354	\$ 5,327
COO <sup>(2)</sup>	135,000	-
Company, which Chairman is a partner <sup>(3)</sup>	36,265	-
Company controlled by CEO <sup>(4)</sup>	-	11,342
Company controlled by COO <sup>(5)</sup>	-	5,650
	<b>\$ 221,619</b>	<b>\$ 22,319</b>

(1) Amounts owing to the CEO relate to expense reimbursements and accrued bonus, which are unsecured, non-interest bearing and due on demand.

(2) Amounts owing to the COO relate to accrued bonus, which are unsecured, non-interest bearing and due on demand.

(3) The Chairman of the Company is a partner at Fasken Martineau DuMoulin LLP ("Fasken"). Amounts were owed at October 31, 2023 for services relating to general corporate management matters rendered by Fasken to the Company. Amounts owed are unsecured, non-interest bearing and due on demand.

(4) The CEO is the owner of Vamp Financial Corp ("Vamp"). Amounts were owed at October 31, 2022 for services relating to general corporate management matters rendered by Vamp to the Company. Amounts owed were unsecured, non-interest bearing and due on demand.

(5) The COO is the owner of Southwest Technologies LLC ("SW LLC"). Amounts were owed at October 31, 2022 for equipment and leasehold improvements purchased from SW LLC. Amounts owed were unsecured, non-interest bearing and due on demand.

**19. Commitments and Contingencies**

The Company is party to a consulting agreement with the CTO of the Company whereby the CTO is eligible to be compensated of up to \$1,250,000 based on the completion of certain Company operational milestone achievements.

**20. Segment Information**

Reportable segments are those operations whose operating results are reviewed by the chief operating decision maker, being the individual at the Company making decisions about resources to be allocated to a particular segment, and assessing performance provided those operations pass certain quantitative thresholds.

The Company operates in only one reportable segment, being lithium and battery material reintegration.

Geographic information related to the Company's assets is as follows:

<b>Assets</b>	<b>October 31, 2023</b>	<b>October 31, 2022</b>
Canada	\$ 3,626,111	\$ 3,544,257
United States	4,794,934	456,142
<b>Total</b>	<b>\$ 8,421,045</b>	<b>\$ 4,000,399</b>

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**21. Income Taxes**

The following table reconciles the amount of income tax recoverable on application of the United States statutory income tax rates:

	<b>Year ended October 31, 2023</b>	<b>Period from incorporation on May 24, 2022 to October 31, 2022</b>
Net loss	\$ (4,852,261)	\$ (297,931)
Statutory income tax rate	26.50%	26.50%
Expected income tax recovery	(1,285,849)	(72,852)
Non-deductible expenditures	548,588	29,556
Share issuance costs booked through equity	(152,478)	(72,434)
Impact of foreign exchange	(22,240)	9,708
Effect of different jurisdiction tax rates	108,413	-
Unrecognized benefit from income tax losses	803,566	106,022
Income tax recovery	\$ -	\$ -

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amounts of assets and liabilities. Deferred tax assets have not been recognized in respect of the following gross deductible temporary differences:

	<b>Year ended October 31, 2023</b>	<b>Period from incorporation on May 24, 2022 to October 31, 2022</b>
Capital assets	\$ 52,381	\$ -
Capital lease	9,524	-
Capitalized research and development costs	44,186	-
Share issuance costs	652,127	249,373
Start-up costs	1,614,451	-
Non-capital losses	1,426,232	164,032
	\$ 3,798,901	\$ 413,405

As at October 31, 2023, the Company had net operating losses carry forwards of approximately \$1,426,000 which can be applied to against taxable income. These losses can be carried forward with expiry as follows:

	<b>Canada</b>	<b>United States</b>	<b>Total</b>
2042	\$ 99,457	\$ -	\$ 99,457
2043	1,281,543	-	1,281,543
Indefinitely	-	45,232	45,232
	\$ 1,381,000	\$ 45,232	\$ 1,426,232

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**22. Supplemental Disclosures with Respect to Cash Flows**

	Year ended October 31, 2023	Period from May 24, 2022 (Date of Incorporation) to October 31, 2022
Shares issued in connection with reverse take-over (RTO)	\$ 1,559,377	\$ -
Purchase of property and equipment included in accounts payable and accrued liabilities	\$ 90,074	\$ -
Subscription receivable	\$ -	\$ 10,517

**23. Financial Risk Management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's financial instruments consist of cash and cash equivalents, restricted cash, other receivables, and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted.

The type of risk exposure and the way in which such exposure is managed is provided as follows:

*Credit risk*

The financial instrument which potentially subjects the Company to concentration of credit risk is cash and cash equivalents. As at October 31, 2023, the balance of cash and cash equivalents held on deposit was \$3,734,264. The Company has not experienced any losses in such amounts and believes it is not exposed to any significant risks on its cash in bank accounts.

*Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows from operations, expected capital expenditures and the Company's holdings of cash. In the long term, the Company may have to issue additional shares to ensure there is sufficient capital to meet long term objectives.

The Company's financial liabilities of accounts payable and accrued liabilities are payable without repayment terms and are to be funded from cash provided by issuance of equity.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and price risk.

(a) Interest rate risk

The Company has cash and cash equivalents balances. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy. Management believes interest rate risk to be minimal.

## **23. Financial Risk Management (continued)**

### (b) Foreign currency risk

The Company's functional currency is the Canadian dollar and reporting currency is the United States dollar ("US dollar") and is exposed to foreign currency risk with respect to its cash and cash equivalents, other receivables, prepaid expenses and deposit, and accounts payable and accrued liabilities held in a foreign currency.

As at October 31, 2023, the Company's Canadian entities held cash and cash equivalents of \$124,610 and accounts payable and accrued liabilities of \$115,933 denominated in US dollars. As at October 31, 2023, if the value of the Canadian dollar had strengthened or weakened by 5% against the US dollar, with all other variables held constant, net and comprehensive loss would have been \$232 lower or higher respectively.

### (c) Price risk

The Company is exposed to price risk with respect to equity and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. 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, individual equity movements and the stock market in general to determine the appropriate course of action to be taken by the Company.

## **24. Management of Capital Risk**

The Company relies upon management to manage capital in order to accomplish the objective of:

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

The Company's current capital consists of equity funding through issuances of common shares. There have been no changes to the Company's policies around the management of its capital requirements from the period from May 24, 2022 (date of incorporation) to October 31, 2022.

## **25. Subsequent Event**

### Completion of the purchase of property under lease

On November 9, 2023, the Company entered into an agreement for the purchase of an additional 39 acres of land owned by the Brantley Country Development Authority, which is adjacent to the property previously under lease (Note 13). The transaction cost of the purchase is \$43,780, and was settled in full as of the date of these consolidated financial statements.

On November 21, 2023, the Company completed the transaction to purchase the property under lease (Note 13) in accordance with the agreement entered into with the landlord on September 24, 2023. The Company has received the title to the land and building at the site, while the lien on the property (Note 13) remains, for which the seller is obligated to effect the extinguishment of.

### Grant of annual incentive stock options

On November 21, 2023, the Company granted annual incentive stock options to directors, officers, senior employees, and consultants of the Company to acquire an aggregate of 1,327,500 common shares at \$0.55 per share, for a period of 5 years. Of these options, 25% vest immediately and 25% vest every six months from grant date, for a period of 18 months.