



Ion Energy Ltd.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(Expressed in Canadian Dollars)**

(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim financial statements of Ion Energy Limited ("the Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements as at and for the three months ended March 31, 2023 have not been reviewed by the Company's auditors.

Ion Energy Ltd.

Unaudited Condensed Interim Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

As at	Notes	March 31, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		154,044	542,212
Prepaid expenses and deposits		125,992	219,548
Sales tax and other receivables		321,729	281,592
Related party note receivable		103,648	101,749
Total Current Assets		705,413	1,145,101
Property and equipment			
Property and equipment	3	17,815	19,127
Baavhai Uul Project – Exploration Licence	4	1,576,844	1,609,889
Urgakh Naran Project – Exploration Licence	5	1,003,708	962,981
Total Non-Current Assets		2,598,367	2,591,997
Total Assets		3,303,780	3,737,098
Liabilities			
Accounts payable and other liabilities			
Accounts payable and other liabilities		324,317	256,145
Total Current Liabilities		324,317	256,145
License purchase payable			
License purchase payable	4	253,560	253,560
Total Non-Current Liabilities		253,560	253,560
Total Liabilities		577,877	509,705
Shareholders' equity			
Share Capital, net of issuance costs	6	10,152,021	10,045,847
Contributed surplus		4,225,226	3,994,003
Accumulated other comprehensive income/(loss)		(265,239)	(193,760)
Accumulated deficit		(11,386,105)	(10,618,697)
Total shareholders' equity		2,725,903	3,227,393
Total liabilities and shareholders' equity		3,303,780	3,737,098

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

Nature of business (Note 1)

Approved by the Board of Directors:

Director: Ali Haji

Director: Matthew Wood

Ion Energy Ltd.

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2023
(Expressed in Canadian Dollars)

		Three Months Ended	
	Notes	March 31, 2023	March 31, 2022
General and administrative expenses			
Professional fees		228,794	187,009
Stock based compensation		247,485	-
Filing fees		23,454	17,055
Travel and accommodation		33,937	19,325
Marketing expenses		197,296	252,638
General and office		40,619	127,368
Interest (income) expense		(4,634)	-
Foreign exchange (gain) or loss		457	88,308
Net loss for the period		(767,408)	(691,703)
Cumulative translation adjustment		12,339	102,594
Net loss and comprehensive loss for the period		(755,069)	(589,109)
Basic and diluted net loss per share	7	(0.01)	(0.01)
Weighted average number of common shares outstanding		60,738,173	60,453,534

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

Ion Energy Ltd.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Expressed in Canadian Dollars)

	Note	Common Shares		Contributed	Accumulated	Accumulated	Total
		Number	Amount	Surplus	OCI	Deficit	
Balance, December 31, 2021		60,333,534	9,795,260	4,005,437	(28,592)	(8,087,936)	5,684,169
Common shares issue		135,000	118,239	(43,989)	-	-	74,250
Cumulative translation adjustment		-	-	-	102,594	-	102,594
Net loss for the period		-	-	-	-	(691,703)	(691,703)
Balance, March 31, 2022		60,468,534	9,913,499	3,961,448	74,002	(8,779,639)	5,169,310
Balance, December 31, 2022		60,633,534	10,045,847	3,994,003	(193,760)	(10,618,697)	3,227,393
Stock options exercised	6	182,500	106,174	(16,262)	-	-	89,912
Stock based compensation	6	-	-	247,485	-	-	247,485
Cumulative translation adjustment		-	-	-	(71,479)	-	(71,479)
Net loss for the period		-	-	-	-	(767,408)	(767,408)
Balance, March 31, 2023		60,816,034	10,152,021	4,225,226	(265,239)	(11,386,105)	2,725,903

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

Ion Energy Ltd.

Unaudited Condensed Interim Consolidated Statements of Cash Flows For the three months ended March 31, 2023 (Expressed in Canadian Dollars)

Three months ended	Note	March 31, 2023	March 31, 2022
Operating Activities			
Net loss for the period		(767,408)	(691,703)
Adjustments for:			
Depreciation		211	211
Interest income on Aranjin notes		(1,899)	-
Stock based compensation		247,485	-
Foreign exchange gain or loss		(11,198)	169,092
Changes in non-cash working capital items:			
Receivables, prepaids and deposits		53,419	(163,094)
Accounts payable and accrued liabilities		68,172	(76,349)
Net cash used in operating activities		(411,218)	(761,843)
Investing activities			
Purchase of exploration licence – Baavhai Uul Project	4	(4,017)	(138,603)
Purchase of exploration licence - Urgakh Naran Project	5	(62,845)	-
Net cash used in investing activities		(66,862)	(138,603)
Financing activities			
Proceeds from exercised options		49,912	-
Proceeds from share issuance, net of costs		40,000	-
Proceeds from exercised warrants		-	74,250
Net cash provided by financing activities		89,912	74,250
Net change in cash and cash equivalents		(388,168)	(826,196)
Cash and cash equivalents, beginning of period		542,212	3,970,019
Cash and cash equivalents, end of the period		154,044	3,143,823

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

Ion Energy Ltd.

Notes to Unaudited Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2023 (Expressed in Canadian Dollars)

1. Incorporation and Nature of Business

Ion Energy Ltd., formerly Spirit Banner Capital Corp. (the "Company") was incorporated under the Business Corporation Act (Alberta) on June 5, 2017 and was classified as a Capital Pool Corporation as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange").

On February 27, 2019, the Company signed a binding letter of intent ("LOI") with Ion Energy Ltd. in which the Company acquired all if the issued and outstanding common shares of Ion Energy Ltd. in a three-cornered amalgamation (the "Transaction") involving the Company, Ion Energy Ltd. and 2724661 Ontario Ltd., a wholly owned subsidiary of the Company. The transaction constitutes the "Qualifying Transaction" as such terms is defined in the TSX Venture Exchange Policy 2.4 – Capital Pool Companies. On August 26, 2020, the Company completed the Transaction, changed its name to Ion Energy Ltd. and resumed trading on the Exchange under the symbol "ION".

On the same date, the Company completed a share consolidation on the basis of one post-consolidated common share for every two pre-consolidated common shares (the "Share Consolidation"). The Share Consolidation reduced Ion Energy's 59,441,940 issued and outstanding common shares to 29,720,970 post-consolidation common shares.

On the same date, the Company completed the previously announced non-brokered concurrent financing which consisted of the issuance of 9,063,329 subscription receipts offered at \$0.30 per Subscription Receipt, for gross proceeds of \$2,718,999.

The Company has been engaged in the business of seeking and identifying lithium assets in Asia since incorporation. The Company is the owner of the Baavhai Uul and the Urgakh Naran Projects in Mongolia, lithium exploration licenses to explore areas approximately 81,758 hectares and 19,000 hectares, respectively in size containing lithium brine targets (the "Property").

The registered office of the Corporation is located at Suite 902, 18 King St E, Toronto Ontario M5C 1C4. The head office of the corporation is located at Suite 400, 90 Adelaide Street West, Toronto, Ontario M5H 4A6.

These unaudited condensed interim consolidated financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Since inception, the Company has incurred ongoing losses and had a cumulative deficit of \$11,386,105 as at March 31, 2023 (December 31, 2022 - \$10,618,697). These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing, to commence profitable operations in the future, and repay its liabilities arising from normal business operations as they become due. These unaudited condensed interim consolidated financial statements do not reflect any adjustments, which could be material, that may be necessary if the Company is unable to continue as a going concern.

2. Significant accounting policies

(a) Statement of compliance

The Company applies international Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS interpretations Committee. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting. Accordingly, they do not include all the information required for full annual financial statements.

These financial statements, and the policies applied herein, were authorized for issue by the Board of Directors on May 29, 2023.

(b) Basis of presentation

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

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

Ion Energy Ltd.

Notes to Unaudited Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2023 (Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(c) Basis of measurement

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

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

(d) Basis of consolidation

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

(e) Use of judgments and estimates

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

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

Judgments

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

Going Concern

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

Determining cash generating units ("CGUs")

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

Recoverability of Exploration and Evaluation Assets

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

Property Interests

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

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Notes to Unaudited Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2023 (Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

Functional Currency

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

Current and Deferred Taxes

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

Provisions

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

Contingencies

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

Estimates

Deferred Taxes

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

Fair Value of Options and Warrants

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

Useful Lives of Property and Equipment

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

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

New Accounting Policies

New accounting standards adopted in the current year.

IAS 1, Presentation of Financial Statements

On January 23, 2020, the International Accounting Standards Board ("IASB") issued 'Classification of Liabilities as Current or Noncurrent (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. No significant impact to the Company's consolidated financial statements is expected.

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Notes to Unaudited Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2023 (Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

IAS 12, Income Taxes

On May 7, 2021, the IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023. No significant impact to the Company's financial statements is expected.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The amendments to IAS 8 are applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event, or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendments effective for annual periods beginning on or after January 1, 2023, with early application permitted. No significant impact to the Company's consolidated financial statements is expected.

Future accounting standards not adopted in the current year.

IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 to clarify that in a transaction involving an associate or joint venture, the extent or gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined.

3. Property and Equipment

	Equipment	Furniture	Total
Cost			
Balance as at January 1, 2022	32,198	2,816	35,014
Additions	-	-	-
Foreign exchange difference	(3,850)	-	(3,850)
Balance as at December 31, 2022	28,348	2,816	31,164
Additions	-	-	-
Foreign exchange difference	(644)	-	(644)
Balance as at March 31, 2023	27,704	2,816	30,520
Accumulated Amortization			
Balance as at January 1, 2022	8,056	1,267	9,323
Depreciation during year	2,984	845	3,829
Foreign exchange difference	(1,115)	-	(1,115)
Balance as at December 31, 2022	9,925	2,112	12,037
Depreciation during period	685	211	896
Foreign exchange difference	(228)	-	(228)
Balance as at March 31, 2023	10,382	2,323	12,705
Net Book Value			
Balance as at December 31, 2022	18,423	704	19,127
Balance as at March 31, 2023	17,322	493	17,815

During the three months ended March 31, 2023, depreciation totaling \$685 (year ended December 31, 2022 – \$2,984) was capitalized to the Baavhai Uul Project and Urgakh Naran Project – Exploration Licenses with the remaining \$211 (December 31, 2022 - \$845) expensed in the condensed interim consolidated statement of loss and comprehensive loss.

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Notes to Unaudited Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2023 (Expressed in Canadian Dollars)

4. Baavhai Uul Project – Exploration License

The Company is the owner of a lithium exploration license (the “License”) to explore an area approximately 81,758 hectares in size containing lithium brine targets (the “Baavhai Uul Project”). The Company acquired the License pursuant to a purchase agreement dated February 15, 2019. The terms of the agreement are summarized below.

The original purchase price payable by Ion to the Seller for the License was US\$1,200,000 and 2,500,000 common shares in the capital stock of Ion Parent. The initial payment terms were as follows:

- (i) On the Closing date, US\$500,000 in cash and 2,500,000 common shares upon the Seller transferring the Licenses to Ion Energy LLC.
- (ii) On the completing of a technical report prepared in accordance with National Instrument 43-101, US\$200,000 in cash.
- (iii) On completion of the initial exploration programmes as recommended by the Technical Report, including for greater certainty: geological, geophysical studies and soil sampling results, US\$300,000 in cash.
- (iv) On completion of an initial exploration drilling programme of over 2,000 meters recommended by the Technical report, US\$200,000 in cash.

The agreement was amended on August 15, 2019, revising the purchase price payable for the License to US\$1,000,000 and 4,000,000 common shares in the capital stock of Ion Energy, payable as follows:

- (i) On the date of amendment of the agreement US\$100,000 in cash and 4,000,000 Common Shares.
- (ii) On completion of Ion Parent completing a going public transaction and listing of the Common Shares on a recognized Canadian stock exchange, US\$400,000 in cash.
- (iii) On completion of an initial exploration programme as recommended by a technical report prepared in accordance with National Instrument 43-101 prepared for the Baavhai Uul project located in Sukhbaatar province, US\$200,000 in cash.
- (iv) On completion of a feasibility study as such term shall be defined in the Technical Report, US\$200,000 in cash.
- (v) On the issuance of a mining license for the Baavhai Uul project located in Sukhbaatar province, US\$100,000 in cash.

The original fair value of the license was capitalized to the Baavhai Uul Project – Exploration at \$667,130 in the consolidated statement of financial position. The agreement was subsequently amended, and the difference noted in the fair value was treated as a loss on amendment of agreement and was recorded as a loss in the consolidated statement of loss and comprehensive loss.

As at March 31, 2023, schedule payments (i) and (ii) have been paid. Payment (iii) has been recognized as a long-term liability as at March 31, 2023 and December 31, 2022 as the Company expects to meet this milestone in 2024. The remaining terms will be reflected in the consolidated statement of financial position of the Company once it is probable the conditions for payment will be met.

On August 8, 2019, the Company entered into a Royalty Agreement under which Ion sold a gross revenue royalty of 1.5% on the Baavhai Uul Project. As at March 31, 2023, the royalty remained active and outstanding.

The following is a continuity table of the Baavhai Uul Project – Exploration Licence:

Balance, January 1, 2022	\$1,586,084
Additions	176,300
Reclassification to Urgakh Naran Project	(79,615)
Foreign exchange	(72,880)
Balance, December 31, 2022	\$1,609,889
Additions	4,017
Foreign exchange	(37,062)
Balance, March 31, 2023	\$1,576,844

Exploration and evaluation costs related to the Urgakh Naran Project in the amount of \$79,615 were recorded under the Baavhai-Uul Project for the year ended December 31, 2021. This amount was reclassified at December 31, 2022.

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Notes to Unaudited Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2023 (Expressed in Canadian Dollars)

5. Urgakh Naran Project – Exploration License

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

The following is a continuity table of the Urgakh Naran Project – Exploration License:

Balance, January 1, 2022	\$473,423
Additions	511,787
Reclassification from Baavhai Uul Project	79,615
Foreign exchange	(101,844)
Balance, December 31, 2022	\$962,981
Additions	62,845
Foreign exchange	(22,118)
Balance, March 31, 2023	\$1,003,708

Exploration and evaluation costs related to the Urgakh Naran Project in the amount of \$79,615 were recorded under the Baavhai Uul Project for the year ended December 31, 2021. This amount was reclassified at December 31, 2022.

6. Share Capital

(a) Authorized

Unlimited number of common voting shares.

6. Share Capital (continued)

(b) Issued Common Shares

Issued share capital is as follows:

	Number of Common Shares	Amount
Balance, December 31, 2021	60,333,534	\$9,795,260
Options exercised (i) (ii)	300,000	250,587
Balance, December 31, 2022	60,633,534	\$10,045,847
Options exercised (iii)	82,500	66,174
Common shares issued (iv)	100,000	40,000
Balance, March 31, 2023	60,816,034	\$10,152,021

- (i) On January 11, 2022, 135,000 stock options were exercised at a price of \$0.55 for total proceeds of \$74,250. The value attributed to these options was \$43,989.
- (ii) On July 26, 2022 and on August 25, 2022, the Company issued a total of 165,000 shares in exchange of options exercised at a price of \$0.605 with the total proceeds of \$99,825. The value attributed to these options was \$32,523.
- (iii) On January 11, 2023, the Company issued a total of 82,500 shares in exchange of options exercised at a price of \$0.605 with the total proceeds of \$49,912. The value attributed to these options was \$16,262.
- (iv) On March 3, 2023, the Company issued 100,000 common shares in a non-brokered private placement at \$0.40 per share for aggregate gross proceeds of \$40,000.

(c) Stock Options

The Company has established a stock option plan (the “Plan”) for its directors, officers and consultants under which the Company may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price

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Notes to Unaudited Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2023 (Expressed in Canadian Dollars)

6. Share Capital (continued)

of each option granted under the plan shall be determined by the Board of Directors.

Options may be exercised for a maximum term of ten years from the date of the grant. They are non-transferable and expire the greater of 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire one year thereafter.

Any shares issued upon exercise of the options prior to the Company entering into a Qualifying Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

The following table reflects the continuity of stock options:

	Number of stock options and agent options	Weighted average exercise price
Balance December 31, 2021	4,645,549	\$0.35
Exercised on January 11 (i)	(135,000)	\$0.55
Issued on February 4 (ii)	330,000	\$0.605
Exercised on July 26 (iii)	(82,500)	\$0.605
Exercised on August 25 (iii)	(82,500)	\$0.605
Balance December 31, 2022	4,675,549	\$0.35
Exercised on January 11, 2023 (iv)	(82,500)	\$0.605
Expired on February 3, 2023 (v)	(685,000)	\$0.30
Expired on February 21, 2023 (vi)	(725,549)	\$0.12
Issued on March 2, 2023 (vii)	2,072,000	\$0.30
Balance March 31, 2023	5,254,500	\$0.36

- (i) On January 11, 2022, 135,000 options were exercised at a price of \$0.55 for total proceeds of \$74,250. The value attributed to these options was \$43,989.
- (ii) On February 4, 2022, the Company granted 330,000 options to a consultant to purchase common shares at a price of \$0.605 per share for a period of two years from the date of grant. The options vest 25% per quarter from the date of grant. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: fair value share price of \$0.40, dividend yield 0%, risk-free interest rate of 1.29%, expected volatility of 86% and an expected life of 2 years. The value attributed to these options was \$65,048.
- (iii) On July 26, 2022 and on August 25, 2022, the Company issued a total of 165,000 shares in exchange of options exercised at a price of \$0.605 with the total proceeds of \$99,825. The value attributed to these options was \$32,523.
- (iv) On January 11, 2023, the Company issued a total of 82,500 shares in exchange of options exercised at a price of \$0.605 with the total proceeds of \$49,912. The value attributed to these options was \$16,262.
- (v) On February 3, 2023, a total of 685,000 options granted to certain consultants and insiders of the Company expired without exercise.
- (vi) On February 21, 2023, a total of 725,549 options granted to directors and officers of the Company expired without exercise.
- (vii) On March 2, 2023, the Company granted 2,072,000 incentive stock options to certain consultants and insiders of the Company to purchase common shares at a price of \$0.30 per share for a period of two years from the date of grant. The stock options vested immediately. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: fair value share price of \$0.255, dividend yield 0%, risk-free interest rate of 4.30%, expected volatility of 93% and an expected life of 2 years. The value attributed to these options was \$247,485.

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

Expiry date	Exercise price	Weighted average remaining life	Number of options outstanding	Number of options vested (Exercisable)
October 21, 2025	\$0.32	2.56	3,000,000	3,000,000
December 1, 2023	\$0.55	0.67	100,000	100,000
February 4, 2024	\$0.605	0.85	82,500	82,500
March 2, 2025	\$0.30	1.92	2,072,000	2,072,000

Ion Energy Ltd.

Notes to Unaudited Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2023 (Expressed in Canadian Dollars)

6. Share Capital (continued)

(d) Warrants

	Number of warrants	Weighted average exercise price (\$)	Expiry Date
Balance December 31, 2021	21,302,546	\$0.56	
Expired – Broker warrants (i)	(322,550)	\$0.30	
Expired – Investor warrants (ii)	(8,789,996)	\$0.40	
Balance December 31, 2022	12,190,000	\$0.69	
Balance March 31, 2023	12,190,000	\$0.69	

- (i) On August 17, 2022, 8,789,996 investor warrants issued on August 26, 2020 expired without exercise.
(ii) On August 26, 2022, 322,550 broker warrants issued on August 17, 2020 expired without exercise.

(e) Escrow Securities

In connection with the Company's initial public offering, 4,515,390 of the Company's common shares beneficially owned by insiders of the Company are held in escrow pursuant to a CPC escrow agreement (the "CPC Escrow Agreement") on the terms fully disclosed in the Filing Statement. In connection with the closing of the Qualified Transaction, an additional 15,337,277 common shares of the Company will be held in escrow pursuant to the additional surplus escrow agreement between the Company, its escrowed shareholders and TSX Trust Company as the escrow agent (the "Surplus Escrow Agreement"), and an additional 6,733,435 common shares of the Company will be held in escrow pursuant to the additional value escrow agreement between the Company, its escrowed shareholders and TSX Trust Company as the escrow agent (the "Value Escrow Agreement").

The 15,337,277 shares of the Company subject to escrow under the Surplus Escrow Agreement shall be released from escrow as follows:

- 5% of such escrowed shares will be released immediately upon the issuance of the TSXV bulletin evidencing final acceptance of the Qualifying Transaction,
- 5% six (6) months following the initial release,
- 10% twelve (12) months after the initial release,
- 10% eighteen (18) months following the initial release,
- 15% twenty-four (24) months from the initial release,
- 15% thirty (30) months from the initial release and
- 40% thirty-six (36) months from the initial release.

The 6,733,435 shares of the Company subject to escrow under the Value Escrow Agreement shall be released from escrow as follows: 10% of such escrowed shares will be released immediately upon the issuance of the TSXV bulletin evidencing final acceptance of the Qualifying Transaction with the balance to be released in six equal tranches of 15% every six months thereafter.

At March 31, 2023, a total of 7,822,235 shares remained in escrow.

7. Net loss per common share

The calculation of basic and diluted loss per share for the three months ended March 31, 2023 was based on the net loss attributable to shareholders of \$767,408 (March 31, 2022 – loss of \$691,703) and the weighted average number of common shares outstanding of 60,738,173 (March 31, 2022 – 60,453,534).

8. Related Party Transactions

During the three months ended March 31, 2023, the Company paid, or otherwise accrued, \$125,437 (March 31, 2022 - \$126,009) in consulting fees to key management personnel (defined as officers and directors of the Company). On March 2, 2023, the Company granted 2,072,000 stock options to key management personnel with an exercise price of \$0.30 per common share for a period of two years from the date of grant. The stock options vested immediately and valued at \$247,485 using Black Scholes pricing model.

In addition, the Company paid or otherwise accrued \$9,000 (March 31, 2022 - \$9,000) for the office rent to Steppe Gold Ltd., whose Board includes three of the Company's Directors.

Ion Energy Ltd.

Notes to Unaudited Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2023 (Expressed in Canadian Dollars)

8. Related Party Transactions (continued)

On September 29, 2022, the Company agreed to loan \$100,000 to Aranjin Resources Ltd. ("Aranjin"). The Company entered into a reciprocal exploration agreement with Aranjin on February 1, 2022 and three of the Company's Directors also serve as Directors of Aranjin. The loan is secured by a promissory note with no fixed repayment terms and includes interest calculated at the prime lending rate of the Royal Bank of Canada plus 1% per annum. At March 31, 2023, interest income of \$1,899 has been recognized in the condensed interim consolidated statement of loss and comprehensive loss. As at March 31, 2023, the total receivable balance from Aranjin was \$103,648.

9. Subsequent Events

On May 11, 2023, the Company announced that it has signed a definitive agreement to acquire the Bliss Lake Lithium Pegmatite Project in Northwest Territories, Canada in an all-equity transaction. The immediate consideration for the acquisition will consist of two equity tranches. The first tranche will consist of \$150,000 of the Company shares at a deemed value of \$0.35 and the second tranche will consist of \$350,000 of Company shares at a deemed value of \$0.35 subject to a 4 month hold period. The Company will also grant to the seller a 1.0% Net Smelter Royalty (NSR), with the Company having the right to repurchase one half of the NSR at any time for \$500,000.