



# **Lion Copper and Gold Corp.**

## **Condensed Interim Consolidated Financial Statements**

**For the three months ended March 31, 2023 and 2022**

**(Expressed in thousands of U.S. Dollars)**

**Lion Copper and Gold Corp.**

Condensed Interim Consolidated Balance Sheets

As at March 31, 2023 and December 31, 2022

(Unaudited - In thousands of U.S. Dollars)

	Note	March 31, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 10,597	\$ 1,365
Other receivables		11	7
Prepaid and deposit		100	56
		10,708	1,428
Mineral properties	4,14	7,884	7,884
Reclamation bonds		23	23
Investment in associate	5	1,467	1,504
<b>Total assets</b>		<b>\$ 20,082</b>	<b>\$ 10,839</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 593	\$ 232
Accrued liabilities		22	4
Rio Tinto Deposit	6	6,690	613
SAFE Notes	10	-	1,131
Derivative liabilities	8	1,472	4
Convertible Debentures – current	8,9,13	1,996	-
		10,773	1,984
Convertible debentures – long term	8,9,13	813	1,874
<b>Total liabilities</b>		<b>11,586</b>	<b>3,858</b>
<b>Stockholders' equity</b>			
Share capital, No par value, unlimited common shares authorized; 309,567,975 issued and outstanding (2022 – 309,567,975)	11	105,384	105,384
Additional paid-in capital	12	23,138	23,043
Deficit		(123,787)	(121,834)
Non-controlling interest	7	3,761	388
<b>Total stockholders' equity</b>		<b>8,496</b>	<b>6,981</b>
<b>Total liabilities and stockholders' equity</b>		<b>\$ 20,082</b>	<b>\$ 10,839</b>

**NATURE OF OPERATIONS AND GOING CONCERN (Note 1)****COMMITMENTS (Note 15)****CONTINGENCIES (Note 16)****SUBSEQUENT EVENTS (Note 18)**

Approved on behalf of the Board of Directors on May 15, 2023:

/s/ "Travis Naugle"  
Chief Executive Officer

/s/ "Stephen Goodman"  
President & Chief Financial Officer

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

**Lion Copper and Gold Corp.**

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

For the three months ended March 31, 2023 and March 31, 2022

(Unaudited - In thousands of U.S. Dollars, except for shares and per share amounts)

	Note	For the three months ended March 31,	
		2023	2022
<b>Operating Expenses</b>			
Exploration expenditures	4	\$ 1,250	\$ 573
Rio Tinto Deposit		(1,322)	-
General office		41	10
Interest		83	-
Insurance		11	5
Investor relations and corporate development		6	14
Professional fees		242	203
Rent		4	3
Salaries and benefits	13	341	320
Share-based payments	12,13	95	286
Transfer agent and regulatory		45	35
Travel		9	2
<b>Operating loss</b>		<b>(805)</b>	<b>(1,451)</b>
<b>Non-operating Income/(expenses)</b>			
Fair value (loss) gain on derivative liabilities	8	(940)	37
Foreign exchange gain		-	9
Gain on transfer of shares	5	22	-
Accretion expense	9	(74)	-
Share of loss in associate	5	(26)	-
Interest and other income		12	-
Loss on revaluation of SAFE notes	10	(305)	-
		<b>(1,311)</b>	46
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (2,116)</b>	<b>\$ (1,405)</b>
<b>Net loss and comprehensive loss attributed to:</b>			
Stockholders of the Company		\$ (1,953)	\$ (1,405)
Non-controlling interest	7	\$ (163)	\$ -
<b>Loss per share, basic and diluted</b>		<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>		<b>309,567,975</b>	<b>295,856,611</b>

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

## Lion Copper and Gold Corp.

Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars, except for shares)

	Notes	Common shares	Share capital	Additional paid-in capital	Deficit	Non-controlling interest	Total stockholders' equity
<b>Balance at December 31, 2021</b>		293,806,611	\$ 104,340	\$ 22,012	\$ (120,018)	\$ -	\$ 6,334
Shares issued for mineral properties	4,11	9,500,000	625	-	-	-	625
Shares issued to settle debt	11	2,928,031	181	-	-	-	181
Shares issued for warrants exercised	11,12	2,000,000	149	(49)	-	-	100
BCRC issuance of preferred shares	4, 7	-	-	-	-	500	500
Grant of RSUs	11,12	1,333,333	93	-	-	-	93
Share issuance costs		-	(4)	-	-	-	(4)
Share-based payments	12	-	-	1,080	-	-	1,080
Net loss for the year		-	-	-	(1,816)	(112)	(1,928)
<b>Balance at December 31, 2022</b>		<b>309,567,975</b>	<b>\$ 105,384</b>	<b>\$ 23,043</b>	<b>\$ (121,834)</b>	<b>\$ 388</b>	<b>\$ 6,981</b>
<b>Balance at December 31, 2022</b>		309,567,975	\$ 105,384	\$ 23,043	\$ (121,834)	\$ 388	\$ 6,981
Share-based payments	12	-	-	95	-	-	95
Issuance of common shares of BCRC	7	-	-	-	-	3,536	3,536
Net loss for the period		-	-	-	(1,953)	(163)	(2,116)
<b>Balance at March 31, 2023</b>		<b>309,567,975</b>	<b>\$ 105,384</b>	<b>\$ 23,138</b>	<b>\$ (123,787)</b>	<b>\$ 3,761</b>	<b>\$ 8,496</b>

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

**Lion Copper and Gold Corp.**

Condensed Interim Consolidated Statements of Cash Flow

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars)

	For the three months ended March 31,	
	2023	2022
<b>Cash flows provided (used) in operating activities</b>		
Loss for the period	\$ (2,116)	\$ (1,405)
Non-cash transactions:		
Interest expense	83	-
Accretion expense	74	-
Fair value loss (gain) on derivative liabilities – warrants	940	(37)
Gain/loss on foreign exchange	-	9
Gain on transfer of investment shares	(22)	-
Share of loss of investment in associate	26	-
Wages settled through transfer of investment shares	33	-
Share-based payments	95	286
Loss on revaluation of SAFE notes	305	-
Changes in operating assets and liabilities:		
Other receivables	(4)	(2)
Trade payables and other liabilities	146	552
Prepaid and deposit	(44)	(4)
Rio Tinto deposit	6,310	-
<b>Net cash provided (used) in operating activities</b>	<b>5,826</b>	<b>(601)</b>
<b>Cash flows used in investing activities</b>		
Capitalized expenditures on mineral properties	-	(42)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(42)</b>
<b>Cash flows provided by financing activities</b>		
Proceeds from convertible debentures	1,306	-
Proceeds from SAFE notes	100	-
BCRC - Proceeds from private placement	2,000	-
<b>Net cash provided by financing activities</b>	<b>3,406</b>	<b>-</b>
<b>Increase (decrease) in cash</b>	<b>9,232</b>	<b>(643)</b>
<b>Cash, beginning of period</b>	<b>1,365</b>	<b>842</b>
<b>Cash, end of period</b>	<b>\$ 10,597</b>	<b>\$ 199</b>
<b>Supplemental cash flow information</b>		
Shares issued for conversion of SAFE notes	1,536	-
Shares issued for mineral properties	-	625

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

## **Lion Copper and Gold Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Lion Copper and Gold Corp. (together with its subsidiaries, "Lion CG" or the "Company") is a Canadian-based Company advancing its flagship copper projects at Yerington, Nevada through an option to earn-in agreement with Rio Tinto. The Company is incorporated in British Columbia, Canada. Its registered and records offices are located at 1200 – 750 West Pender Street, Vancouver, British Columbia, Canada, V6C 2T8. On November 22, 2021, the Company changed its name from Quaterra Resources Inc. to Lion Copper and Gold Corp. The shares of the Company commenced trading under the new name at the open of trading on November 23, 2021. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "LEO" and trade on the OTCQB Market under the symbol "LCGMF".

The Company acquires its mineral properties through option or lease agreements and capitalizes all acquisition costs related to the properties. The underlying value of the amounts recorded as mineral properties does not reflect current or future values. The Company's continued existence depends on discovering economically recoverable mineral reserves and obtaining the necessary funding to complete the development of these properties.

These condensed interim consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for at least twelve months from the date of approval from the Board of Directors. The Company has incurred ongoing losses and expects to incur further losses in the advancement of its business activities. For the three months ended March 31, 2023 and 2022, the Company incurred a net loss of \$2,116 (2022 - \$1,405). As at March 31, 2023, the Company had cash of \$10,597 (December 31, 2022 - \$1,365), working capital deficit of \$65 (December 31, 2022 – deficit of \$556) and an accumulated deficit of \$123,787 (December 31, 2022 - \$121,834).

The Company continues to incur losses, has limited financial resources, and has no current source of revenue or cash flow generated from operating activities. To address its financing requirements, the Company plans to seek financing through, but not limited to, debt financing, equity financing and strategic alliances. However, there is no assurance that such financing will be available. If adequate financing is not available or cannot be obtained on a timely basis, the Company may be required to delay, reduce the scope of or eliminate one or more of its exploration programs or relinquish some or all of its rights under the existing option and acquisition agreements. The above factors give rise to material uncertainties that cast substantial doubt on the Company's ability to continue as a going concern.

If the going concern assumptions were not appropriate for these condensed interim consolidated financial statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported expenses, and the condensed interim consolidated statement of financial position classifications used. Such adjustments could be material.

## **Lion Copper and Gold Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

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### **2. BASIS OF PRESENTATION**

#### **Statement of compliance**

Under U.S. federal securities laws, issuers must assess their foreign private issuer status as of the last business day of their second fiscal quarter. It was announced that more than 50% of the Company's common shares are held by U.S. stockholders, and the Company no longer meets the definition of a foreign private issuer under the United States securities laws. As a result, commencing in 2023, the Company is required to use forms and rules prescribed for U.S. domestic companies, including the requirement that condensed interim consolidated financial statements be presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") instead of International Financial Reporting Standards ("IFRS") as issued by the IAASB. The Company's common shares will continue to be listed on the TSX Venture Exchange and quoted on the OTCQB. These condensed interim consolidated financial statements have been prepared in accordance with U.S. GAAP.

These condensed interim consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X promulgated by the U.S. Securities and Exchange Commission (the "SEC"), effective for the three months ended March 31, 2023. Certain information or footnote disclosures normally included in condensed interim consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a complete presentation of financial position, results of operations, or cash flows. In the opinion of management, the accompanying condensed interim consolidated financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented.

The accompanying condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022. The interim period results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year.

Comparative figures, which were previously presented in accordance with IFRS as issued by the International Accounting Standards Board have been adjusted as necessary to be compliant with the Company's policies under U.S. GAAP.

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

The Company consolidates an entity when it has power over that entity, is exposed, or has rights, to variable returns from its involvement with that entity and can affect those returns through its control over that entity. All material intercompany transactions, balances and expenses are eliminated on consolidation. These condensed interim consolidated financial statements include the condensed interim consolidated financial statements of Lion Copper and Gold Corp., and its subsidiaries:

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

### 2. BASIS OF PRESENTATION (continued)

#### Statement of compliance (continued)

Subsidiaries	Percentage ownership		Country of incorporation
	March 31, 2023	December 31, 2022	
Quaterra Alaska Inc. ("Quaterra Alaska")	100.0%	100.0%	USA
Singatse Peak Services, LLC ("SPS")	100.0%	100.0%	USA
Blue Copper Resources Corp ("BCRC")	48.8%	79.3%	USA
Blue Copper LLC	48.8% indirect through BCRC	79.3% indirect through BCRC	USA

On March 30, 2022, Six Mile was dissolved, and its assets were transferred to Quaterra Alaska.

On December 13, 2022, Quaterra Alaska assigned and transferred 100% of its outstanding interest held in Blue Copper LLC to BCRC.

For partially owned subsidiaries, the interest attributable to non-controlling stockholders is reflected in non-controlling interest.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with the accounting policies disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2022.

In preparing these condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the applicability of the Company's accounting policies. In preparing these condensed interim consolidated financial statements, the significant estimates and critical judgments were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2022, other than noted below;

During the three months ended March 31, 2023, the Company's ownership in BCRC dropped from 79.3% to 48.8% and management assessed control exists and continues to consolidate BCRC as at March 31, 2023. In the absence of majority holdings, the Company will continue to consolidate BCRC as the Company has representation on the board of directors, and management of BCRC and the Company is shared.

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

### 4. MINERAL PROPERTIES

Total mineral property acquisition costs are listed in the table below:

(In thousands of U.S dollars)	Singatse Peak Services				Lion CG	Quaterra Alaska		Blue Copper Resources Corp		Total
	MacArthur	Yerington	Bear	Wassuk	Chaco Bear & Ashton	Butte Valley	Blue Copper	Groundhog	Blue Copper	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance December 31, 2021</b>	<b>2,489</b>	<b>1,195</b>	<b>1,532</b>	<b>1,405</b>	-	<b>200</b>	-	-	-	<b>6,821</b>
Acquisition costs	-	-	193	-	602	-	118	-	500	1,413
Assignment of Butte Valley	-	-	-	-	-	(200)	-	-	-	(200)
Transfer to BCRC	-	-	-	-	-	-	(118)	-	118	-
Paid by Rio Tinto	-	-	(150)	-	-	-	-	-	-	(150)
Total additions (disposals) for the year	-	-	43	-	602	(200)	-	-	618	1,063
<b>Balance December 31, 2022</b>	<b>2,489</b>	<b>1,195</b>	<b>1,575</b>	<b>1,405</b>	<b>602</b>	-	-	-	<b>618</b>	<b>7,884</b>
Acquisition costs	-	-	1	-	-	-	-	-	-	1
Paid by Rio Tinto	-	-	(1)	-	-	-	-	-	-	(1)
Total additions (disposals) for the year	-	-	-	-	-	-	-	-	-	-
<b>Balance March 31, 2023</b>	<b>2,489</b>	<b>1,195</b>	<b>1,575</b>	<b>1,405</b>	<b>602</b>	-	-	-	<b>618</b>	<b>7,884</b>

The Company owns a 100% interest in the MacArthur and Yerington properties. It has an option to earn a 100% interest in the Bear and Wassuk properties in Nevada, and a 100% interest in the Chaco Bear and Ashton property in British Columbia.

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

- Sold and assigned the Butte Valley option agreements to Falcon Butte Minerals Corp. (Note 4(e));
- Transferred its 100% interest in the Blue Copper Project in Montana and its 90% interest in the Groundhog property in Alaska to Blue Copper Resources Corp., an entity in which the Company holds 48.8% at March 31, 2023 (December 31, 2022 – 79.3%) ownership of, which also holds a leased interest in the Arnold, Snowbird & Montana property (Notes 4(d)(e)(g)).
- On February 10, 2023 the Company announced the commencement of its 2023 exploration program. The exploration program is composed of 10,000 ft of core drilling, 9,500 ft of reverse circulation drilling and various soil and rock chip sampling programs. The primary exploration targets include the Bear Deposit, MacArthur East, MacArthur Wedge, Mason Pass Prospect, Reno Prospect and Singatse Target.

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

### 4. MINERAL PROPERTIES (continued)

Total exploration expenditures recorded on the statement of loss and comprehensive loss are listed in the tables below:

*Exploration expenditures incurred for the three months ended March 31, 2023*

	Singatse Peak Services				Lion CG	Blue Copper Resources Corp					
					Chaco Bear & Ashton	Groundhog	Blue Copper	Recon	Nevada	Arizona	Total
(In thousands of U.S dollars)	MacArthur	Yerington	Bear	Wassuk							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Property maintenance	8	5	-	-	-	-	44	-	-	-	57
Assay & Labs	-	7	-	-	-	-	-	-	-	-	7
Drilling	196	-	379	-	-	-	-	-	-	-	575
Environmental	5	33	-	-	-	-	-	-	-	-	38
Geophysical surveys	-	-	-	-	-	-	24	52	4	-	80
Technical study	-	378	-	-	-	-	-	-	-	-	378
Field support	-	-	6	-	-	-	66	-	36	7	115
<b>Total expenses incurred</b>	<b>209</b>	<b>423</b>	<b>385</b>	-	-	-	<b>134</b>	<b>52</b>	<b>40</b>	<b>7</b>	<b>1,250</b>
<b>Total Expenditures funded by Rio Tinto</b>	<b>(209)</b>	<b>(423)</b>	<b>(385)</b>	-	-	-	-	-	-	-	<b>(1,017)</b>
<b>Total Expenditures funded by Lion CG</b>	-	-	-	-	-	-	<b>134</b>	<b>52</b>	<b>40</b>	<b>7</b>	<b>233</b>

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

### 4. MINERAL PROPERTIES (continued)

*Exploration expenditures incurred for the three months ended March 31, 2022*

	Singatse Peak Services				Quaterra Alaska			
(In thousands of U.S dollars)	MacArthur	Yerington	Bear	Wassuk	Groundhog	Butte Valley	Blue Copper	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Property maintenance	-	-	-	-	-	2	62	64
Assay & Labs	36	-	-	-	-	-	-	36
Environmental	25	48	-	-	-	-	-	73
Geological & mapping	-	-	-	-	-	-	15	15
Geophysical surveys	26	1	5	-	-	11	16	59
Technical study	258	-	-	-	-	-	-	258
Field support	3	11	-	-	8	9	37	68
<b>Total expenses incurred</b>	<b>348</b>	<b>60</b>	<b>5</b>	<b>-</b>	<b>8</b>	<b>22</b>	<b>130</b>	<b>573</b>
<b>Total Expenditures funded by Rio Tinto</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures funded by Lion CG</b>	<b>348</b>	<b>60</b>	<b>5</b>	<b>-</b>	<b>8</b>	<b>22</b>	<b>130</b>	<b>573</b>

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

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### 4. MINERAL PROPERTIES (continued)

#### a) MacArthur and Yerington Properties, Nevada

On February 24, 2021, the Company entered into a purchase and sale agreement to sell certain primary groundwater rights to Desert Pearl Farms LLC ("Desert Pearl"), a Yerington-based company involved in agriculture, for \$2,910 (the "Purchase and Sale Agreement"). In early March 2021, the Company filed an application with the State of Nevada Division of Water Resources ("NDWR") to change the manner of use of the water rights from mining to agriculture and their place of use ("Change Application"). The Change Application was subsequently withdrawn on October 17, 2022.

Under the terms of the Purchase and Sale Agreement, Desert Pearl made a \$1,000 initial payment to the Company on March 5, 2021. On May 26, 2022, the company announced it had reached an amicable agreement with Desert Pearl Farms to terminate the contract on the sale of the Company's water rights. As a consequence of the termination, the Company will recover the water permit designated for mining and milling use. The \$1,000 deposit has been returned to Desert Pearl Farms. This water permit is currently subject to court proceedings and settlement discussions between the Company and the State of Nevada, as discussed in the following paragraph.

On July 23, 2021, the Company received a notice from the State of Nevada that three water rights permits had been forfeited. Further, the application for an extension of time to prevent forfeiture of a fourth certificate was denied. The Company is vigorously appealing the State's decision and hired legal counsel to challenge and reverse the State's decision. As discussed in the previous paragraph, one of the permits affected by the State's letter was subject to the Purchase and Sale Agreement announced on February 24, 2021. On August 20, 2021, the Company filed a Petition for Judicial Review of the Forfeiture Notice and has retained legal counsel to vigorously undertake the appeal process. SPS subsequently filed and was granted a Stay of the Forfeiture Notice on September 15, 2021. SPS filed its Opening Brief on March 28, 2022. The State Engineer filed its Answering Brief on July 8, 2022. SPS filed its Reply Brief on August 25, 2022. A hearing regarding the status of the forfeiture appeal was held in the Third Judicial Court District in Lyon County on November 4, 2022. On December 6, 2022, the Judge remanded the case back to the State for further written findings based on issues raised at the hearing. The Company has not received a response from the State since the Remand Order was issued. Since receipt of the Forfeiture Notice, SPS has been in contact with the State Engineer's office in an attempt to resolve the Forfeiture Notice.

On May 15 2022, the Company and Rio Tinto America mutually agreed on a Stage 1 program of work with funding supplied by Rio Tinto to be applied against the Company's MacArthur and Yerington properties as work progresses (Notes 4(i), 6).

On January 13, 2023, the Company received \$7,500 from Rio Tinto America comprising of \$5,000 for Stage 2 work and \$2,500 as an immediate advance on part of the Stage 3 financing to be applied against the Company's MacArthur and Yerington properties.(Notes 4(i), 6).

#### b) Bear Deposit, Nevada

The Company has five option agreements, entered from March 2013 to May 2015, to acquire a 100% interest in private land in Yerington, Nevada, collectively known as the Bear deposit. Under the terms of these option agreements, as amended, the Company is required to make \$5,673 in cash payments over 15 years (\$5,222 paid) to maintain the exclusive right to purchase the land, mineral rights, and certain water rights and to conduct mineral exploration on these properties. Two of the properties are subject to a 2% NSR upon commencing commercial production, which can be reduced to a 1% NSR in consideration of \$1,250 total.

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

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### 4. MINERAL PROPERTIES (continued)

#### b) Bear Deposit, Nevada (continued)

Outstanding payments to keep the five option agreements current are as follows, by year:

- \$193 due 2022 (paid);
- \$231 due in 2023;
- \$81 due in 2024
- \$51 due in years 2025 to 2028.

Outstanding consideration payments under the five option agreements are as follows:

- \$1,250 for Taylor, purchase option expiring April 4, 2025.
- \$250 for Chisum, purchase option has no expiration date, \$50 per year payment required for continuation;
- \$5,000 for Yerington Mining, purchase option expiring in 2024;
- \$8,975 for Circle Bar N, purchase option expiring in 2024;
- \$22,770 for Desert Pearl Farms, purchase option expiring in 2029.

On May 15, 2022, the Company and Rio Tinto America mutually agreed on a Stage 1 program of work with funding supplied by Rio Tinto to be applied against the Company's Bear property as work progresses (Notes 4(i), 6).

On January 13, 2023, the Company received \$7,500 from Rio Tinto America comprising of \$5,000 for Stage 2 work and \$2,500 as an immediate advance on part of the Stage 3 financing to be applied against the Company's Bear properties. (Notes 4(i), 6).

#### c) Wassuk, Nevada

The Wassuk property consists of 310 unpatented lode claims totaling approximately 6,400 acres on lands administered by the BLM.

The Company has completed all requirements to earn a 100% interest in certain unpatented mining claims in Lyon County, Nevada, (\$1,405 in cash payments and a work commitment of \$50). During 2021, two final option payments were paid and form part of the total payments of \$1,405. As at December 31, 2021, the Company had satisfied all conditions required to execute the option to purchase and on January 14, 2023, the option was executed.

The property is subject to a 3% NSR upon commencing commercial production, which can be reduced to a 2% NSR royalty in consideration of \$1,500.

On May 15, 2022, the Company and Rio Tinto America mutually agreed on a Stage 1 program of work with funding supplied by Rio Tinto to be applied against the Company's Wassuk property as work progresses (Notes 4(i), 6).

On January 13, 2023, the Company received \$7,500 from Rio Tinto America comprising of \$5,000 for Stage 2 work and \$2,500 as an immediate advance on part of the Stage 3 financing to be applied against the Company's Wassuk properties. (Notes 4(i), 6).

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

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### 4. MINERAL PROPERTIES (continued)

#### d) Groundhog, Alaska

On April 20, 2017, the Company entered a lease with option to purchase agreement with Chuchuna Minerals Company ("Chuchuna") to earn a 90% interest in the Groundhog copper prospect, located two hundred miles southwest of Anchorage, Alaska.

During the year ended December 31, 2021, the lease agreement was further extended from six to seven years, providing the Company more time to make the required exploration expenditures and lump sum payment. To earn the 90% interest, the Company must fund a total of \$5,000 (\$2,839 funded) of exploration expenditures and make a lump sum payment to Chuchuna of \$3,000 by the end of April 20, 2024. The Company can terminate the Agreement at its discretion.

The property is subject to a 1.75% NSR upon commencing commercial production, which can be reduced to a 0.875% NSR royalty in consideration of \$25,000.

On December 13, 2022, the Groundhog property was transferred from Quaterra Alaska to BCRC (Note 7).

#### e) Butte Valley Prospect, Nevada

On January 26, 2022, the Company entered into a property acquisition agreement to sell and assign its options to acquire the Butte Valley property to Falcon Butte Minerals Corp. (formerly 1301666 B.C. Ltd, or "Falcon Butte.") which is a private British Columbia company established to acquire mineral resource properties.

Pursuant to the agreement, Lion CG's 100% owned subsidiary Quaterra Alaska was granted an equity position in Falcon Butte (Note 5). In addition, Quaterra Alaska maintained a 1.5% NSR on each of the Butte Valley optioned properties, which is subject to a buy-down to a 1.0% NSR in exchange for a payment of \$7,500 per property ("Butte Valley Royalty").

On April 5, 2022, the Company completed the assignment of the two option agreements for the Butte Valley Property and the Company received 16,049,444 common shares of Falcon Butte with a fair value of \$1,906 and \$500 cash for the property, resulting in a gain on sale of \$2,207 (Note 5, 13).

On April 13, 2022, the Company amended the agreement. Pursuant to the addendum Falcon Butte had the option to pay a total of \$500 in exchange for a 0.5% buy-down and retirement of certain NSRs held by the Company. As of December 31, 2022, the Company has received the full consideration of \$500, which is recorded as other income.

On December 13, 2022, the Butte Valley Royalty rights were transferred from Quaterra Alaska to BCRC (Note 7).

#### f) Chaco Bear and Ashton Properties, British Columbia

On August 25, 2021, the Company entered into a non-binding letter of intent (the "LOI") with Houston Minerals Ltd. ("Houston") setting forth the terms of an option whereby the Company may acquire a 100% interest in the Chaco Bear Property located directly east of the Golden Triangle of British Columbia, and the Ashton Property located near Lytton, British Columbia (Collectively, the "Properties").

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

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### 4. MINERAL PROPERTIES (continued)

#### f) Chaco Bear and Ashton Properties, British Columbia (continued)

Under the terms of the LOI, the Company and Houston proposed to enter into a definitive agreement whereby the Company can earn up to a 100% interest in the Properties by making the following issuances and payments over a four-year period:

- issuing 8,000,000 common shares of the Company on closing (issued on March 17, 2022);
- making annual lease payments on the Properties after 2021;
- incurring CAD\$150 of exploration expenditures on the Chaco Bear Property and CAD\$50 of exploration expenditures on the Ashton Property before the end of 2021 for CAD\$200 (paid);
- incurring exploration expenditures of at least the value of the annual assessment multiplied by 1.5 for periods after 2021 (claims were renewed and extended through to early 2025, resulting in no obligation on exploration expenditures until 2024);
- paying CAD\$1,500 for the Chaco Bear Property and CAD\$1,000 for the Ashton Property on or before 4 years from the closing, which amounts are payable in cash or common shares of the Company; and
- making annual advance royalty payments in the fourth and fifth year from the closing in the amounts of CAD\$250 on the Chaco Bear Property and CAD\$150 on the Ashton Property.

On September 17, 2021, the parties agreed to an amendment to the LOI to include a 2.5% NSR on each property. Prior to feasibility, the Company may reduce the NSR to 1.0% on the Chaco Bear Property in consideration for a payment of CAD\$6,000 and 1.0% on the Ashton Property for a payment of CAD\$3,000. Post feasibility, the Company may purchase the remaining 1.0% NSR on the Chaco Bear Property for CAD\$12,000 and the remaining 1.0% NSR on the Ashton Property for CAD\$6,000.

On January 26, 2022, the Company entered into an option agreement with Houston Minerals Ltd. to replace the LOI dated August 25, 2021. Pursuant to the terms of the option agreement, the Company may acquire a 100% interest in the Chaco Bear Property located directly east of the Golden Triangle of British Columbia, and the Ashton Property located near Lytton, British Columbia, subject to a 2.5% net smelter returns royalty.

The terms of the option agreement are unchanged from the LOI except that the term of the option has changed from a four year period to a ten year period and annual advance royalty payments in the amounts of CAD\$250 on the Chaco Bear Property and CAD\$150 on the Ashton Property are to be paid starting on the fifth year from closing through to the ninth year from closing instead of only in the fourth and fifth years from the closing. All other consideration terms remain unchanged.

In addition, commencing on January 31, 2022, and on January 31 of each year thereafter during the Option Period, Lion CG shall pay the following option maintenance fees to Houston: (a) CAD\$60 in respect of the Chaco Bear Property; and (b) CAD\$40 in respect of the Ashton Property. The maintenance fee for the year ended December 31, 2023 has not been paid as of March 31, 2023 and the Company has until June 4, 2023 to procure the maintenance fee.

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

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### 4. MINERAL PROPERTIES (continued)

#### f) Chaco Bear and Ashton Properties, British Columbia (continued)

Lion CG funded an initial work program in 2021 of CAD\$200 on the Properties in consideration for the grant of the Option, and on March 16, 2022, the transaction was closed. The Company may exercise the Option for a period of up to ten years to acquire (i) the Chaco Bear property by paying CAD\$1,500 to Houston, in cash or in common shares of the Company at the Company's option; and/or (ii) the Ashton Property by paying CAD\$1,000 to Houston in cash or in common shares of the Company at the Company's option, and in either case common shares will be valued using the volume weighted average trading price of the Company's common shares for the twenty trading day period ending three trading days prior to the date of issuance of such Lion CG shares, with such cash payments being subject to a discount of between 5% and 15% based on the timing of exercise and cumulative exploration expenditures incurred as at the time of exercise. Houston will retain a 2.5% net smelter returns royalty on any of the Properties for which an Option has been exercised by the Company.

#### g) Blue Copper Prospect, Montana

During the year ended December 31, 2021, Blue Copper LLC acquired and staked a district scale exploration and resource discovery opportunity (the "Blue Copper Prospect"), comprising more than 7,430 acres in Powell County and Lewis & Clark County in Montana, USA. The area is prospective for high grade copper-gold skarns and porphyry copper-gold mineralization. The claim block encompasses a group of more than fourteen historic small mines that produced high grade gold, copper, and tungsten.

As a part of the transaction, Blue Copper LLC entered into a purchase agreement with Four O Six Mining & Exploration LLC to acquire certain existing and additional unpatented mining claims. In exchange for the unpatented mining claims, as part of the closing of the transaction, the Company issued 1,500,000 common shares of the capital of the Company (Note 11) and provided a NSR of 2.0% with a buy-down of 1% NSR for 1,500.

Blue Copper LLC has staked an additional 131 claims to expand the Blue Copper Prospect. The Company has provided a NSR of 2% with a buy-down of 1% NSR for \$600 to Four O Six Mining & Exploration LLC for these claims.

On February 14, 2022, as a part of the Blue Copper Prospect transaction, the Company issued 1,500,000 common shares as part of the closing of the transaction (Note 11).

On December 13, 2022, Quaterra Alaska's interest in Blue Copper LLC was transferred to BCRC (Note 7).

On October 28, 2022, prior to the transaction in Note 7, Blue Copper LLC entered into a mining lease agreement with Snowshoe Creek LLC ("Snowshoe"), a Montana limited liability company owned by the CEO of the of the Company. Pursuant to the Agreement, Snowshoe will lease the Arnold, Snowbird and Montana property, including the patented mining claims on such property, to Blue Copper LLC for a term of 20 years and extendable on sole discretion of Blue Copper LLC. Blue Copper LLC has the ability to extend the term in 12-month increments upon providing written notice no later than 180 days prior to the expiration of the current term.

As consideration, 15,000,000 preferred stock in Blue Copper Resources Corp. was issued to the CEO of the Company. The transaction was measured using the fair value of the asset received as the cost was more clearly evident. The fair value of the asset received was calculated using the original cost incurred to acquire the property and was determined to be \$500.

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

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### 4. MINERAL PROPERTIES (continued)

#### h) Recon, Nevada, and Arizona

During the three months ended March 31, 2023, the Company, through Blue Copper Resources Corp, incurred \$99,000 in evaluation expenditures on these properties in order to determine whether they warranted further pursuit.

#### i) Option to Earn-in Agreement with Rio Tinto

On March 18, 2022, the Company entered into an Option to Earn-in Agreement with Rio Tinto America Inc. ("Rio Tinto") to advance studies and exploration at Lion CG's copper assets in Mason Valley, Nevada. Under the agreement, Rio Tinto has the option to earn a 65% interest in the assets, comprising 34,494 acres of land, including the historic Yerington mine, greenfield MacArthur Project, Wassuk property, the Bear deposit, and associated water rights (the "Mining Assets"). In addition, Rio Tinto will evaluate the potential commercial deployment of its Nuton™ technologies at the site. Nuton™ offers copper heap leaching technologies developed by Rio Tinto to deliver greater copper recovery from mined ore and access new sources of copper such as low-grade sulphide resources and reprocessing of stockpiles and mineralized waste. The technologies have the potential to deliver leading environmental performance through more efficient water usage, lower carbon emission, and the ability to reclaim mine sites by reprocessing waste.

The stages of the Agreement are set out below.

##### Stage 1

Rio Tinto will pay up to four million U.S. dollars (\$4,000) for an exclusive earn-in option and agreed-upon Mason Valley study and evaluation works to be completed by Lion CG no later than December 31, 2022 (Note 6).

##### Stage 2

Within forty-five (45) days of the completion of Stage 1, Rio Tinto will provide notice to Lion CG whether Rio Tinto elects to proceed with Stage 2, upon which Rio Tinto will pay up to five million U.S. dollars (\$5,000) for agreed-upon Mason Valley study and evaluation works to be completed by Lion CG within 12 months from the date that the parties agree upon the scope of Stage 2 work.

Stages 1 and 2 may be accelerated at Rio Tinto's option.

##### Stage 3 - Feasibility Study

Within sixty (60) days of the completion of Stage 2, Rio Tinto shall provide notice to Lion CG whether Rio Tinto will exercise its Option and fund a Feasibility Study based on the results of the Stage 1 and Stage 2 work programs. Rio Tinto will fully-fund the Feasibility Study and ancillary work completed by Lion CG in amount not to exceed fifty million U.S. dollars (\$50,000).

##### Investment Decision

Upon completion of the Feasibility Study, Rio Tinto and Lion CG will decide whether to create an investment vehicle into which the Mining Assets will be transferred, with Rio Tinto holding not less than a 65% interest in the investment vehicle.

- If Rio Tinto elects to not to create the investment vehicle, then Lion CG shall grant to Rio Tinto a 1.5% NSR on the Mining Assets.
- If Rio Tinto elects to create the investment vehicle but Lion CG elects not to create the investment vehicle, then, at Rio Tinto's option, Lion CG shall create the investment vehicle and Rio Tinto will purchase Lion CG's interest in the investment vehicle for fair market value.

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

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### 4. MINERAL PROPERTIES (continued)

#### i) Option to Earn-in Agreement with Rio Tinto (continued)

##### Project Financing

- Following the formation of the investment vehicle, any project financing costs incurred will be funded by Rio Tinto and Lion CG in proportion to their respective ownership interest in the investment vehicle.
- Rio Tinto may elect to fund up to sixty million U.S. dollars (\$60,000) of Lion CG's project financing costs in exchange for a 10% increase in Rio Tinto's ownership percentage. In addition, upon mutual agreement of Rio Tinto and Lion CG, Rio Tinto may fund an additional forty million U.S. dollars (\$40,000) of Lion CG's project financing costs in exchange for an additional 5% increase in Rio Tinto's ownership percentage.
- If Lion CG's ownership percentage in the investment vehicle is diluted to 10% or less, then Lion CG's ownership interest will be converted into a 1% uncapped NSR.

On April 27, 2022, the Company TSX Venture Exchange approved the Company's Option to Earn-in Agreement with Rio Tinto America Inc.

On May 15, 2022, Rio Tinto approved the Stage 1 Work Program and provided \$4,000 to the Company for the development of the Mason Valley projects, which has been completed as of December 31, 2022. The remaining funds of the \$4,000 will be spent per agreement with Rio Tinto in 2023 for Stage 2. (Note 6).

On January 13, 2023, the Company reached an agreement with Rio Tinto on the scope of the Stage 2 Program of Work. As a result, the Company received \$7,500, comprising of \$5,000 for Stage 2 work and \$2,500 as an immediate advance on part of the Stage 3 financing (Note 6).

### 5. INVESTMENT IN ASSOCIATE

On April 5, 2022, the Company received 16,049,444 shares in Falcon Butte Minerals Corp. (formerly 1301666 BC Ltd., "Falcon Butte"), a private British Columbia company established to acquire mineral resource properties, in connection with a property acquisition agreement to assign the Company's options to acquire the Butte Valley property (Note 4). At the time of acquisition, the 16,049,444 shares represented 25.54% of shares outstanding, and as at March 31, 2023 and December 31, 2022, the Company's share ownership was reduced to 19.30% and 19.44% respectively. The Company and Falcon Butte have common directors and managerial personnel, as such, management has assessed that the Company has significant influence over Falcon Butte and that the investment should be accounted for using the equity method of accounting.

The opening balance of the investment was determined to be \$1,906 (\$2,374 CAD), which represents the fair value of the shares received. The value of the shares was determined based on Falcon Butte's unit financing that closed concurrently with the property acquisition using Goal Seek analysis to determine the value of the shares. This analysis required various estimates such as volatility which was estimated to be 100%, and discount rate estimated to be 0.02%. The Company's share of net loss for the period from acquisition on April 5, 2022 to December 31, 2022 and from January 1, 2023 to March 31, 2023 was \$389 and \$26, respectively. The portion of net loss attributable to the Company was determined using the weighted average percentage of voting rights held by the Company throughout the period.

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

### 5. INVESTMENT IN ASSOCIATE (continued)

On December 8, 2022, the Company transferred 116,071 shares of Falcon Butte to the CEO of the Company, pursuant to amended terms of the CEO's employment agreement. The cost value of the shares associated with the transfer was determined to be \$13 and a gain of \$19 was recorded on the transaction.

On February 24, 2023, the Company transferred 116,071 shares of Falcon Butte to the CEO of the Company, pursuant to amended terms of the CEO's employment agreement. The cost value of the shares associated with the transfer was determined to be \$11 and a gain of \$22 was recorded on the transaction.

Summarized financial information of Falcon Butte and a reconciliation of the carrying amount of the investment in the condensed interim consolidated financial statements are set out below:

#### Summarized statement of loss

(Expressed in thousands of U.S. Dollars)

	Three months ended March 31, 2023	Period from April 5 to December 31, 2022
<b>Operating expenses</b>		
General and administrative expenses	\$ 235	\$ 3,313
Total operating expenses	235	3,313
Gain on settlement of debt	-	(100)
Fair value (gain) loss on derivative liability	(39)	4
Other income	(66)	(1,093)
Foreign exchange (gain)	7	(396)
<b>Net loss</b>	<b>\$ 136</b>	<b>\$ 1,728</b>

A continuity of the Company's investment in associate is as follows:

<b>Balance December 31, 2021</b>	<b>\$ -</b>
Initial investment	1,906
Transfer of shares to the CEO	(13)
Company's share of net loss	(389)
<b>Balance December 31, 2022</b>	<b>\$ 1,504</b>
Transfer of shares to the CEO	(11)
Company's share of net loss	(26)
<b>Balance March 31, 2023</b>	<b>\$ 1,467</b>

### 6. RIO TINTO DEPOSIT

On May 15, 2022, the Company received \$4,000 in connection to Stage 1 of the option to Earn-in Agreement with Rio Tinto America Inc (Note 4 (i)). The Company and Rio Tinto America mutually agreed on the Stage 1 program of work and the balance of the deposit will be applied against the Company's Yerington, MacArthur, Wassuk property, and Bear mineral properties as work progresses. On January 5, 2023, the Company announced the completion of Stage 1 Program of Work. Subsequently, on March 20, 2023, the Company and Rio Tinto formally agreed to proceed with the stage 2 Program of Work.

On January 13, 2023, the Company received \$7,500 from Rio Tinto America comprising of \$5,000 for Stage 2 work and \$2,500 as an immediate advance on part of the Stage 3 financing to be applied against the Company's MacArthur, Yerington, Bear, and Wassuk properties as work progresses on Stage 2 program of work (Notes 4(i)).

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

### 6. RIO TINTO DEPOSIT (continued)

A continuity of the Company's Rio Tinto deposit is as follows:

<b>Balance December 31, 2021</b>	<b>\$ -</b>
Proceeds received	4,000
Funds applied to capitalized acquisition costs (Note 4)	(150)
Funds applied to exploration expenditures (Note 4)	(3,086)
Funds applied to general operating expenditures	(151)
<b>Balance December 31, 2022</b>	<b>\$ 613</b>
Proceeds received	7,500
Funds applied to capitalized acquisition costs (Note 4)	(1)
Funds applied to exploration expenditures (Note 4)	(1,017)
Funds applied to prepaid expenses	(100)
Funds applied to general operating expenditures	(305)
<b>Balance March 31, 2023*</b>	<b>\$ 6,690</b>

\*Pending final approval of expenditures by Rio Tinto

### 7. NON-CONTROLLING INTEREST

On December 13, 2022, Quaterra Alaska assigned and transferred all right, title and interest in the Groundhog property, Butte Valley Royalty, 100% of the outstanding membership interest held in Blue Copper LLC, and the interest in the Nieves project to Blue Copper Resources Corp.

As consideration, on the date of transfer of assets to Blue Copper Resources Corp, Quaterra Alaska was issued 57,513,764 common shares of Blue Copper Resources Corp which represented 79.3% of all issued and outstanding shares at December 13, 2022 and December 31, 2022. This transaction was considered a transaction between entities under common control, and thus was recorded at carrying value.

On March 2, 2023, BCRC completed a financing of \$2,000 by way of a private placement and issued 23,809,524 units at a price of \$0.084 per share. Each unit consists of one common share, and one common share purchase warrant exercisable at \$0.15 for a period of 1 year.

In addition, the private placement was considered a "triggering event" for Simple Agreements for Future Equity ("SAFE Notes"). BCRC had previously raised \$868 in SAFE Notes, and were converted into equity of BCRC, resulting in BCRC issuing an additional 21,629,382 common shares. At March 31, 2023, the company held 48.8% of shares in BCRC.

The following table summarizes the balance recognized as NCI during the year ended December 31, 2022 and three months ended March 31, 2023:

<b>Balance December 31, 2021</b>	<b>\$ -</b>
Preferred stock issued for the Arnold, Snowbird & Montana property	500
Net loss and comprehensive loss attributable to NCI	(112)
<b>Balance December 31, 2022</b>	<b>\$ 388</b>
Issuance of common shares for conversion of SAFE notes	1,536
Issuance of common shares equity financing	2,000
Net loss and comprehensive loss attributable to NCI	(163)
<b>Balance March 31, 2023</b>	<b>\$ 3,761</b>

## Lion Copper and Gold Corp.

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### 8. DERIVATIVE LIABILITIES

#### *Warrants & Conversion Feature Derivative Liability*

As at December 31, 2021, the Company had certain outstanding share purchase warrants that are exercisable in a currency different from the Company's functional currency. These warrants were classified as derivative liabilities and carried at fair value and revalued at each reporting date. These warrants expired during the twelve months ended December 31, 2022 and thus, the derivative liability attached to these warrants have been reduced to \$nil.

During the year ended December 31, 2022, the Company issued certain share purchase warrants and issued convertible debt with a conversion feature that are both exercisable in a currency different from the Company's functional currency (Note 9). The warrants and the conversion feature were classified as derivative liabilities, carried at fair value and revalued at each reporting date.

During the period ended March 31, 2023, the Company issued certain share purchase warrants and issued convertible debt with a conversion feature that are both exercisable in a currency different from the Company's functional currency (Note 9). The warrants and the conversion feature were classified as derivative liabilities, carried at fair value and revalued at each reporting date.

A continuity schedule of the Company's derivative liabilities is as follows:

<b>Balance December 31, 2021</b>	<b>\$</b>	<b>55</b>
Expiry of warrants		(55)
Issuance of Warrants (Note 9)		247
Issuance of convertible debentures with conversion feature (Note 9)		131
Fair value change on derivative liabilities		(374)
<b>Balance December 31, 2022</b>		<b>4</b>
Issuance of Warrants (Note 9)		280
Issuance of convertible debentures with conversion feature (Note 9)		248
Fair value change on derivative liabilities		940
<b>Balance March 31, 2023</b>	<b>\$</b>	<b>1,472</b>

### 9. CONVERTIBLE DEBENTURES

On June 17, 2022, the Company closed the first tranche of its non-brokered private placement of unsecured convertible debentures for gross proceeds of \$1,075 (Note 12). The debentures bear interest at a rate of 14% per annum and mature on February 17, 2024 and are convertible into shares of the Company at \$0.067 (\$0.085 CAD) per share until June 17, 2023 and thereafter at \$0.078 (\$0.10 CAD) per share. The holder also has the option to elect at any time prior to the election date to be repaid by way of shares the Company owns of Falcon Butte (Note 5) at the rate of \$0.25 per Falcon Butte share.

In conjunction with the first tranche of the convertible debt financing, the Company issued 16,044,774 warrants. The warrants are exercisable into one common share of the Company at \$0.067 (\$0.085 CAD) per share and expire on February 17, 2024.

The convertible debentures were determined to be a financial instrument comprising a host debt component, a conversion feature classified as a derivative liability, and freestanding warrants classified as a derivative liability. The warrants and conversion features were determined to be derivative liabilities because the exercise prices are denominated in both the functional currency of the Company and a foreign currency. Thus, the instrument fails to meet the criterion of an equity instrument that states that the instrument must be indexed to its own stock.

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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### 9. CONVERTIBLE DEBENTURES (continued)

On initial recognition, the warrants and the conversion feature were fair valued, with the proceeds first allocated to the freestanding warrants, then the conversion feature. The residual proceeds are then allocated to the host debt component with an effective interest rate of 27.90%. Regarding the warrant and conversion feature, the volatility input was calibrated such that the conversion feature, warrants, and host debt component, on issuance date, equates proceeds. The fair values of the freestanding warrants and conversion features were calculated to be \$143 and \$77, respectively, and the fair value allocated to the host debt component was \$855.

On July 8, 2022, the Company closed the second tranche of its non-brokered private placement of unsecured convertible debentures for gross proceeds of \$925 (Note 12). The debentures bear interest at a rate of 14% per annum and mature on March 8, 2024 and are convertible into shares of the Company at \$0.067 (\$0.085 CAD) per share until July 8, 2023 and thereafter at \$0.078 (\$0.10 CAD) per share. The holder also has the option to elect at any time prior to the election date to be repaid by way of shares the Company owns of Falcon Butte (Note 5) at the rate of \$0.25 per Falcon Butte share.

In conjunction with the second tranche of the convertible debt financing, the Company issued 13,805,964 warrants. The warrants are exercisable into one common share of the Company at \$0.067 (\$0.085 CAD) per share and expire on March 8, 2024.

The convertible debentures were determined to be a financial instrument comprising a host debt component, a conversion feature classified as a derivative liability, and freestanding warrants classified as a derivative liability. On initial recognition, the warrants and the conversion feature were fair valued, with the proceeds first allocated to the freestanding warrants, then the conversion feature. The residual proceeds are then allocated to the host debt component with an effective interest rate of 14%-27.46%. Regarding the warrant and conversion feature, the volatility input was calibrated such that the conversion feature, warrants, and host debt component, on issuance date, equates proceeds. The fair values of the freestanding warrants and conversion features were calculated to be \$104 and \$54, respectively, and the residual value allocated to the host debt component was \$767.

On March 2, 2023, the Company closed a third tranche of its non-brokered private placement of unsecured convertible debenture for gross proceeds of \$1,306 (Note 12). The debenture bear interest at a rate of 14% per annum and mature on November 2, 2024 and are convertible into shares of the Company at \$0.070 (\$0.095 CAD) per share. The holder also has the option any time prior to the election date to be repaid by way of shares the Company owns of Falcon Butte (Note 5) at the rate of \$0.28 (\$0.37 CAD) per Falcon Butte Share.

In conjunction with the third tranche of the convertible debt financing, the Company issued 18,461,015 warrants. The warrants are exercisable into one common share of the Company at \$0.070 (\$0.095 CAD) per share and expire on November 2, 2024.

The convertible debentures were determined to be a financial instrument comprising a host debt component, a conversion feature classified as a derivative liability, and freestanding warrants classified as a derivative liability. On initial recognition, the warrants and the conversion feature were fair valued, with the proceeds first allocated to the freestanding warrants, then the conversion feature. The residual proceeds are then allocated to the host debt component with an effective interest rate of 46.07%. Regarding the warrant and conversion feature, the volatility input was calibrated such that the conversion feature, warrants, and host debt component, on issuance date, equates proceeds. The fair values of the freestanding warrants and conversion features were calculated to be \$280 and \$247, respectively, and the residual value allocated to the host debt component was \$778.

## Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - In thousands of U.S. Dollars except for shares and per share amounts)

### 9. CONVERTIBLE DEBENTURES (continued)

The fair value of the warrants and conversion features were determined using the Black-Scholes Option Pricing Model using the assumptions set out as follows:

	Initial recognition in 2022	Fair value at December 31, 2022	Initial recognition in 2023	Fair value at March 31, 2023
Risk-free interest rate	3.20% - 3.84%	4.07%	4.27%	3.78%
Expected volatility	10%	10%	10%	10%
Dividend yield	0%	0%	0%	0%
Expected life	1.36 - 1.67 years	1.13 - 1.19 years	1.67 years	0.88 - 1.59 years

A continuity schedule of the Company's convertible debt is as follows:

<b>Balance as at January 1, 2022</b>	<b>\$</b>	<b>-</b>
Issued		2,000
Fair value of conversion Note		(131)
Fair value of Warrants		(247)
Accretion		108
Interest		144
<b>Balance as at December 31, 2022</b>	<b>\$</b>	<b>1,874</b>
Issued		1,306
Fair value of conversion feature		(280)
Fair value of warrants		(248)
Accretion		74
Interest		83
<b>Balance as at March 31, 2023</b>	<b>\$</b>	<b>2,809</b>
Current		1,996
Long-term		813

### 10. SIMPLE AGREEMENT FOR FUTURE EQUITY

During the year ended December 31, 2022, Blue Copper Resources Corp. raised \$198 with a valuation cap of \$1,450 and \$569 with a valuation cap of \$4,120, respectively, by entering into Simple Agreement for Future Equity Notes ( "SAFE Note" ) with several parties.

During the three months ended March 31, 2023, BCRC raised an additional \$100 with a valuation cap of \$4,120 by entering into SAFE notes with several parties. The private placement described above in Note 7 was considered a triggering event, and the face value of SAFE Notes of \$868 were converted into common shares of BCRC resulting in 21,629,382 common shares being issued.

The valuation cap provides the basis for the price at which the SAFE notes are converted into common stock of BCRC. The SAFE Notes resulted in cash proceeds to the BCRC in exchange for the right to stock of the BCRC, or cash at a future date in the occurrence of certain events, as follows:

## Lion Copper and Gold Corp.

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### 10. SIMPLE AGREEMENT FOR FUTURE EQUITY (continued)

If there is an equity financing before the expiration or termination of the instrument, the BCRC will automatically issue to the investor, a number of shares of common stock equal to the purchase amount divided by the conversion price. The conversion price is equal to the price per share equal to the Valuation Cap divided by the BCRC capitalization immediately prior to the transaction.

If there is a liquidity event before the expiration or termination of the instrument, the investor will, at its option, either (i) receive a cash payment equal to the purchase amount, or (ii) automatically receive from the Company a number of shares of common stock equal to the purchase amount divided by the liquidity price, if the investor fails to select the cash option.

If there is a dissolution event before the instrument expires or terminates, the BCRC will pay an amount equal to the purchase amount, due and payable to the investor immediately prior to, or concurrent with, the consummation of the dissolution event.

The SAFE notes were classified as liabilities pursuant to ASC 480 as certain redemptions are based upon the occurrence of certain events that are outside of the control of the Company and were measured at fair value at each reporting period, with changes in fair value recorded within the condensed interim consolidated statements of operations and comprehensive loss.

A continuity of the BCRC's SAFE notes are as follows:

<b>Balance as at January 1, 2022</b>	<b>\$</b>	<b>-</b>
Issued		767
Loss on change in fair value of SAFE notes		364
<b>Balance as at December 31, 2022</b>		<b>1,131</b>
Issued		100
Loss on change in fair value of SAFE notes		305
Conversion upon Equity Financing Event (Note 7)		(1,536)
<b>Balance as at March 31, 2023</b>	<b>\$</b>	<b>-</b>

### 11. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value.

*Share transactions for the three months ended March 31, 2023*

- a) No share capital activity in the Company during the 3 months ended March 31, 2023. Refer to Note 7 for share issuances by BCRC.

*Share transactions for the three months ended March 31, 2022*

- b) On February 17, 2022, as part of the Blue Copper Prospect transaction, the Company issued 1,500,000 common shares with a fair value of \$119 as part of the closing of the transaction (Note 4(g)).
- c) On March 17, 2022, the Company issued 8,000,000 common shares with a fair value of \$506 as part of the option agreement with Houston Minerals Ltd. to acquire a 100% interest in the Chaco, and the Ashton Properties (Note 4(f)).

## Lion Copper and Gold Corp.

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### 11. SHARE CAPITAL (continued)

- d) On February 17, 2022, as part of the Blue Copper Prospect transaction, the Company issued 1,500,000 common shares with a fair value of \$119 as part of the closing of the transaction (Note 4(g)).
- e) On March 17, 2022, the Company issued 8,000,000 common shares with a fair value of \$506 as part of the option agreement with Houston Minerals Ltd. to acquire a 100% interest in the Chaco, and the Ashton Properties (Note 4(f)).
- f) On April 25, 2022, the Company issued 800,000 common shares with a fair value of \$56 to settle debt in the amount of \$62(CAD\$80) and recognized a gain on the settlement of \$6.
- g) On June 29, 2022, the Company issued 2,000,000 common shares in connection with warrants exercised for proceeds of \$100 (Note 12).
- h) On July 5, 2022, the Company issued 1,212,121 common shares with a fair value of \$75 to settle outstanding debt of \$77 and recognized a gain on the settlement of \$2.
- i) On July 28, 2022, the Company issued 1,333,333 common shares, with a fair value of \$93 in relation to the release of 1,333,333 restricted share units.
- j) On August 23, 2022, the Company issued 915,910 common shares with a fair value of \$49 to settle outstanding debt of \$61 and recognized a gain on the settlement of \$12.

### 12. ADDITIONAL PAID-IN CAPITAL

#### a) Stock options

The Company has a stock option plan under which the Company is authorized to grant stock options of up to 10% of the number of common shares issued and outstanding of the Company at any given time.

Stock option activity during the three months ended March 31, 2023 is summarized below:

- i. On March 2, 2023, the Company granted 350,000 stock options with an exercise price of \$0.095 CAD and an expiry date of March 2, 2028 which vested immediately upon grant.

The continuity of the number of stock options issued and outstanding as of March 31, 2023, and December 31, 2022 is as follows:

	As at March 31, 2023		As at December 31, 2022	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Outstanding, beginning of year	29,614,283	0.11	19,915,000	0.12
Granted	350,000	0.095	11,394,283	0.08
Expired	-	-	(1,695,000)	0.10
Cancelled	-	-	-	-
Exercised	-	-	-	-
<b>Outstanding, end of year</b>	<b>29,964,283</b>	<b>0.11</b>	<b>29,614,283</b>	<b>0.11</b>

## Lion Copper and Gold Corp.

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### 12. ADDITIONAL PAID-IN CAPITAL (continued)

#### a) Stock options (continued)

As of March 31, 2023, and December 31, 2022, the number of stock options outstanding and exercisable were:

Expiry date	Exercise price (CAD)	Number of options outstanding	Remaining contractual life in years	Number of options exercisable
September 20, 2023	0.06	1,470,000	0.47	1,470,000
June 21, 2024	0.07	1,900,000	1.23	1,900,000
August 8, 2024	0.06	500,000	1.36	500,000
June 20, 2025	0.08	2,450,000	2.22	2,450,000
August 18, 2025	0.072	2,394,283	2.39	2,394,283
June 18, 2026	0.25	3,950,000	3.22	3,950,000
September 17, 2026	0.11	4,500,000	3.47	4,500,000
October 21, 2026	0.09	2,700,000	3.56	2,700,000
December 12, 2026	0.12	750,000	3.70	750,000
May 25, 2027	0.085	9,000,000	4.15	9,000,000
March 2, 2028	0.095	350,000	4.93	350,000
<b>Outstanding, March 31, 2023</b>		<b>29,964,283</b>		<b>29,964,283</b>

Expiry date	Exercise price (CAD)	Number of options outstanding	Remaining contractual life in years	Number of options exercisable
September 20, 2023	0.06	1,470,000	0.72	1,470,000
June 21, 2024	0.07	1,900,000	1.47	1,900,000
August 8, 2024	0.06	500,000	1.61	500,000
June 20, 2025	0.08	2,450,000	2.47	2,450,000
August 18, 2025	0.072	2,394,283	2.63	2,394,283
June 18, 2026	0.25	3,950,000	3.47	3,950,000
September 17, 2026	0.11	4,500,000	3.72	4,500,000
October 21, 2026	0.09	2,700,000	3.81	2,700,000
December 12, 2026	0.12	750,000	3.95	750,000
May 25, 2027	0.085	9,000,000	4.40	9,000,000
<b>Outstanding, December 31, 2022</b>		<b>29,614,283</b>		<b>29,614,283</b>

During the three months ended March 31, 2023, an amount of \$95 (2022 - \$286) was expensed as share-based payments related to the vesting of options. The portion of share-based payments recorded is based on the vesting schedule of the options. The following weighted average assumptions were applied using the Black-Scholes Option Pricing model used to estimate the weighted average fair value of stock options granted during the three months ended March 31, 2023:

	Three months ended March 31, 2023
Risk-free interest rate	3.66%
Expected life (years)	5
Annualized volatility	145%
Forfeiture rate	0%
Dividend yield	0%

## Lion Copper and Gold Corp.

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### 12. ADDITIONAL PAID-IN CAPITAL (continued)

#### b) Share purchase warrants

Warrant activity during the three months ended March 31, 2023 is summarized below:

- i. On March 2, 2023, the Company granted 18,461,015 warrants with an exercise price of \$0.07 (CAD\$0.095) with an expiry date of November 2, 2024 pursuant of the grant of \$1,306 in convertible debenture (Note 9).

The continuity of the number of share purchase warrants outstanding as of March 31, 2023, and December 31, 2022, is as follows:

	March 31, 2023		December 31, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
<b>Outstanding, beginning of period</b>	<b>101,165,012</b>	<b>\$ 0.09</b>	<b>83,083,504</b>	<b>\$ 0.09</b>
Issued	18,461,015	0.07	29,850,738	0.067
Exercised	-		(2,000,000)	0.05
Expired	-		(9,769,230)	0.05
<b>Outstanding, end of period</b>	<b>119,626,027</b>	<b>0.09</b>	<b>101,165,012</b>	<b>\$ 0.09</b>

The following table summarizes warrants outstanding as of March 31, 2023, and December 31, 2022:

Expiry date	Currency	Exercise price	March 31, 2023	December 31, 2022
September 13, 2024	USD	0.10	26,488,733	26,488,733
September 27, 2024	USD	0.10	13,152,909	13,152,909
October 21, 2024	USD	0.10	31,672,632	31,672,632
February 17, 2024	USD	0.067	16,044,774	16,044,774
March 8, 2024	USD	0.067	13,805,964	13,805,964
November 2, 2024	USD	0.070	18,461,015	-
<b>Outstanding at the end of the year</b>			<b>119,626,027</b>	<b>101,165,012</b>

#### b) Restricted share units

At the 2022 Annual General Meeting, the Company's stockholders approved issuance of common shares from treasury pursuant to the Company's Amended 2021 Restricted Share Unit Plan (the "RSU Plan") and reserved 30,330,661 shares for issuance under the RSU Plan. Under the RSU Plan, if the Company divests its interests, including the option to purchase, absent a merger, sale or similar transaction in a) one of either the Chaco Bear or Ashton projects, then 50% of the total RSUs that have not vested will be cancelled, or b) both the Chaco Bear or Ashton projects, then 100% of the total RSUs that have not vested will be cancelled.

## Lion Copper and Gold Corp.

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### 12. ADDITIONAL PAID-IN CAPITAL (continued)

#### c) Restricted share units (continued)

Restricted share units ("RSU") activity during the three months ended March 31, 2023, is summarized below:

- i. There were no RSU's issued, forfeited, or released during the period.

During the three months ended March 31, 2023, an amount of \$69 (2022 - \$Nil) was expensed as share-based payments related to the grant of RSU's.

The continuity of the number of RSUs issued and outstanding as of March 31, 2023, and December 31, 2022 is as follows:

	Number of RSUs
Outstanding at December 31, 2021	-
Granted	8,000,000
Released	(1,333,333)
Cancelled	(1,333,333)
<b>Outstanding at March 31, 2023 &amp; December 31, 2022</b>	<b>5,333,334</b>

### 13. RELATED PARTY TRANSACTIONS

The Company's related parties include its directors and officers whose remuneration was as follows, subject to change of control provisions for officers:

	For the three months ended March 31,	
	2023	2022
Salaries	\$ 115	\$ 138
Directors' fees	21	13
Share-based payments	69	13
Interest on convertible debenture	39	-
	<b>\$ 244</b>	<b>\$ 164</b>

Other transactions for the three months ended March 31, 2023

- a) During the three months ended March 31, 2023, certain directors of the Company subscribed for \$1,135 of unsecured convertible debt in the third tranche (Note 9). The debentures bear interest at a rate of 14% per annum and mature on November 2, 2024 and are convertible into shares of the Company at \$0.070 (\$0.095 CAD) per share until January 2, 2024, and thereafter at \$0.074 (\$0.10 CAD) per share.
- b) As at March 31, 2023, the Company had \$92 (December 31, 2022 - \$53) in interest accrued relating to outstanding convertible debentures with directors and officers of the Company.
- c) As at March 31, 2023, there was \$11 (2022 - \$11) in prepaid expenses to the CEO of the Company relating to wages paid during the year for services subsequent to period end.
- d) During the three months ended March 31, 2023, the Company incurred \$449 (2022 - \$Nil) in drilling services to a company controlled by a director of the Company. As at March 31, 2023, \$264 (2022 - \$Nil) of the drilling services remain unpaid.

## Lion Copper and Gold Corp.

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For the three months ended March 31, 2023 and 2022

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### 13. RELATED PARTY TRANSACTIONS (continued)

Other transactions for the year ended December 31, 2022

- e) On January 26, 2022, the Company entered into a property acquisition agreement to assign its options to acquire the Butte Valley property to Falcon Butte, which is a private British Columbia company established to acquire mineral resource properties. Directors and officers of Falcon Butte are also directors and officers of Lion CG and as such the transaction is a non-arm's length transaction under TSXV rules.

On April 5, 2022, the Company completed the assignment of the two option agreements for the Butte Valley property. Pursuant to the assignment agreement, Lion CG received 16,049,444 common shares of Falcon Butte (Note 5). In addition, the Company received a payment of \$500 from Falcon Butte, as reimbursement of exploration expenditures and related costs incurred by the Company on the Butte Valley Property. The Company recorded a gain of \$2,207 on the sale of the Butte Valley property (Note 4(e)).

On April 13, 2022, the Company amended the agreement. Pursuant to the addendum Falcon Butte will pay a total of \$500 in exchange for a 0.5% buy-down and retirement of certain NSRs. As of December 31, 2022, the Company has received \$500 (Note 4(e)).

- f) As per their agreements with the Company, the CEO and President/CFO are entitled to receive an annual grant of options under the Stock Option Plan of the Company on each Annual Review Date. The number of options will be determined by the Board based on a minimum of 50% and maximum of 150% of the annual base compensation. The exercise price per common share of the Company will be equal to the Market Price (as defined in the TSXV policies) of the Company's common shares as at the Annual Review Date, subject to a minimum exercise price per share of CAD\$0.05. The applicable percentage on the annual base salary will be determined by the Board based on an assessment of the performance of the CEO and President/CFO in achieving the Annual Objectives for the relevant Annual Review Period. On May 25, 2022, the CEO and President/CFO were issued a combined 3,300,000 bonus options with an exercise price of \$0.085 and an expiry date of May 25, 2027 (Note 12(a)). The CFO was granted 1,470,000 stock options and the CEO was granted 1,830,000 stock options.
- g) On June 29, 2022, a director of the Company exercised 2,000,000 warrants with an exercise price of \$0.05 per share for gross proceeds of \$100 (Note 11,12 (b)).
- h) As per their agreements with the Company, the CEO and President/ CFO were each granted 4 million RSUs on October 21, 2021, which were granted subject to vesting in three equal installments over three years. The grant of RSUs is subject to stockholder approval and further subject to Exchange approval of the RSU Plan and the aforementioned grant thereunder. Pursuant to Exchange policies, RSUs granted prior to stockholder approval of the RSU Plan must be specifically approved by a vote of stockholders excluding the votes of the holders of the Restricted Share Units. The Company's stockholders approved the grant of 4 million RSUs to both the CEO and President/ CFO at the AGM on May 18, 2022 and the Exchange approved the RSU Plan on June 3, 2022, resulting in 8,000,000 RSUs granted on June 3, 2022 (Note 12 (c)).
- i) On June 2, 2022, 1,333,333 RSUs issued to the President/CFO were cancelled ((Note 12 (c)). All Share-based payments recognized pursuant to these RSUs were reversed upon cancellation.
- j) On June 3, 2022, 1,333,333 RSUs issued to the CEO were released. The RSUs were converted into shares on July 28, 2022.

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### 13. RELATED PARTY TRANSACTIONS (continued)

- k) On November 1, 2022, the Company amended an employment agreement with the CEO of the Company. The CEO will continue to receive remuneration of \$250, however, 52% of the salary will be paid in shares of Falcon Butte. The deemed price will be equal to the greater of \$0.28 per share and the latest cash financing price raised by Falcon Butte. On November 1, 2022, \$32.5 of the annual salary was converted to Falcon Butte shares and on February 1, 2023, \$32.5 were converted to Falcon Butte shares. The payment terms are applicable for six months beginning November 1, 2022, and these payment terms can be extended on a quarterly basis.

As a result, for the year ended December 31, 2022, the CEO of the Company was paid as follows:

- \$228,333 in cash
- \$21,667 in Falcon Butte shares.

As at December 31, 2022, there was \$11 in prepaid expenses to the CEO of the Company relating to wages paid during the year for services subsequent to year end.

- l) During the year ended December 31, 2022, 3,500,000 options were granted to directors of the Company with an exercise price of \$0.067 and expire on May 25, 2027. In addition, 957,713 options were issued to a director of the Company with an exercise price of \$0.055 and expires on August 18, 2025.
- m) During the year ended December 31, 2022, a director of the Company subscribed for \$250 of unsecured convertible debentures in the first tranche (Note 9). The debentures bear interest at a rate of 14% per annum and mature on February 17, 2024 and are convertible into shares of the Company at \$0.067 (\$0.085 CAD) per share until June 17, 2023, and thereafter at \$0.078 (\$0.10 CAD) per share. As of December 31, 2022, the Company accrued \$19 in interest related to the convertible debentures.
- n) During the year ended December 31, 2022, certain directors and officers of the Company subscribed for \$500 of unsecured convertible debentures in the second tranche (Note 9). The debentures bear interest at a rate of 14% per annum and mature on March 8, 2024 and are convertible into shares of the Company at \$0.067 (\$0.085 CAD) per share until July 8, 2023, and thereafter at \$0.078 (\$0.10 CAD) per share. As of December 31, 2022, the Company accrued \$34 in interest related to the convertible debentures.
- o) Blue Copper Resources Corp. has a mineral property lease agreement with a company owned by the CEO of the Company, to lease a mineral property. The value of the leased property was determined to be \$500 (Note 4(h)).

### 14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being mineral exploration. Geographic segment information relating to the Company's mineral properties as at and for the period ended March 31, 2023, and the year ended December 31, 2022 is as follows:

	March 31, 2023			December 31, 2022		
	Canada	USA	Total	Canada	USA	Total
Mineral properties	\$ 602	\$ 7,282	\$ 7,884	\$ 602	\$ 7,282	\$ 7,884

### 15. COMMITMENTS

To acquire certain mineral property interests as per Note 4, the Company must make optional acquisition expenditures to satisfy the terms of existing option agreements, failing which the rights to such mineral properties will revert to the property vendors.

## **Lion Copper and Gold Corp.**

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### **16. CONTINGENCIES**

On July 23, 2021, the Company received notice from the State of Nevada that the State has not approved extensions of three water rights permits purchased by its subsidiary, SPS in 2011. The State also advised that a fourth permit would not be extended after a period of an additional year.

This appeal process is ongoing as discussed in Note 4(a). The latest development in the appeal process is a Remand Order was issued by the District Court Judge on December 6, 2022. The State's response to the Remand Order is not known at this time. Therefore, the impact of the State's decision on the Company's business is not known at this time. If the State's decision is not reversed and the Company does not retain some or all of the subject water rights, the Company will need to acquire sufficient replacement water rights to support its future mining in Mason Valley. Engineering studies to define the amount of water required to support the Company's future mining operations are ongoing.

### **17. FINANCIAL INSTRUMENT RISKS**

The board of directors has overall responsibility for establishing and oversight of the Company's risk management framework. The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. Financial instruments consist of cash, accounts payable, Rio Tinto deposit, SAFE notes, convertible debentures, derivative liability conversion feature and derivative liability warrants.

Financial instruments recorded at fair value on the condensed interim consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are:

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

The Company's activities expose it to financial risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for growth and stockholder returns. The principal financial risks to which the Company is exposed are, liquidity risk, currency risk, interest rate risk, credit risk and commodity price risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

The carrying values of cash, accounts payable, and Rio Tinto deposit approximate their fair values because of their immediate or short term to maturity and the Company's convertible debentures are recorded at amortized cost.

The Company's derivative liabilities is measured at its fair value at the end of each reporting period and is categorized as Level 2 in the fair value hierarchy.

The SAFE notes are classified as liabilities pursuant to ASC 480 and were measured at fair value at each reporting period, with changes in fair value recorded within the Condensed Interim Consolidated Statements of Operations and are categorized as Level 3 in the fair value hierarchy.

## Lion Copper and Gold Corp.

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### 17. FINANCIAL INSTRUMENT RISKS (continued)

a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from equity offerings or debt financings to meet its operating requirements, after considering existing cash and expected exercise of stock options and share purchase warrants. See Note 1 for further discussion.

b) Currency risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in the United States and Canada; therefore, it is exposed to currency risk from transactions denominated in CAD. Currently, the Company does not have any foreign exchange hedge programs and manages its operational CAD requirements through spot purchases in the foreign exchange markets. Based on CAD financial assets and liabilities' magnitude, the Company does not have material sensitivity to CAD to USD exchange rates.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to the interest rate risk on its liabilities through its outstanding borrowings and the interest earned on cash balances. The Company monitors its exposure to interest rates and maintains an investment policy that focuses primarily on the preservation of capital and liquidity.

d) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk through its cash and cash equivalents. Cash and cash equivalents are held in large Canadian financial institutions that have high credit ratings assigned by international credit rating agencies.

### 18. SUBSEQUENT EVENTS

- I. On April 2, 2023, BCRC entered into a finder's fee agreement with an individual ("Finder"). The Finder is to identify potential mining sites for BCRC. BCRC will pay Finder for its services in two ways: 1) a one-time fee of \$5 upon delivery of the first claim notice for a site, and 2) an exploration fee, not exceeding \$2,500 calculated as a percentage of Qualifying Exploration and Development Costs ("QEO Costs") paid by BCRC for the site. The exploration fee will be 5% of the first \$5,000 of QEO costs and 10% of QEO costs exceeding \$5,000.
- II. On April 4, 2023, a \$30 payment was made pursuant to an amendment to an exploration with option to purchase agreement relating to the Bear Deposit in Nevada.
- III. On April 12, 2023, a \$50 payment was made as an option payment relating to the Bear Deposit in Nevada.
- IV. On April 18, 2023, Blue Copper LLC entered into a lease agreement for mineral and mining rights to the lease property in Montana with a maturity date of April 18, 2044. Blue Copper LLC paid \$200 to the lessor upon execution of the lease agreement.

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### **18. SUBSEQUENT EVENTS** (continued)

- V. On April 30, 2023, Blue Copper LLC made the second installment payment of \$40 towards a property in Montana, USA.