



Lion Copper and Gold Corp.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in thousands of U.S. Dollars)

Lion Copper and Gold Corp.

Condensed Interim Consolidated Balance Sheets
As at September 30, 2023 and December 31, 2022
(Unaudited - In thousands of U.S. Dollars)

| | Note | September 30, 2023 | December 31, 2022 |
|--|--------|-----------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | \$ 4,975 | \$ 1,365 |
| Other receivables | | 6 | 7 |
| Prepaid and deposit | | 96 | 56 |
| | | 5,077 | 1,428 |
| Mineral properties | 4,14 | 7,552 | 7,884 |
| Reclamation bonds | | 9 | 23 |
| Investment in associate | 5 | 1,493 | 1,504 |
| Total assets | | \$ 14,131 | \$ 10,839 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | | \$ 371 | \$ 232 |
| Accrued liabilities | | - | 4 |
| Rio Tinto Deposit | 6 | 3,064 | 613 |
| SAFE Notes | 10 | - | 1,131 |
| Derivative liabilities | 8 | 46 | 4 |
| Convertible Debentures – current | 8,9,13 | 2,253 | - |
| | | 5,734 | 1,984 |
| Convertible debentures – long term | 8,9,13 | 1,038 | 1,874 |
| Total liabilities | | 6,772 | 3,858 |
| Stockholders' equity | | | |
| Share capital, No par value, unlimited common shares authorized; 309,567,975 issued and outstanding (2022 – 309,567,975) | | | |
| | 11 | 105,396 | 105,384 |
| Additional paid-in capital | 12 | 24,168 | 23,043 |
| Deficit | | (125,422) | (121,834) |
| Non-controlling interest | 7 | 3,217 | 388 |
| Total stockholders' equity | | 7,359 | 6,981 |
| Total liabilities and stockholders' equity | | \$ 14,131 | \$ 10,839 |

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 November 8, 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 and nine months ended September 30, 2023 and September 30, 2022

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

| | Note | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------|----------------------------------|-------------------|---------------------------------|------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| Operating expenses | | | | | |
| Exploration expenditures | 4 | \$ 1,344 | \$ 1,019 | \$ 4,753 | \$ 2,931 |
| Rio Tinto Deposit | | (1,262) | (695) | (4,834) | (2,364) |
| General office | | 35 | 2 | 117 | 77 |
| Interest | | 117 | 64 | 316 | 69 |
| Insurance | | 22 | 19 | 56 | 44 |
| Investor relations and corporate development | | 15 | 18 | 21 | 47 |
| Professional fees | | 333 | 99 | 974 | 522 |
| Rent | | 4 | 3 | 12 | 10 |
| Salaries and benefits | 13 | 324 | 135 | 998 | 654 |
| Share-based payments | 12,13 | 1,269 | 522 | 1,133 | 1,217 |
| Transfer agent and regulatory | | 10 | 25 | 74 | 97 |
| Travel | | 19 | 11 | 47 | 41 |
| Operating loss | | (2,230) | (1,222) | (3,667) | (3,345) |
| Non-operating Income/(expenses) | | | | | |
| Fair value gain on derivative liabilities | 8 | 6 | 17 | 487 | 52 |
| Foreign exchange gain | | - | 12 | - | 24 |
| Gain on settlement of debt | 5 | - | (4) | - | 2 |
| Accretion expense | 9 | (129) | (47) | (324) | (51) |
| Gain on sale of Butte Valley | 4,11 | - | - | - | 2,207 |
| Gain on transfer of shares | 5 | - | - | 22 | - |
| NSR buy-down | 4,11 | - | 250 | - | 500 |
| Loss on revaluation of SAFE notes | 10 | - | - | (305) | - |
| Share of income (loss) in associate | 5 | 3 | (42) | (1) | (73) |
| Interest and other income | | 32 | - | 95 | - |
| Impairment of mineral properties | 4 | - | - | (602) | - |
| | | (88) | 186 | (628) | 2,661 |
| Net loss and comprehensive loss for the period | | \$ (2,318) | \$ (1,036) | \$ (4,295) | \$ (684) |
| Net loss and comprehensive loss attributed to: | | | | | |
| Stockholders of the Company | | \$ (2,060) | \$ (1,036) | \$ (3,588) | \$ (684) |
| Non-controlling interest | 7 | \$ (258) | \$ - | \$ (707) | \$ - |
| loss per share, basic and diluted | | \$ (0.01) | \$ (0.00) | \$ (0.01) | \$ (0.00) |
| Weighted average number of shares outstanding - basic | | 309,602,758 | 308,596,326 | 309,579,697 | 302,844,171 |
| Weighted average number of shares outstanding - diluted | | 309,602,758 | 308,596,326 | 309,579,697 | 302,844,171 |

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 nine months ended September 30, 2023 and year ended December 31, 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 |
|--------------------------------------|-------|--------------------|-------------------|----------------------------|---------------------|--------------------------|----------------------------|
| Balance at December 31, 2021 | | 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) |
| Balance at December 31, 2022 | | 309,567,975 | \$ 105,384 | \$ 23,043 | \$ (121,834) | \$ 388 | \$ 6,981 |
| Balance at December 31, 2022 | | 309,567,975 | \$ 105,384 | \$ 23,043 | \$ (121,834) | \$ 388 | \$ 6,981 |
| Share-based payments | 12 | - | - | 1,133 | - | - | 1,133 |
| Exercise of options | | 100,000 | 12 | (8) | - | - | 4 |
| Issuance of common shares of BCRC | 7 | - | - | - | - | 3,536 | 3,536 |
| Net loss for the period | | - | - | - | (3,588) | (707) | (4,295) |
| Balance at September 30, 2023 | | 309,667,975 | \$ 105,396 | \$ 24,168 | \$ (125,422) | \$ 3,217 | \$ 7,359 |

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 nine months ended September 30, 2023 and 2022

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

| | For the nine months ended September 30, | |
|---|---|-----------------|
| | 2023 | 2022 |
| Cash flows provided (used) in operating activities | | |
| Loss for the period | \$ (4,295) | \$ (684) |
| Non-cash transactions: | | |
| Interest expense | 316 | 77 |
| Accretion expense | 324 | 51 |
| Loss on settlement of debt | - | (2) |
| Fair value gain on derivative liabilities – warrants | (487) | (52) |
| Gain on Sale of Butte Valley | - | (2,207) |
| Gain on transfer of investment shares | (22) | - |
| Share of loss of investment in associate | 1 | 73 |
| Wages settled through transfer of investment shares | 33 | - |
| Share-based payments | 1,133 | 1,217 |
| Loss on revaluation of SAFE notes | 305 | - |
| Impairment of mineral properties | 602 | - |
| Changes in operating assets and liabilities: | | |
| Other receivables | 1 | 2 |
| Trade payables and other liabilities | (99) | (886) |
| Prepaid and deposit | (40) | (13) |
| Rio Tinto deposit | 2,684 | 1,636 |
| Net cash provided (used) by operating activities | 456 | (788) |
| Cash flows used in investing activities | | |
| Capitalized expenditures on mineral properties | (270) | (294) |
| Sale of Butte Valley | - | 500 |
| Reclamation bond | 14 | 12 |
| Net cash provided (used) in investing activities | (256) | 218 |
| Cash flows provided by financing activities | | |
| Proceeds from convertible debentures | 1,306 | 1,875 |
| Exercise of Warrants | - | 100 |
| Proceeds from SAFE notes | 100 | - |
| BCRC - Proceeds from private placement | 2,000 | - |
| Exercise of options | 4 | - |
| Net cash provided by financing activities | 3,410 | 1,975 |
| Increase in cash | 3,610 | 1,405 |
| Cash, beginning of period | 1,365 | 842 |
| Cash, end of period | \$ 4,975 | \$ 2,247 |
| Supplemental cash flow information | | |
| Shares issued for conversion of SAFE notes | 1,536 | - |
| Shares issued for mineral properties | - | 625 |
| Shares issued to Settle Debt | - | 62 |

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 and nine months ended September 30, 2023 and 2022

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

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 100% owned flagship copper projects at Yerington, Nevada subject to 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 nine months ended September 30, 2023 and 2022, the Company incurred a net loss of \$4,295 (2022 – Net loss \$684). As at September 30, 2023, the Company had cash of \$4,975 (December 31, 2022 - \$1,365), working capital deficit of \$657 (December 31, 2022 – deficit of \$556) and an accumulated deficit of \$125,422 (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 and nine months ended September 30, 2023 and 2022

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

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 nine months ended September 30, 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 and nine months ended September 30, 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 |
|---|--------------------------------|--------------------------------|--------------------------|
| | September 30, 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 |
| Blue Copper Royalties LLC ("BCR LLC") | 48.8% | 0% | 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.

On August 25, 2023, BCR LLC was incorporated and on September 6, 2023, BCRC carried out a re-organization of its assets and capital structure through an assignment transaction with BCR LLC. The Company assessed the impact of the re-organization and concluded the Company still has common control over BCRC and BCR LLC. As such, the re-organization is a transaction between entities under common control and the assets transferred are accounted for at their carrying values. See Notes 4 and 7.

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 nine months ended September 30, 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 September 30, 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 and nine months ended September 30, 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:

| | Singatse Peak Services ("SPS") | | | | | Lion CG ("LCG") | Quaterra Alaska ("QTA") | Blue Copper Resources Corp ("BCRC") | | | |
|--|--------------------------------|-----------|-------|--------|------------------|---------------------------|----------------------------|--|-----------|-------------|-------|
| | | | | | Copper Canyon | Chaco Bear & Ashton | Butte Valley | Blue Copper | Groundhog | Blue Copper | Total |
| (In thousands of U.S dollars) | MacArthur | Yerington | Bear | Wassuk | | | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance December 31, 2021 | 2,489 | 1,195 | 1,532 | 1,405 | - | - | 200 | - | - | - | 6,821 |
| 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 |
| Balance December 31, 2022 | 2,489 | 1,195 | 1,575 | 1,405 | - | 602 | - | - | - | 618 | 7,884 |
| | | | | | | | | | | | |
| Acquisition costs | - | - | 131 | - | 10 | - | - | - | - | 260 | 401 |
| Impairment | - | - | - | - | - | (602) | - | - | - | - | (602) |
| Paid by Rio Tinto | - | - | (131) | - | - | - | - | - | - | - | (131) |
| Total additions (disposals) for the period | - | - | - | - | 10 | (602) | - | - | - | 260 | (332) |
| Balance September 30, 2023 | 2,489 | 1,195 | 1,575 | 1,405 | 10 | - | - | - | - | 878 | 7,552 |

The Company owns a 100% interest in the MacArthur and Yerington properties and has an option to earn a 100% interest in the Bear and Wassuk properties in Nevada. During the nine months ended September 30, 2023, the Company terminated its option to earn a 100% interest in the Chaco Bear and Ashton properties in British Columbia.

During the nine months ended September 30, 2023 and year ended December 31, 2022, the Company:

- On December 13, 2022, the Company 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 September 30, 2023 (December 31, 2022 – 79.3%) ownership of, which also holds a leased interest in the Arnold, Snowbird & Montana property (Notes 4(d)(e)(h)).
- On April 5, 2022, the Company sold and assigned the Butte Valley option agreements to Falcon Butte Minerals Corp. (Note 4(e));

Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

4. MINERAL PROPERTIES (continued)

- 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, and other reconnaissance targets.
- On April 18, 2023, BCRC entered into a lease for a Montana property and paid an initial cash payment of \$200.
- On May 12, 2023, BCRC made a payment of \$60 for the Freedom and Cyclone claims in Montana.
- On June 1, 2023, Lion CG and Houston terminated the option agreement surrounding the Chaco Bear and Ashton Properties. (Note 4, (g))
- On August 21, 2023, SPS acquired the Copper Canyon Prospect. The terms of the acquisition require SPS to pay the BLM claim fees and reimburse Convergent 5% of SPS's future exploration costs up to a maximum of \$100. (Note 4, (f))
- On September 6, 2023, BCRC carried out a re-organization of its assets and capital structure by transferring the Butte Valley Royalty and the Nieves Royalty assets to Blue Copper Royalties, LLC. (Note 7)

Total exploration expenditures recorded on the condensed interim consolidated statements of operations and comprehensive Loss are listed in the tables below:

Exploration expenditures incurred for the nine months ended September 30, 2023

| | Singatse Peak Services | | | | | | Lion CG | Blue Copper Resources Corp | | | | | |
|--|------------------------|-----------|---------|--------|-----------|---------------|---------------------|----------------------------|-------------|-------|--------|---------|---------|
| | | | | | | Copper Canyon | Chaco Bear & Ashton | Groundhog | Blue Copper | Recon | Nevada | Arizona | Total |
| (In thousands of U.S dollars) | MacArthur | Yerington | Bear | Wassuk | Prospects | | | | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Property maintenance | 165 | 72 | - | 57 | 1 | - | - | - | 209 | - | - | - | 504 |
| Assay & Labs | 65 | 21 | 52 | - | 59 | - | - | - | - | - | - | - | 197 |
| Drilling | 191 | 3 | 1,325 | - | 304 | - | - | - | - | - | - | - | 1,823 |
| Environmental | 5 | 260 | - | - | - | - | - | - | - | - | - | - | 265 |
| Geological & mapping | - | - | - | - | - | - | - | - | 4 | - | - | - | 4 |
| Geophysical surveys | 2 | 5 | 23 | - | - | - | - | - | 17 | 10 | 11 | 117 | 185 |
| Technical study | - | 992 | - | - | - | 1 | - | - | 3 | - | - | - | 996 |
| Field support | - | 1 | 75 | - | 1 | - | - | 45 | 488 | 4 | 150 | 15 | 779 |
| Total expenses incurred | 428 | 1,354 | 1,475 | 57 | 365 | 1 | - | 45 | 721 | 14 | 161 | 132 | 4,753 |
| Total Expenditures funded by Rio Tinto | (428) | (1,354) | (1,475) | (57) | (365) | - | - | - | - | - | - | - | (3,679) |
| Total Expenditures funded by Lion CG | - | - | - | - | - | 1 | - | 45 | 721 | 14 | 161 | 132 | 1,074 |

Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 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 nine months ended September 30, 2022

| | Singatse Peak Services | | | | Lion CG | Quaterra Alaska | | | |
|---|------------------------|--------------|----------|-----------|------------------------|-----------------|-------------|------------|----------------|
| | | | | | Chaco Bear & Ashton | | | | |
| (In thousands of U.S dollars) | MacArthur | Yerington | Bear | Wassuk | Groundhog | Butte Valley | Blue Copper | Total | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Property maintenance | 159 | 64 | - | 55 | - | - | 2 | 160 | 440 |
| Assay & Labs | 76 | - | - | - | - | - | - | - | 76 |
| Drilling | 466 | 421 | - | - | - | - | - | - | 887 |
| Environmental | 284 | 105 | - | - | - | - | 10 | 399 | |
| Geological & mapping | - | - | - | - | 18 | - | 25 | 43 | |
| Geophysical surveys | 61 | 1 | 5 | - | - | 11 | 59 | 137 | |
| Technical study | 338 | 16 | - | - | - | - | - | 354 | |
| Field support | 379 | 105 | - | - | - | 45 | 10 | 56 | 595 |
| Total expenses incurred | 1,763 | 712 | 5 | 55 | 18 | 45 | 23 | 310 | 2,931 |
| Total Expenditures funded by Rio Tinto | (1,464) | (708) | - | - | - | - | - | - | (2,172) |
| Total Expenditures funded by Lion CG | 299 | 4 | 5 | 55 | 18 | 45 | 23 | 310 | 759 |

Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

4. MINERAL PROPERTIES (continued)

a) MacArthur and Yerington Properties, Nevada

Located in the historic copper district of Yerington, Nevada, the Company's Yerington Mine and MacArthur properties are 100% owned by Singatse Peak Services LLC, a wholly-owned subsidiary of Lion CG.

The MacArthur Project consists of 902 unpatented lode claims and 8 placer claims totaling approximately 18,800 acres on lands administered by the U.S. Department of Interior - Bureau of Land Management (BLM).

On February 24, 2022, the Company filed a technical report titled "Mineral Resource Estimate" for its MacArthur Project, which can be found on the SEDAR website at www.sedar.com and on the Company's website. Refer to Mineral Resource Estimate below for a summary of the report.

The MacArthur Project is subject to a 2% net smelter return royalty ("NSR") upon commencing commercial production, which can be reduced to a 1% NSR in consideration of \$1,000.

The Yerington Mine Property covers approximately 11 square miles centered on the former Anaconda open pit copper mine. This includes 2,768 acres of fee simple parcels and patented mining claims as well as 208 unpatented lode and placer claims totaling approximately 4,300 acres on lands administered by the BLM. The Yerington Mine Property is subject to a 2% NSR upon commencing commercial production. The total lifetime royalty is capped at \$7,500.

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. On August 20, 2021, the Company filed a Petition for Judicial Review of the Forfeiture Notice and has retained legal counsel to 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.

On August 30, 2023, SPS received written notice from the Nevada State Engineer in response to the Remand Order that the three water rights applications for Extensions of Time were denied and declared forfeited. The fourth certificate was not forfeited although the Extension of Time has not yet been approved. On September 28, 2023 SPS simultaneously timely filed an Amended Petition for Review and a Complaint for Equitable Relief with the Third Judicial District Court in Lyon County, Nevada seeking judicial relief from the August 30 Forfeiture Notice. On October 10, 2023, the Judge signed an order granting a Stipulated Stay of the August 30, 2023 Forfeiture Notice while the appeal process is ongoing. Just as SPS did with the initial forfeiture decision that was remanded by the Court, SPS will diligently defend against the wrongful forfeiture of its water rights with clear evidence of the need for those water rights in mine remediation, production and reclamation.

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(j), 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. On October 5, 2023, an amendment was signed for the modification of the Stage 2 Program of Work (Notes 4(j), 6).

Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

4. MINERAL PROPERTIES (continued)

b) Bear Deposit, Nevada

The Bear deposit consists of approximately 2,300 acres of private land located to the northeast of the Yerington Mine Property, plus several hundred acres beneath the Yerington Mine property.

The Company has five option agreements, entered from March 2013 to May 2015, to acquire a 100% interest in private lands covering 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.

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

- \$193 due 2022 (paid);
- \$231 due in 2023 (\$131 paid, \$100 remains outstanding, and will be funded as a part of the Stage 2 Program of Work);
- \$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 Q4 2024;
- \$8,975 for Circle Bar N, purchase option expiring in June 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 during 2023 (Notes 4(j), 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 during 2023. On October 5, 2023, an amendment was signed for the modification of the Stage 2 Program of Work (Notes 4(j), 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 fulfilled the purchase option on January 14, 2023.

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.

Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

4. MINERAL PROPERTIES (continued)

c) Wassuk, Nevada (continued)

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 during 2023 (Notes 4(j), 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 during 2023. On October 5, 2023, an amendment was signed for the modification of the Stage 2 Program of Work (Notes 4(j), 6).

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.

The Groundhog claims cover the northern extension of a structural zone that hosts a number of porphyry copper-gold prospects. 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. 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. 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 received \$500 and was granted an equity position in Falcon Butte, and provided a 1.5% NSR on each of the Butte Valley optioned properties (Nevada Select and North Exploration), subject to a buy-down to a 1.0% NSR in exchange for a payment of \$7,500 for each of the optioned properties.

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 (Notes 5, 13).

On April 13, 2022, the Company amended the assignment 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. During the year ended December 31, 2022, the full consideration of \$500 was received.

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

Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

4. MINERAL PROPERTIES (continued)

f) Copper Canyon, Nevada

On August 21, 2023, the Company entered into a Purchase and Sale Agreement with Convergent Mining, LLC, whereby the Company purchased the title to the Copper Canyon claims from Convergent Mining, LLC. As consideration, the Company paid \$10 in necessary claim fees. Further, the Company will be required to pay an Exploration fee to Convergent Mining, LLC calculated as:

- 5% of the first \$2,000 of qualifying exploration costs, not exceeding \$100

g) Chaco Bear and Ashton Properties, British Columbia

On August 25, 2021, the Company entered into a non-binding letter of intent with Houston Minerals Ltd. setting forth the terms of an option whereby the Company may acquire a 100% interest in the Chaco Bear and Ashton properties in British Columbia.

On June 1, 2023, Lion CG and Houston terminated the option agreement surrounding the Chaco Bear and Ashton properties. As at September 30, 2023, Lion CG impaired the full balance of property and recognized \$602 in impairment expense.

h) Blue Copper Prospect, Montana

During the year ended December 31, 2021, Blue Copper LLC acquired and staked a district scale exploration opportunity (the "Blue Copper Prospect") in Powell County and Lewis & Clark County in Montana, USA. The area is prospective for high grade porphyry copper-gold mineralization.

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

On October 28, 2022, prior to 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 leases the property, including the patented mining claims on the Arnold, Snowbird and Montana, to Blue Copper LLC for a term of 20 years and extendable on the sole decision of Blue Copper LLC.

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.

i) Recon, Nevada, Arizona, and other prospects

During the nine months ended September 30, 2023, Blue Copper Resources Corp incurred \$307 in evaluation expenditures on reconnaissance on its Nevada, and Arizona properties in order to determine whether they warranted further pursuit.

Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

4. MINERAL PROPERTIES (continued)

i) Recon, Nevada, Arizona, and other prospects (continued)

During the nine months ended September 30, 2023, the Company, through Singatse Peak Services, incurred \$365 in evaluation expenditures, which was covered by Rio Tinto, on other prospects in order to determine whether they warranted further pursuit.

j) 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 to advance studies and exploration at Lion CG's copper assets in Mason Valley, Nevada (the "Rio Tinto Agreement"). Under the agreement, Rio Tinto has the exclusive option to earn a 65% interest in the assets comprising Yerington, MacArthur, Wassuk, Bear, 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.

On April 27, 2022, the Company TSX Venture Exchange approved the Rio Tinto Agreement.

The status of the Rio Tinto Agreement is set out below.

Stage 1

Rio Tinto paid four million U.S. dollars (\$4,000) for the agreed-upon Program of Work on the Mining Assets. Stage 1 was deemed completed on December 22, 2022 (Note 6).

Stage 2

Within forty-five (45) days of the completion of Stage 1, Rio Tinto was to provide notice to Lion CG whether Rio Tinto elected to proceed with Stage 2 (notice was provided), upon which Rio Tinto was to pay up to \$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 (\$7,500 paid January 13, 2023, representing \$5,000 for Stage 2 and an advance of \$2,500 for Stage 3).

On October 5, 2023, an amendment was signed for the modification of the Stage 2 Program of Work. The significant updates are related to the following:

- The term of Stage 2 of the Option Agreement has an end date of January 12, 2024. The Parties extend that end date by 9 months, to September 12, 2024 to continue study work, including testing and evaluation of the Nuton Technologies.
- Subject to internal approvals, Nuton LLC ("Nuton"), on behalf of Rio Tinto, will advance US\$10,000 of the Stage 3 Earn-In Not to Exceed Amount to Lion CG for the Stage 2b Program of Work within 30 days of completion of Stage 2a (Stage 2a is defined as the Stage 2 Program of Work activities performed up until January 12, 2024).
- Should the Parties agree that Stage 2c is necessary, the Parties will memorialize the scope of work in a letter agreement. Subject to internal approvals, Nuton will advance another US\$5,000 of the Stage 3 Earn-In Not to Exceed Amount to Lion CG within 30 days of the execution of the Stage 2c Program of Work Agreement.

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)

4. MINERAL PROPERTIES (continued)

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

- The Parties agree that Lion CG may allocate \$50 per month for its corporate G&A expenses from the funds paid under the payments above (if any) and such allocation will be detailed in the relevant Program of Work Agreement(s).

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, in aggregate of Stages 1 through 3, not to exceed \$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.

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 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 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 and an advance on the Stage 3 Program of Work (Note 6).

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

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 September 30, 2023 and December 31, 2022, the Company's share ownership was reduced to 20.48% and 19.44% respectively. The Company and Falcon Butte have one common director 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 income (loss) for the period from acquisition on April 5, 2022 to December 31, 2022 and from January 1, 2023 to September 30, 2023 was \$(389) and \$(1), respectively. The portion of net income attributable to the Company was determined using the weighted average percentage of voting rights held by the Company throughout the period.

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)

| | Nine months ended September 30, 2023 | Period from April 5 to December 31, 2022 |
|--|---|---|
| Operating expenses | | |
| General and administrative expenses | \$ 3,490 | \$ 3,313 |
| Total operating expenses | 3,490 | 3,313 |
| Gain on settlement of debt | - | (100) |
| Fair value (gain) loss on derivative liability | (129) | 4 |
| Other income | (3,526) | (1,093) |
| Impairment | 56 | - |
| Foreign exchange loss (gain) | 114 | (396) |
| Net loss (income) | \$ 5 | \$ 1,728 |

Lion Copper and Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

5. INVESTMENT IN ASSOCIATE (continued)

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

| | | |
|-----------------------------------|-----------|--------------|
| Balance December 31, 2021 | \$ | - |
| Initial investment | | 1,906 |
| Transfer of shares to the CEO | | (13) |
| Company's share of net loss | | (389) |
| Balance December 31, 2022 | \$ | 1,504 |
| Transfer of shares to the CEO | | (10) |
| Company's share of net loss | | (1) |
| Balance September 30, 2023 | \$ | 1,493 |

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 (j)). 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(j)).

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

| | | |
|---|-----------|--------------|
| Balance December 31, 2021 | \$ | - |
| 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) |
| Balance December 31, 2022 | \$ | 613 |
| Proceeds received | | 7,500 |
| Funds applied to reclamation deposit | | (8) |
| Funds applied to capitalized acquisition costs (Note 4) | | (131) |
| Funds applied to exploration expenditures (Note 4) | | (3,679) |
| Funds applied to prepaid expenses | | (100) |
| Funds applied to general operating expenditures | | (1,131) |
| Balance September 30, 2023 | \$ | 3,064 |

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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)

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.

On September 6, 2023, Blue Copper Resources Corp., a Wyoming corporation (“BCRC”), carried out a reorganization of its assets and capital structure (the transaction described herein is referred to as the “Reorganization”). On August 25, 2023 a new entity, Blue Copper Royalties, LLC (“BCR LLC”) was organized in Wyoming. BCR LLC subsequently adopted an Operating Agreement that provided for issuance of LLC Interests to its Members in the same amounts as shares issued to Shareholders of BCRC. On September 6, 2023, two of the mining assets, commonly referred to as the Falcon Butte Royalty and the Nieves Royalty, that had been held by BCRC were assigned to BCR LLC in exchange for 100% of the issued and outstanding LLC Interests of BCR LLC. The Nieves Royalty may only be transferred with the written consent of a third party which was received October 23, 2023 resulting in the Nieves property transferring immediately. The same LLC interests were immediately distributed pro rata to the shareholders of BCRC. Furthermore, BCRC had previously issued Warrants to purchase 7,936,508 (total of 23,809,524 common share purchase warrants) shares of Common Stock of BCRC at a Warrant Price of \$0.1500 per Share. As part of the Reorganization, these Warrants were exchanged by the Warrant Holders for two new Warrants; one issued by BCRC to purchase 7,936,508 Shares of BCRC at a Warrant Price of \$0.1332 per Share, and the other issued by BCR LLC to purchase 7,936,508 LLC Units of BCR LLC at a Warrant Price of \$0.0168 per LLC Unit. The exchange transaction was accounted for under ASC 815 whereby the effect of the exchange was measured as the excess of the fair value of the exchanged warrant over the fair value of the warrant immediately before it is exchanged. Using this method, the effect of the exchange was calculated to be \$Nil. As a result of the Reorganization and the issuance and distribution of these LLC Interests, each shareholder of BCRC holds the same percentage interest in BCRC as the shareholders holds in BCR LLC. Additionally, the Warrant Holders now holds two Warrants, one issued by each of BCRC and BCR LLC, with the aggregate value of the two warrants equal to the aggregate value of the Warrant that they held prior to the exchange. The net effect is that the capital structure of BCR LLC matches the capital structure of BCRC, including the issuance of new Warrants, and the Butte Valley Royalty and Nieves Royalty are now held by BCR LLC rather than BCRC.

At September 30, 2023, the Company held 48.8% of shares in BCRC. 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.

At September 30, 2023, the Company held 48.8% of shares in BCR LLC. In the absence of majority holdings, the Company will continue to consolidate BCR LLC as the management of BCR LLC and the Company is shared, and the Company’s management can influence business decisions on the basis of BCR LLC.

Lion Copper and Gold Corp.

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7. NON-CONTROLLING INTEREST (continued)

The following table summarizes the balance recognized as NCI during the year ended December 31, 2022 and nine months ended September 30, 2023:

| | | |
|--|-----------|--------------|
| Balance December 31, 2021 | \$ | - |
| Preferred stock issued for the Arnold, Snowbird & Montana property | | 500 |
| Net loss and comprehensive loss attributable to NCI | | (112) |
| Balance December 31, 2022 | \$ | 388 |
| 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 | | (707) |
| Balance September 30, 2023 | \$ | 3,217 |

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 September 30, 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:

| | | |
|---|-----------|-----------|
| Balance December 31, 2021 | \$ | 55 |
| 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) |
| Balance December 31, 2022 | | 4 |
| Issuance of Warrants (Note 9) | | 280 |
| Issuance of convertible debentures with conversion feature (Note 9) | | 248 |
| Fair value change on derivative liabilities | | (487) |
| Balance September 30, 2023 | \$ | 46 |

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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.

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.

Lion Copper and Gold Corp.

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

9. CONVERTIBLE DEBENTURES (continued)

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 \$248, respectively, and the residual value allocated to the host debt component was \$778.

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 September 30, 2023 |
|-------------------------|--------------------------------|------------------------------------|--------------------------------|--|
| Risk-free interest rate | 3.20% - 3.84% | 4.07% | 4.27% | 4.83% |
| 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 | 0.38 - 1.09 years |

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

| | | |
|---|-----------|--------------|
| Balance as at January 1, 2022 | \$ | - |
| Issued | | 2,000 |
| Fair value of conversion Note | | (131) |
| Fair value of Warrants | | (247) |
| Accretion | | 108 |
| Interest | | 144 |
| Balance as at December 31, 2022 | \$ | 1,874 |
| Issued | | 1,306 |
| Fair value of conversion feature | | (280) |
| Fair value of warrants | | (248) |
| Accretion | | 324 |
| Interest | | 316 |
| Balance as at September 30, 2023 | \$ | 3,291 |
| Current | | 2,253 |
| Long-term | | 1,038 |

Lion Copper and Gold Corp.

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

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 nine months ended September 30, 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:

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:

| | | |
|---|-----------|--------------|
| Balance as at January 1, 2022 | \$ | - |
| Issued | | 767 |
| Loss on change in fair value of SAFE notes | | 364 |
| Balance as at December 31, 2022 | | 1,131 |
| Issued | | 100 |
| Loss on change in fair value of SAFE notes | | 305 |
| Conversion upon Equity Financing Event (Note 7) | | (1,536) |
| Balance as at September 30, 2023 | \$ | - |

Lion Copper and Gold Corp.

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

11. SHARE CAPITAL

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

Share transactions for the nine months ended September 30, 2023

- a) On August 30, 2023, the Company issued 100,000 common shares in connection with stock options exercised for \$4.

Share transactions for the year ended December 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(h)).
- 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(g)).
- 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(h)).
- 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(g)).
- 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.

Lion Copper and Gold Corp.

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

11. SHARE CAPITAL (continued)

Weighted Average Breakdown

(i) Basic & Diluted

Basic earnings per share is calculated by dividing the income attributable to equity owners of the Company by the weighted average number of shares in issue during the period.

| | For the Three Months Ended | | For the Nine Months Ended | |
|-----------------------------------|----------------------------|--------------------|---------------------------|--------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| Net loss for the period | \$ (2,060) | \$ (1,036) | \$ (3,588) | \$ (684) |
| Weighted average number of shares | 309,602,758 | 308,596,326 | 309,579,697 | 302,844,171 |
| Basic & Diluted loss per share | \$ (0.01) | \$ (0.00) | \$ (0.01) | \$ (0.00) |

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 nine months ended September 30, 2023, is summarized below:

- 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.
- On July 21, 2023, the Company granted 23,194,737 options with an exercise price of C\$0.08 (US\$0.06) and an expiry date of July 21, 2028, which vested immediately upon grant.
- On August 30, 2023, 100,000 options with an exercise price of C\$0.06 were exercised.
- On September 20, 2023, there was 1,370,000 options with an exercise price of C\$0.06 which expired relating to the September 20, 2018 option issuance.

The continuity of the number of stock options issued and outstanding as of September 30, 2023, and December 31, 2022 is as follows:

| | As at September 30, 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 period | 29,614,283 | 0.11 | 19,915,000 | 0.12 |
| Granted | 23,544,737 | 0.08 | 11,394,283 | 0.08 |
| Expired | (1,370,000) | 0.06 | (1,695,000) | 0.06 |
| Cancelled | - | - | - | - |
| Exercised | (100,000) | 0.06 | - | - |
| Outstanding, end of period | 51,689,020 | 0.10 | 29,614,283 | 0.11 |

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

12. ADDITIONAL PAID-IN CAPITAL (continued)

a) Stock options (continued)

As of September 30, 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 |
|--|----------------------|-------------------------------|-------------------------------------|-------------------------------|
| June 21, 2024 | 0.07 | 1,900,000 | 0.73 | 1,900,000 |
| August 8, 2024 | 0.06 | 500,000 | 0.86 | 500,000 |
| June 20, 2025 | 0.08 | 2,450,000 | 1.72 | 2,450,000 |
| August 18, 2025 | 0.072 | 2,394,283 | 1.88 | 2,394,283 |
| June 18, 2026 | 0.25 | 3,950,000 | 2.72 | 3,950,000 |
| September 17, 2026 | 0.11 | 4,500,000 | 2.97 | 4,500,000 |
| October 21, 2026 | 0.09 | 2,700,000 | 3.06 | 2,700,000 |
| December 12, 2026 | 0.12 | 750,000 | 3.20 | 750,000 |
| May 25, 2027 | 0.085 | 9,000,000 | 3.65 | 9,000,000 |
| March 2, 2028 | 0.095 | 350,000 | 4.42 | 350,000 |
| July 21, 2028 | 0.080 | 23,194,737 | 4.81 | 23,194,737 |
| Outstanding, September 30, 2023 | | 51,689,020 | | 51,689,020 |

* Subsequent to September 30, 2023, 2,450,000 were cancelled

| 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 |
| Outstanding, December 31, 2022 | | 29,614,283 | | 29,614,283 |

During the nine months ended September 30, 2023, an amount of \$1,133 (2022 - \$940) 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 nine months ended September 30, 2023:

Lion Copper and Gold Corp.

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12. ADDITIONAL PAID-IN CAPITAL (continued)

a) Stock options (continued)

| | Nine months ended September 30, 2023 | Nine months ended September 30, 2022 |
|-------------------------|---|---|
| Risk-free interest rate | 3.81% | 2.73% |
| Expected life (years) | 5 | 4.85 |
| Annualized volatility | 145% | 148% |
| Forfeiture rate | 0% | 0% |
| Dividend yield | 0% | 0% |

b) Share purchase warrants

Warrant activity during the nine months ended September 30, 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 September 30, 2023, and December 31, 2022, is as follows:

| | September 30, 2023 | | December 31, 2022 | |
|----------------------------------|-----------------------|---------------------------------------|-----------------------|---------------------------------------|
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| Outstanding, beginning of period | 101,165,012 | \$ 0.09 | 83,083,504 | \$ 0.09 |
| Issued | 18,461,015 | 0.07 | 29,850,738 | 0.067 |
| Exercised | - | | (2,000,000) | 0.05 |
| Expired | - | | (9,769,230) | 0.05 |
| Outstanding, end of period | 119,626,027 | 0.09 | 101,165,012 | \$ 0.09 |

The following table summarizes warrants outstanding as of September 30, 2023, and December 31, 2022:

| Expiry date | Currency | Exercise price | September 30, 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 | - |
| Outstanding at the end of the period | | | 119,626,027 | 101,165,012 |

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12. ADDITIONAL PAID-IN CAPITAL (continued)

c) 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.

Restricted share units ("RSU") activity during the nine months ended September 30, 2023, is summarized below:

- i. 5,333,334 RSU's were cancelled effective June 1, 2023.

During the nine months ended September 30, 2023, an amount of \$162 was reversed out of share-based compensation expense for unvested RSU's due to the cancellation of the RSU's on June 1, 2023. The RSU's were tied to the Chaco Bear and Ashton property option agreements which was terminated on June 1, 2023 as a result, the RSU's were also cancelled.

The continuity of the number of RSUs issued and outstanding as of September 30, 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) |
| Outstanding at December 31, 2022 | 5,333,334 |
| Cancelled | (5,333,334) |
| Outstanding at September 30, 2023 | - |

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:

| | Three months ended September 30 | | Nine months ended September 30 | |
|-----------------------------------|---------------------------------|---------------|--------------------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Salaries | \$ 115 | \$ 106 | \$ 345 | \$ 380 |
| Directors' fees | - | - | 21 | 13 |
| Share-based payments | 957 | 407 | 795 | 936 |
| Interest on convertible debenture | 67 | 25 | 171 | 26 |
| | \$ 1,139 | \$ 538 | \$ 1,332 | \$ 1,355 |

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13. RELATED PARTY TRANSACTIONS (continued)

Other transactions for the nine months ended September 30, 2023

- a) During the nine months ended September 30, 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 September 30, 2023, the Company had \$223 (2022 - \$53) in interest accrued relating to outstanding convertible debentures with directors and officers of the Company.
- c) As at September 30, 2023, there was \$Nil (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) As at September 30, 2023, there was \$8 (2022 - \$nil) payable to the CEO of the Company.

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)).

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13. RELATED PARTY TRANSACTIONS (continued)

- 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.
- 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)).

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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 September 30, 2023, and the year ended December 31, 2022 is as follows:

| | September 30, 2023 | | | December 31, 2022 | | |
|--------------------|--------------------|----------|----------|-------------------|----------|----------|
| | Canada | USA | Total | Canada | USA | Total |
| Mineral properties | \$ - | \$ 7,552 | \$ 7,552 | \$ 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.

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).

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.

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Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

17. FINANCIAL INSTRUMENT RISKS (continued)

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.

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.

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)

18. SUBSEQUENT EVENTS

On October 6, 2023, Blue Copper Resources Corp (“BCRC”) changed its name to Falcon Copper Corp. (“FCC”).

On October 17, 2023, FCC issued 2,750,000 common shares at a price of \$0.10 per common share for total proceeds of \$275.

On October 10, 2023, the Judge signed an order granting a Stipulated Stay of the August 30, 2023 Forfeiture Notice while the appeal process is ongoing. SPS continues to diligently defend against the wrongful forfeiture of its water rights with clear evidence of the need for those water rights in mine remediation, production and reclamation.

On October 5, 2023, the Company amended the Stage 2 Program of Work of its Option to Earn-in Agreement (“the Agreement”) with Nuton LLC, a Rio Tinto venture. (Note 4 (j))

On October 26, 2023, 2,450,000 options issued for a former director were cancelled.