



Standard

L I T H I U M

Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

Three months ended September 30, 2022 and 2021

STANDARD LITHIUM LTD.

Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2022 and June 30, 2022

(Expressed in Canadian Dollars – unaudited)

	September 30, 2022	June 30, 2022
ASSETS		
Current assets		
Cash	\$ 124,069,893	\$ 129,065,348
Receivables	905,564	1,135,095
Prepaid expenses	1,038,303	1,603,997
	126,013,760	131,804,440
Non-current assets		
Reclamation deposit	85,887	80,742
Exploration and evaluation assets (Note 4)	45,959,407	41,127,501
Intangible asset (Note 5)	1,452,388	1,500,540
Pilot plant (Note 6)	822,420	985,057
Asset under construction – Commercial plant (Note 7)	6,581,812	4,533,458
Right of use asset	339,216	379,650
Deposits	32,106	12,416
Investment in Aqualung Carbon Capture SA (Note 3)	3,426,740	3,221,491
	58,699,976	51,840,855
TOTAL ASSETS	\$ 184,713,736	\$ 183,645,295
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,735,921	\$ 6,597,682
Lease liability – short-term	183,340	182,060
	4,919,261	6,779,742
Non-current liabilities		
Lease liability – long-term	168,104	208,435
Decommissioning provision	137,070	128,860
	305,174	337,295
TOTAL LIABILITIES	5,224,435	7,117,037
EQUITY		
Share capital (Note 8)	262,259,192	262,046,589
Reserves (Note 8)	22,635,578	21,945,204
Deficit	(108,276,273)	(106,717,819)
Accumulated other comprehensive loss	2,870,804	(745,716)
TOTAL EQUITY	179,489,301	176,528,258
TOTAL LIABILITIES AND EQUITY	\$ 184,713,736	\$ 183,645,295

Commitments (Notes 4)

Approved by the Board of Directors and authorized for issue on November 7, 2022.

“Robert Mintak”

Director

“Dr. J. Andrew Robinson”

Director

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

STANDARD LITHIUM LTD.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

Three months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars - unaudited)

	Three months ended	
	September 30, 2022	September 30, 2021
Expenses		
Advertising and investor relations	\$ 67,694	\$ 66,194
Amortisation of intangible asset (Note 5)	48,152	48,152
Amortisation of office lease	45,471	-
Amortisation of pilot plant (Note 6)	201,636	3,613,127
Consulting fees	501,131	369,232
Filing and transfer agent	148,665	29,860
Foreign exchange gain	(6,494,601)	(8,407)
Management fees (Note 9)	513,886	369,522
Office and administration	938,238	598,148
Patent	244,373	116,890
Pilot plant operating (Note 6)	2,875,553	2,336,442
Preliminary economic assessment	-	53,473
Professional fees	1,239,962	313,867
Project investigation	945,989	315,245
Share-based payment	790,478	1,115,134
Travel	46,609	22,109
Loss from operations before other items	(2,113,236)	(9,358,988)
Interest income	559,550	-
Interest and accretion expense	(4,768)	-
Net (loss) income for the period	(1,558,454)	(9,358,988)
Other comprehensive income (loss)		
Item that may be reclassified subsequently to income or loss:		
Currency translation differences of foreign operations	3,616,520	1,190,905
Total comprehensive income (loss)	\$ 2,058,066	\$ (8,168,083)
Weighted average number of common shares		
outstanding – basic and diluted	166,472,306	143,399,374
Basic and diluted loss per share	\$ (0.01)	\$ (0.07)

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

STANDARD LITHIUM LTD.

Condensed Consolidated Interim Statements of Changes in Equity
 Three months ended September 30, 2022 and 2021
 (Expressed in Canadian Dollars - unaudited)

	Number of shares	Share capital	Reserves	Deficit	Accumulated other comprehensive income	Total equity
Balance, June 30, 2021	141,166,203	\$ 122,996,406	\$ 19,563,420	\$ (68,617,507)	\$ (2,398,853)	\$ 71,543,466
Share-based payment	-	-	1,115,134	-	-	1,115,134
Share issuance costs	-	(187,296)	-	-	-	(187,296)
Warrants exercised	3,031,281	3,162,316	-	-	-	3,162,316
Stock options exercised	395,509	1,089,951	(685,490)	-	-	404,461
Net loss for the period	-	-	-	(9,358,988)	-	(9,358,988)
Currency translation differences for foreign operations	-	-	-	-	1,190,905	1,190,905
Balance, September 30, 2021	144,592,993	\$ 127,061,377	\$ 19,993,064	\$ (77,976,495)	\$ (1,207,948)	\$ 67,869,998
Balance, June 30, 2022	166,402,197	\$ 262,046,589	\$ 21,945,204	\$ (106,717,819)	\$ (745,716)	\$ 176,528,258
Share-based payment	-	-	790,478	-	-	790,478
Stock options exercised	150,000	212,603	(100,104)	-	-	112,499
Net loss for the period	-	-	-	(1,558,454)	-	(1,558,454)
Currency translation differences for foreign operations	-	-	-	-	3,616,520	3,616,520
Balance, September 30, 2022	166,552,197	\$ 262,259,192	\$ 22,635,578	\$ (108,276,273)	\$ 2,870,804	\$ 179,489,301

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

STANDARD LITHIUM LTD.

Condensed Consolidated Interim Statements of Cash Flows

Three months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars - unaudited)

	Three months ended	
	September 30, 2022	September 30, 2021
Cash flows from (used in) operating activities		
Net loss	\$ (1,558,454)	\$ (9,358,988)
Add items not affecting cash		
Share-based payments	790,478	1,115,134
Foreign exchange	(6,367,404)	922
Amortisation – pilot plant	201,636	3,613,127
Amortisation – intangible asset	48,152	48,152
Amortisation – office lease	45,471	-
Interest expense	4,768	-
Net changes in non-cash working capital items to operations:		
Receivables	640,927	(55,713)
Prepaid expenses	546,004	(2,506,353)
Accounts payable and accrued liabilities	(1,200,199)	(315,230)
Net cash used in operating activities	(6,848,621)	(7,458,949)
Cash flows used in investing activities		
Exploration and evaluation assets	(2,166,676)	(220,356)
Pilot plant	(98,708)	(560,057)
Commercial plant development	(2,315,994)	-
Net cash used in investing activities	(4,581,378)	(780,413)
Cash flows from financing activities		
Share issuance costs	-	(187,296)
Exercise of warrants	-	3,162,316
Exercise of options	112,499	404,461
Lease payments	(43,811)	-
Net cash from financing activities	68,688	3,379,481
Effect of exchange rates on cash	6,365,856	-
Net change in cash	(4,995,455)	(4,859,881)
Cash, beginning of period	129,065,348	27,988,471
Cash, end of period	\$ 124,069,893	\$ 23,128,590

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

STANDARD LITHIUM LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars - unaudited)

1. Nature of Operations

Standard Lithium Ltd. (the “Company”) was incorporated under the laws of the Province of British Columbia on August 14, 1998 under the name Tango Capital Corp. On April 7, 1999, the Company changed its name to Patriot Capital Corp. and then to Patriot Petroleum Corp. effective March 5, 2002. On December 1, 2016, the Company continued under the Canadian Business Corporations Act and changed its name to Standard Lithium Ltd. The Company’s principal operations are comprised of exploration for and development of lithium brine properties in the United States of America (“USA”). The address of the Company’s corporate office and principal place of business is Suite 110, 375 Water Street, Vancouver, British Columbia, Canada, V6B 5C6. The Company’s shares are listed on the TSX Venture Exchange and NYSE American Stock Exchange under the symbol “SLI” and the Frankfurt Exchange in “S5L”.

During March 2020, the World Health Organisation declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse developments, has adversely affected workforces, economies and financial markets globally, leading to an economic downturn. The impact of COVID-19 on the Company’s operations has not been significant, but management continues to monitor the situation.

2. Basis of Presentation

a) Statement of compliance

The condensed consolidated interim financial statements of the Company, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting of International Financial Reporting Standards as issued by the International Accounting Standards Boards (“IFRS”).

These condensed consolidated interim financial statements do not include all of the information required of a complete set of consolidated financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and the performance of the Company since the end of its last annual reporting period. It is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the annual consolidated financial statements of the Company for the year ended June 30, 2022, which were prepared in accordance with IFRS.

b) Basis of consolidation

The consolidated financial statements of the Company include the accounts of the Company and its 100% wholly owned subsidiaries which the Company controls.

STANDARD LITHIUM LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars - unaudited)

3. Investment

On May 5, 2022, the Company entered into an agreement to purchase 179,175 common shares of Aqualung Carbon Capture AS ("Aqualung") for \$3,113,991 (NOK 23.3 million). Aqualung is engaged in Carbon Capture technology and is based out of Norway with operations in the United States. As of September 30, 2022, the Company had not received its share certificates as Aqualung was registering them in Norway.

Changes in the Company's Investment in Aqualung during the period ended September 30, 2022 are summarized as follows:

Initial investment	\$ 3,113,991
Effect of movement in foreign exchange rates	107,500
Balance, June 30, 2022	3,221,491
Effect of movement in foreign exchange rates	205,249
Balance, September 30, 2022	\$ 3,426,740

4. Exploration and Evaluation Expenditures

	California Property \$	Arkansas Property \$	Total \$
Acquisition costs:			
Balance, June 30, 2021	12,768,549	12,107,486	24,876,035
Acquisition of property	5,183,941	1,642,281	6,826,222
Effect of movement in foreign exchange rates	506,868	480,627	987,495
Balance, June 30, 2022	18,459,358	14,230,394	32,689,752
Acquisition of property	51,668	-	51,668
Effect of movement in foreign exchange rates	1,176,093	906,655	2,082,748
Balance, September 30, 2022	19,687,119	15,137,049	34,824,168
Exploration Costs:			
Balance, June 30, 2021	4,153,051	2,561,108	6,714,159
Exploration costs	14,820	1,442,241	1,457,061
Effect of movement in foreign exchange rates	164,861	101,668	266,529
Balance, June 30, 2022	4,332,732	4,105,017	8,437,749
Exploration costs	1,973	2,157,926	2,159,899
Effect of movement in foreign exchange rates	276,050	261,541	537,591
Balance, September 30, 2022	4,610,755	6,524,484	11,135,239
Balance, June 30, 2022	22,792,090	18,335,411	41,127,501
Balance, September 30, 2022	24,297,874	21,661,533	45,959,407

STANDARD LITHIUM LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars - unaudited)

4. Exploration and Evaluation Expenditures - continued

California Property

On August 11, 2016, the Company entered into an option purchase and assignment agreement (the "Option Purchase Agreement") with TY & Sons Explorations (Nevada), Inc. ("TY & Sons") and Nevada Alaska Mining Company Inc. ("Nevada Mining"), pursuant to which the Company acquired all of TY & Sons' right, title and interest in a property option agreement between TY & Sons and Nevada Mining, as property owner (the "Underlying Option Agreement"). Under the Underlying Option Agreement, TY & Sons had the option (the "Option") to acquire from Nevada Mining an interest in the California Property (collectively, the "Option Purchase"), which comprises mineral claims situated in San Bernardino County, California. The transaction, having received the approval of the TSX Venture Exchange, closed on November 17, 2016. As consideration, the Company issued 14,000,000 common shares of the Company and paid certain costs incurred to TY & Sons.

In order to exercise the Option pursuant to the terms of the Underlying Option Agreement, the Company was required to pay the total sum of US\$325,000 and issue an aggregate of 2,500,000 common shares to Nevada Mining as follows:

- US\$125,000 on closing of the Option Purchase Agreement (paid)
- US\$50,000 on or before July 7, 2017 (paid)
- US\$50,000 on or before July 7, 2018 (paid)
- US\$50,000 on or before July 7, 2019 (paid)
- US\$50,000 on or before July 7, 2020 (paid)

- Issue 500,000 common shares on closing of the Option Purchase Agreement (issued)
- Issue 500,000 common shares on or before October 1, 2017 (issued)
- Issue 500,000 common shares on or before October 1, 2018 (issued)
- Issue 500,000 common shares on or before October 1, 2019 (issued)
- Issue 500,000 common shares on or before October 1, 2020 (issued)

The property is subject to a 2.5% net smelter return royalty on commercial production from the mineral claims, in favour of Nevada Mining. The property is also subject to an additional 0.5% net smelter returns royalty applicable to any after acquired properties in the area of interest stipulated by the Option Purchase Agreement, also in favour of Nevada Mining.

On May 1, 2017, the Company signed a Property Lease Agreement with National Chloride Company of America ("National Chloride") for rights to an adjacent property to the California Property, with approximately 12,290 acres. Under this Property Lease Agreement, the Company paid US\$25,000 at signing of a Letter of Intent and agreed to pay the total sum of US\$1,825,000 and issue an aggregate of 1,700,000 common shares of the Company to National Chloride as follows:

STANDARD LITHIUM LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars - unaudited)

4. Exploration and Evaluation Expenditures - continued

California Property – continued

- US\$25,000 on the Purchase Agreement date (paid)
- US\$50,000 on or before November 24, 2017 (paid)
- US\$100,000 on or before May 24, 2018 (paid)
- US\$100,000 on or before May 24, 2019 (paid)
- US\$100,000 on or before May 24, 2020 (paid)
- US\$100,000 on or before May 24, 2021 (paid)
- US\$100,000 on or before May 24, 2022 (paid)
- US\$250,000 upon successful completion of a pre-feasibility study
- US\$1,000,000 upon successful completion of a bankable feasibility study

- Issue 100,000 common shares on the closing date (issued)
- Issue 100,000 common shares on or before November 24, 2017 (issued)
- Issue 200,000 common shares on or before May 24, 2018 (issued)
- Issue 200,000 common shares on or before May 24, 2019 (issued)
- Issue 200,000 common shares on or before May 24, 2020 (issued)
- Issue 200,000 common shares on or before May 24, 2021 (issued)
- Issue 200,000 common shares on or before May 24, 2022 (issued)
- Issue 500,000 common shares successful completion of a pre-feasibility study

It is expressly agreed that the “Leased Rights” are limited to lithium exploration and production activities and operations. The Company has agreed to pay a two percent royalty on gross revenue derived from the properties to National Chloride, subject to a minimum annual royalty payment of US\$500,000. On September 1, 2017, the Property Lease Agreement was amended to include an additional approximately 6,000 acres adjacent to the 12,290 acres. The amendment agreement continues all the economic terms of the previous lease agreement with National Chloride, with the additional requirement that the Company will be responsible for ongoing carrying costs associated with the additional claims. A payment of \$56,873 (US\$44,805) was made to the Bureau of Land Management, Department of the Interior (“BLM”) for these carrying costs and remains in good standing with National Chloride for all subsequent payments.

On April 23, 2018 the Company entered into an exploration and option agreement (“EOA”), with TETRA Technologies, Inc. (“TETRA”), to secure access to additional operating and permitted land consisting of approximately 12,100 acres in Bristol Dry Lake, and up to 11,840 acres in the adjacent Cadiz Dry Lake, Mojave Desert, California. The EOA with TETRA allows for the exclusive right to negotiate and conduct exploration activities and to enter into a mineral lease to allow exploration and production activities for lithium extraction on property held under longstanding mining claims and permits by TETRA.

STANDARD LITHIUM LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars - unaudited)

4. Exploration and Evaluation Expenditures - continued

California Property – continued

In connection with the entering into of the EOA, the Company made a non-refundable deposit of \$137,070 (US\$100,000) (See Note 5), and has agreed to pay the total sum of US\$2,700,000 and issue an aggregate of 3,400,000 common shares of the Company to TETRA Technologies, Inc. as follows:

- US\$100,000 initial payment on April 23, 2018 (paid)
- US\$100,000 on or before October 23, 2018 (paid)
- US\$200,000 on or before April 23, 2019 (paid)
- US\$200,000 on or before April 23, 2020 (paid)
- US\$200,000 on or before April 23, 2021 (paid)
- US\$200,000 on or before April 23, 2022 (paid)
- US\$200,000 on or before April 23, 2023
- US\$500,000 upon successful completion of a pre-feasibility study
- US\$1,000,000 upon successful completion of a bankable feasibility study

- Issue 200,000 common shares on April 23, 2018 (issued)
- Issue 200,000 common shares on or before October 23, 2018 (issued)
- Issue 400,000 common shares on or before April 23, 2019 (issued)
- Issue 400,000 common shares on or before April 23, 2020 (issued)
- Issue 400,000 common shares on or before April 23, 2021 (issued)
- Issue 400,000 common shares on or before April 23, 2022 (issued)
- Issue 400,000 common shares on or before April 23, 2023
- Issue 1,000,000 common shares successful completion of a pre-feasibility study

Arkansas Properties

South-West Arkansas Project

On July 26, 2017, the Company entered into a Memorandum of Understanding (MOU) with a non-affiliated NYSE-listed company (the “Vendor”) with regard to an option to acquire certain rights to conduct brine exploration and production and lithium extraction activities on approximately 33,000 net brine acres located in Columbian and Lafayette Counties, Arkansas. At signing of the MOU, a non-refundable deposit of \$614,150 (US\$500,000) was made with additional fees and payment obligations in the future, and subject to certain conditions.

On December 29, 2017, the Company entered into an Option Agreement to proceed with the transaction (the “Agreement Date”). Under this Option Agreement, the Company will be required to make payments to the Vendor as follows:

- US\$500,000 before January 28, 2018 (paid)
- An additional US\$600,000 on or before December 29, 2018 (paid)
- An additional US\$700,000 on or before December 29, 2019 (paid)
- An additional US\$750,000 on or before December 29, 2020 (paid)

STANDARD LITHIUM LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars - unaudited)

4. Exploration and Evaluation Expenditures – continued

Arkansas Properties – continued

South-West Arkansas Project - continued

- Additional annual payments of US\$1,000,000 on or before each annual anniversary of the Agreement Date, beginning with that date that is 48 months following the Agreement Date, until the earlier of the expiration of the Exploratory Period or, if the Optionee exercises the Option, the Optionee beginning payment of the Royalty. This additional annual payment was made on December 14, 2021.

During the Option Period, at any time following the commencement of Commercial Production, the Company agreed to pay a Royalty of 2.5% of gross revenue (minimum Royalty US\$1,000,000) to the underlying owner.

Arkansas Lithium Project

On May 4, 2018 the Company entered into a Memorandum of Understanding (“MOU”), with LANXESS Corporation (“LANXESS”) with the purpose of testing and proving the commercial viability of extraction of lithium from brine that is produced as part of LANXESS’ bromine extraction business at its three southern Arkansas facilities. The MOU sets out the basis on which the parties have agreed to cooperate in a phased process towards developing commercial opportunities related to the production, marketing and sale of battery grade lithium products extracted from tail brine and brine produced from the Smackover Formation. The MOU forms the basis of what will become a definitive agreement and is binding until the execution of a more comprehensive agreement that the parties may execute on the completion of further development phases. The Company has paid an initial \$3,834,000 (US\$3,000,000) reservation fee to LANXESS to secure access to the tail brine, with an additional US\$3,000,000 reservation fee due upon completion of certain development phases which were completed prior to the year end of June 30, 2019. The additional \$3,804,000 (US\$3,000,000) fee was paid in full on February 16, 2021.

On February 23, 2022, the Company and LANXESS entered into an amended and restated MOU (the “Agreement”) that streamlines and expedites the plan for development of the first commercial lithium project in Arkansas, which is to be constructed at an operational LANXESS facility in El Dorado, AR (the “Project”). Under the Agreement, the Company will control all development of the Project leading up to and including the completion of the Front End Engineering Design (“FEED”) study. The Company will form an initially wholly-owned company (the “Project Company”) that owns 100% of the Project during pre-FEED and FEED engineering studies and the FEED engineering will be used to produce a NI 43-101 Definitive Feasibility Study (“DFS”). Upon completion of the DFS, LANXESS has the option to acquire an equity interest of up to 49% and not less than 30% in the Project Company, at a price equal to a ratable share of the Company’s aggregate investment in the Project Company. The Company will also retain 100% ownership of its South-West Arkansas Project, all of the proprietary extraction technologies, relevant intellectual property and know-how.

STANDARD LITHIUM LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars - unaudited)

5. Intangible asset

On December 13, 2018, the Company acquired 2661881 Ontario Limited (“2661881”) from Craig Johnstone Brown (“Brown”) by purchasing all the issued and outstanding shares. 2661881 holds the intellectual property rights to a process for the selective extraction of lithium from brine solutions (the “IP Assets”). The Company determined that this transaction is an asset acquisition as the assets acquired did not constitute a business.

The consideration payable by the Company to Brown was comprised of cash and common shares of the Company as follows:

- (i) \$50,000 deposit (paid);
- (ii) \$250,000 on the closing date (paid);
- (iii) \$250,000 promissory note payable six months after the closing date (paid);
- (iv) 500,000 common shares on the closing date (issued);
- (v) \$500,000 payable on the earlier of (i) the third anniversary of the closing date, (ii) the date that the Company conclusively determines whether or not to proceed with the commercial development of the IP Assets (regardless of the outcome of such decision); or (iii) such other date as the Company and Brown may agree in writing (the “Investment Date”) (paid); and
- (vi) 500,000 shares issuable on the earlier of (i) the third anniversary of the closing date, (ii) the date that the Company conclusively determines whether to proceed with the commercial development of the IP Assets (regardless of the outcome of such decision); or (iii) such other date as the Company and Brown may agree in writing (the “Investment Date”) (issued).

On October 28, 2019, the Company agreed to accelerate the timeframe of completion of the payments and common share issuances detailed under items (v) and (vi) above to Brown by making (a) a cash payment of \$250,000, on or before November 15, 2019 (paid); and (b) a further \$250,000 (paid), and the issuance of 500,000 common shares (issued) on or before December 31, 2019. As at June 30, 2020, the Company had satisfied all payment and share issuance obligations due and owing with respect to the acquisition of 2661881 as detailed above.

The carrying value of the intangible assets acquired is as follows:

	\$
Balance, June 30, 2021	1,691,575
Amortisation	(191,035)
Balance, June 30, 2022	1,500,540
Amortisation	(48,152)
Balance, September 30, 2022	1,452,388

The intangible asset represents purchase of intellectual property rights and was put in use in conjunction with the operation of the Company’s pilot plant on May 9, 2020 (Note 6).

STANDARD LITHIUM LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars - unaudited)

6. Pilot plant

As at September 30, 2022, the carrying value of the pilot plant is summarized as follows:

	\$
Balance at June 30, 2021	12,338,741
Additions	1,929,020
Amortisation	(13,355,544)
Effect of movement in foreign exchange rates	72,840
Balance at June 30, 2022	985,057
Amortisation	(201,636)
Effect of movement in foreign exchange rates	38,999
Balance at September 30, 2022	822,420

Pilot plant operations costs are comprised of the following:

	Three months ended September 30,	
	2022	2021
Internet	\$ 2,840	\$ 2,771
Personnel	1,309,272	940,527
Reagents	435,329	372,375
Repairs and maintenance	7,251	67,561
Supplies	750,534	353,071
Testwork	321,955	110,734
Office trailer rental	12,397	7,599
Utilities	35,975	503,808
Foreign exchange	-	(22,004)
Total pilot plant operations costs	2,875,553	2,336,442

7. Asset under construction – Commercial Plant

The Company is developing a commercial plant for the extraction of battery-grade lithium from tail brine from a stand-alone facility located adjacent to the LANXESS facility in southern Arkansas. The commercial plant is under development and not available for use and therefore not subject to depreciation as at September 30, 2022.

8. Share Capital

a) Authorized capital

Unlimited number of common voting shares without nominal or par value

STANDARD LITHIUM LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars - unaudited)

8. Share Capital - continued

a) Authorized capital - continued

During the three months ended September 30, 2022, the Company issued a total of 150,000 common shares for the exercise of stock options. The Company received proceeds of \$112,500 and reclassified \$100,104 from reserve to share capital upon exercise.

b) Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance at June 30, 2021	9,813,870	1.13
Issued	336,877	11.09
Exercised	(6,684,892)	1.12
Expired	(3,353)	1.30
Balance at June 30, 2022 and September 30, 2022	3,462,502	2.16

The weighted average contractual life of the warrants outstanding is 1.64 years. As at September 30, 2022, 3,125,625 warrants with an exercise price of \$1.20 with an expiry on June 10, 2024 and 336,877 warrants with an exercise price of \$11.09 with an expiry on November 30, 2023 remain outstanding.

c) Options

The Company has a stock option plan in place under which it is authorized to grant options to officers, directors, employees, consultants and management company employees enabling them to cumulatively acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option shall not be less than the price permitted by any stock exchange. The options can be granted for a maximum term of 10 years.

During the three months ended September 30, 2022, the Company did not grant any options.

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance at June 30, 2021	13,750,784	\$ 1.29
Options exercised	(4,410,784)	1.00
Options granted	1,170,000	7.35
Options expired	(340,000)	0.96
Balance at June 30, 2022	10,170,000	\$ 2.11
Options exercised	(150,000)	0.75
Balance at September 30, 2022	10,020,000	\$ 2.13

STANDARD LITHIUM LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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8. Share Capital - continued

c) Options – continued

The following table summarizes stock options outstanding and exercisable at September 30, 2022:

Exercise Price \$	Number of Shares	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price \$	Number Exercisable	Weighted Average Exercise Price \$
0.75	450,000	0.59	0.75	450,000	0.75
0.76	4,450,000	0.44	0.76	4,450,000	0.76
1.40	1,900,000	0.93	1.40	1,900,000	1.40
2.10	450,000	0.39	2.10	450,000	2.10
3.39	1,200,000	3.30	3.39	1,200,000	3.39
3.43	400,000	1.54	3.43	400,000	3.43
6.08	200,000	3.81	6.08	200,000	6.08
6.31	200,000	4.43	6.31	100,000	6.31
7.55	500,000	2.38	7.55	375,000	7.55
8.25	170,000	4.46	8.25	127,500	8.25
9.40	100,000	4.53	9.40	50,000	9.40
	10,020,000	1.28	2.13	9,702,50	1.95

9. Related Party Transactions

Key management personnel are persons responsible for planning, directing and controlling the activities of the entity, and include directors and officers of the Company.

Compensation to key management is comprised of the following:

	September 30, 2022	September 30, 2021
Management fees	\$ 513,886	\$ 369,522
Share-based payments	-	940,268
	\$ 513,886	\$ 1,309,790

As at September 30, 2022, there is \$294,156 (June 30, 2022: \$287,063) in accounts payable and accrued liabilities owing to officers of the Company. Amounts due to/from the key management personnel are non-interest bearing, unsecured and have no fixed terms of repayment.

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9. Related Party Transactions - continued

On June 17, 2022, the Company entered into a Master Services Agreement (“the MSA”) with Telescope Innovations Corp. (“Telescope”). Robert Mintak, CEO of the Company and Dr. Andy Robinson, President and COO of the Company are directors of Telescope Innovations Corp. Under the MSA, Telescope will provide various research and development (“R&D”) services for the purpose of developing new technologies. The Company will fund an initial project for one year under the MSA, which will aim to evaluate the use of captured CO₂ in the Company’s various chemical processes, as well as investigating the potential for permanent geological sequestration of CO₂ within the lithium brine extraction and reinjection processes contemplated by the Company. Other R&D projects may be performed for the Company by Telescope as required. The Company incurred \$141,033 (September 30, 2021: \$Nil) of costs related to this agreement during the period ended September 30, 2022.

Amounts due to Telescope are non-interest bearing, unsecured and have no fixed terms of repayment.

As at September 30, 2022, there is \$60,000 (June 30, 2022: \$793,310) in accounts payable and accrued liabilities owing to Telescope Innovations Corp.

10. Financial Instruments and Financial Risk Management

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics.

The fair value of current financial instruments approximates their carrying value as they are short term in nature.

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Levels 1, 2 or 3 for the period ended September 30, 2022 and the year ended June 30, 2022.

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10. Financial Instruments and Financial Risk Management - continued

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

September 30, 2022	Level 1	Level 2	Level 3	Total
Investment in Aqualung Carbon Capture SA	\$ -	\$ 3,426,740	\$ -	\$ 3,426,740

June 30, 2022	Level 1	Level 2	Level 3	Total
Investment in Aqualung Carbon Capture SA	\$ -	\$ 3,221,491	\$ -	\$ 3,221,491

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Company's activities. Management regularly monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

In the normal course of operations, the Company is exposed to various risks such as commodity, interest rate, credit, and liquidity risk. To manage these risks, management determines what activities must be undertaken to minimize potential exposure to risks. The objectives of the Company in managing risk are as follows:

- maintaining sound financial condition;
- financing operations; and
- ensuring liquidity to all operations.

In order to satisfy these objectives, the Company has adopted the following policies:

- recognize and observe the extent of operating risk within the business;
- identify the magnitude of the impact of market risk factors on the overall risk of the business and take advantage of natural risk reductions that arise from these relationships.

(i) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from trade receivables. The maximum credit risk is the total of our financial assets, including cash.

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10. Financial Instruments and Financial Risk Management - continued

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital (current assets less current liabilities) to ensure its expenditures will not exceed available resources. At September 30, 2022, the Company has working capital of \$121,094,499 (June 30, 2022: working capital balance of \$125,024,698).

(iii) Foreign Exchange Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	September 30, 2022	June 30, 2022
	\$	\$
Cash	105,056,006	106,802,040
Accounts payable	(3,703,992)	(3,431,920)

At September 30, 2022, US Dollar amounts were converted at a rate of USD 1.00 to CAD 1.3707. A 10% increase or decrease in the US Dollar relative to the Canadian Dollar would result in a change of approximately \$10,135,200 (June 30, 2022: \$10,337,000) in the Company's comprehensive loss for the year to date.

11. Litigation Matters

On January 27, 2022, a putative securities class action lawsuit was filed against the Company, Robert Mintak, and Kara Norman in the United States District Court for the Eastern District of New York, captioned *Gloster v. Standard Lithium Ltd., et al.*, 22-cv-0507 (E.D.N.Y.) (the "**Action**"). The complaint purports to seek relief on behalf of a class of investors who purchased or otherwise acquired the Company's publicly traded securities between May 19, 2020 and November 17, 2021, and asserts violations of Section 10(b) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") against all defendants and Section 20(a) of the Exchange Act against the individually-named defendants. On April 27, 2022, the court granted Curtis T. Arata's motion for appointment as lead plaintiff in the Action. Lead plaintiff filed an amended complaint on June 29, 2022, adding Andrew Robinson as a defendant and extending the class period to February 3, 2022. The amended complaint alleges, among other things, that during the proposed class period, defendants misrepresented and/or failed to disclose certain facts regarding the Company's LiSTR DLE technology and "final product lithium recovery percentage" at its DLE Demonstration Plant in southern Arkansas. The amended complaint seeks various forms of relief, including monetary damages in an unspecified amount. Defendants filed a motion to dismiss the amended complaint on August 10, 2022, which became fully briefed on September 28, 2022. The Company intends to vigorously defend against the Action.