

# **Rift Lithium Inc.**

## **Financial Statements**

**For the year ended December 31, 2022 and the period from incorporation (November 23, 2021)  
to December 31, 2021**

(Expressed in Canadian Dollars)

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Rift Lithium Inc.**

#### **Opinion**

We have audited the financial statements of Rift Lithium Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of loss and comprehensive loss, changes in shareholders deficit and cash flows for the year ended December 31, 2022 and for the period from incorporation (November 23, 2021) to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and for the period from incorporation (November 23, 2021) to December 31, 2021 in accordance with International Financial Reporting Standards (IFRS).

#### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is George G. Lovrics.

*Stern & Lovrics LLP*

Toronto, Ontario  
May 29, 2023

Chartered Professional Accountants  
Licensed Public Accountants

**Rift Lithium Inc.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

As at,	December 31, 2022	December 31, 2021
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 63,213	\$ 250,018
Restricted cash (Note 4)	750,000	750,000
Deferred transaction costs (Note 4)	7,385	1,650
<b>Total Assets</b>	<b>\$ 820,598</b>	<b>\$ 1,001,668</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 55,441	\$ 14,296
Share subscriptions received (Note 4)	1,000,000	1,000,000
	1,055,441	1,014,296
<b>Shareholders' Deficit</b>		
Share capital (Note 4)	800,000	800,000
Deficit	(1,034,843)	(812,628)
<b>Total Shareholders' Deficit</b>	<b>(234,843)</b>	<b>(12,628)</b>
<b>Total Liabilities and Shareholders' Deficit</b>	<b>\$ 820,598</b>	<b>\$ 1,001,668</b>

**Nature of and continuance of operations (Note 1)**  
**Proposed Transaction (Note 8)**  
**Subsequent Events (Note 10)**

Approved on behalf of the Board:

"Aaron Eisenberg" (signed)  
Director

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

**Rift Lithium Inc.**  
**Statement of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

	<b>For the year ended December 31, 2022</b>	<b>November 23, 2021 (incorporation) to December 31, 2021</b>
<b>Expenses</b>		
Exploration and evaluation expenses	\$ 161,452	\$ 800,000
General and administrative	-	2,173
Professional fees	61,062	10,455
Total expenses	222,514	812,628
<b>Other items</b>		
Interest income	299	-
<b>Net Loss and Comprehensive for the Period</b>	<b>\$ (222,215)</b>	<b>\$ (812,628)</b>
<b>Basic and Diluted Loss Per Common Share</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>40,000,000</b>	<b>38,947,368</b>

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

**Rift Lithium Inc.**  
**Statement of Changes in Shareholders' Deficit**  
**(Expressed in Canadian Dollars)**

	Share Capital		Deficit	Shareholders' Deficit
	Number	Amount		
<b>Balance, Incorporation on November 23, 2021</b>	-	\$ -	\$ -	-
Common shares issued on incorporation (Note 4)	1	-	-	-
Common shares issued for property acquisition (Note 4)	39,999,999	800,000	-	800,000
Net loss for the period	-	-	(812,628)	(812,628)
<b>Balance, December 31, 2021</b>	<b>40,000,000</b>	<b>\$ 800,000</b>	<b>\$ (812,628)</b>	<b>\$ (12,628)</b>
Net loss for the year	-	-	(222,215)	(222,215)
<b>Balance, December 31, 2022</b>	<b>40,000,000</b>	<b>\$ 800,000</b>	<b>\$ (1,034,843)</b>	<b>\$ (234,843)</b>

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

**Rift Lithium Inc.**  
**Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

	<b>For the year ended December 31, 2022</b>	<b>For the Period November 23, 2021 (Date of Incorporation) to December 31, 2021</b>
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Net loss for period	\$ (222,215)	\$ (812,628)
Changes in working capital balances:		
Shares issued for exploration assets	-	800,000
Deferred transaction costs	(5,735)	(1,650)
Accounts payable and accrued liabilities	41,145	14,296
<b>Cash Used in Operating Activities</b>	<b>(186,805)</b>	<b>18</b>
<b>Financing Activities</b>		
Proceeds of subscription receipts	-	1,000,000
<b>Cash Provided by Financing Activities</b>		<b>1,000,000</b>
<b>Change in cash</b>	<b>(186,805)</b>	<b>1,000,018</b>
<b>Cash, Beginning</b>	<b>1,000,018</b>	<b>-</b>
<b>Cash, Ending</b>	<b>\$ 813,213</b>	<b>\$ 1,000,018</b>
<b>Cash is comprised as follows:</b>		
Cash	\$ 63,213	\$ 250,018
Restricted cash	750,000	750,000
	<b>\$ 813,213</b>	<b>\$ 1,000,018</b>

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



# **Rift Lithium Inc.**

## **Notes to the Financial Statements**

**For the year ended December 31, 2022 and the Period from Incorporation (November 23, 2021) to December 31, 2021**

**(Expressed in Canadian Dollars)**

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Rift Lithium Inc. (the "Company") was incorporated under the *Business Corporations Act* of Ontario on November 23, 2021. The head office of the Company and location of records is located at 1 Adelaide Street East, Suite 801, Toronto, Ontario, Canada, M5C 2V9.

The Company was formed for the primary purpose of completing a going public transaction as a mineral exploration company (note 10).

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2022, the Company has not generated any revenue since inception and has a deficit \$1,034,843 (2021 - \$812,628). The Company's continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary should the Company is unable to continue as a going concern. Such adjustments could be material.

The Company's operations could significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

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

#### **Approval of the Financial Statements**

The financial statements of the Company for the year ended December 31, 2022 and for the comparable period from November 23, 2021 (Date of Incorporation) to December 31, 2021 were reviewed by the Sole Director of the Company and approved and authorized for use on May 29, 2023 by the Sole Director of the Company.

## **Rift Lithium Inc.**

### **Notes to the Financial Statements**

**For the year ended December 31, 2022 and the Period from Incorporation (November 23, 2021) to December 31, 2021**

**(Expressed in Canadian Dollars)**

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## **2. BASIS OF PRESENTATION (continued)**

### *(a) Statement of Compliance to International Financial Reporting Standards*

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### *(b) Basis of Preparation*

The financial statements have been prepared on an accrual basis and are based on historical costs modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

### *(c) Use of Estimates and Assumptions*

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, and valuation of warrants.

### *(d) Significant Judgments*

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

## Rift Lithium Inc.

### Notes to the Financial Statements

For the year ended December 31, 2022 and the Period from Incorporation (November 23, 2021) to December 31, 2021

(Expressed in Canadian Dollars)

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Cash

Cash includes cash held in trust with the Company's law firm.

#### (b) Financial Instruments

##### (i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table summarizes the changes in the classification of the Company's financial instruments:

Financial instruments	Category under
Cash and restricted cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Share subscriptions received	Amortized cost

##### (ii) Measurement

#### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

#### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income in the period in which they arise.

#### *Debt investments at FVOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

## Rift Lithium Inc.

### Notes to the Financial Statements

For the year ended December 31, 2022 and the Period from Incorporation (November 23, 2021) to December 31, 2021

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

#### *(b) Financial Instruments (continued)*

##### (iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

##### (iv) Derecognition

#### *Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

#### *Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in profit or loss.

#### *(c) Share Capital*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects.

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

## Rift Lithium Inc.

### Notes to the Financial Statements

For the year ended December 31, 2022 and the Period from Incorporation (November 23, 2021) to December 31, 2021

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair value of the warrants are determined using the Black-Scholes Option Pricing Model.

All costs related to issuances of share capital are charged against the proceeds received from the related share capital.

#### (d) *Income Taxes*

##### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### (e) *Loss Per Share*

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options that would be anti-dilutive.

Subscription receipts are not included in the calculation of the weighted average number of common shares outstanding.

## **Rift Lithium Inc.**

### **Notes to the Financial Statements**

**For the year ended December 31, 2022 and the Period from Incorporation (November 23, 2021) to December 31, 2021**

**(Expressed in Canadian Dollars)**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *(f) Exploration and evaluation assets*

Exploration and evaluation expenditures are costs incurred in the course of the initial search for mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential, including acquisition costs. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. All exploration expenditures are expensed as incurred.

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures incurred subsequent to this date related to development and construction are capitalized as construction-in-process and classified as a component of property, plant and equipment.

Mining properties and process facility assets are amortized upon commencement of commercial production either on a unit-of-production basis over measured and indicated resources included in the mine plan or the life of mine.

#### *(g) Accounting standards issued but not yet effective*

The Company has reviewed the accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and determined that these are either not applicable or are not expected to have a significant impact on the Company's financial statements.

### **4. SHARE CAPITAL**

#### **(a) Authorized**

The Company has authorized an unlimited number of common shares without par value.

#### **(b) Issued and outstanding**

As at December 31, 2022, the Company had outstanding 40,000,000 common shares.

On November 23, 2021, the Company issued 1 common share at a nominal value to its director on incorporation.

On November 24, 2021, the Company issued 39,999,999 common shares (at \$0.02 per common share) to acquire 100% interest in the Mound Lake Property.

## **Rift Lithium Inc.**

### **Notes to the Financial Statements**

**For the year ended December 31, 2022 and the Period from Incorporation (November 23, 2021) to December 31, 2021**

**(Expressed in Canadian Dollars)**

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#### **4. SHARE CAPITAL (continued)**

On December 21, 2021, the Company completed a non-brokered private placement ("Private Placement") of 20,000,000 subscription receipts at a price of \$0.05 per subscription receipt (the "Company Subscription Receipts") for gross proceeds of \$1,000,000, of which 75% were classified as restricted cash as at December 31, 2021. Assuming the completion of the Transaction (Note 9), each Company Subscription Receipt will be automatically exchanged for one (1) freely tradeable common share of the Company. \$750,000 of the funds received of are held in escrow and classified as restricted cash and are not available until the conversion of the Subscription Receipts. Share issue costs of \$7,385 were incurred for legal fees and recorded as deferred transaction costs on the statement of financial position.

#### **5. CAPITAL MANAGEMENT OBJECTIVE AND POLICIES**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued common shares and reserves, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity. The Company is not subject to any external capital restrictions.

#### **6. FINANCIAL INSTRUMENTS**

##### *Fair Values*

At December 31, 2022, the Company's financial instruments consist of cash, restricted cash, accounts payable and accrued liabilities and share subscriptions received. The Company considers that the carrying amount of its financial instruments recognized at amortized cost in the financial statements approximates their fair value due the demand nature or short-term maturity of these instruments.

##### *Credit Risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

##### *Foreign Exchange Risk*

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

##### *Interest Rate Risk*

The Company is not exposed to any significant interest rate risk.

**Rift Lithium Inc.****Notes to the Financial Statements****For the year ended December 31, 2022 and the Period from Incorporation (November 23, 2021) to December 31, 2021****(Expressed in Canadian Dollars)**

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**6. FINANCIAL INSTRUMENTS (continued)***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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs and to meet the Company's liabilities. The \$55,441 of accounts payable and accrued liabilities are due within one year.

**7. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2022, \$30,000 was charged by CFO Advantage Inc, a corporation owned by the chief financial officer of the Company, for management services. As at December 31, 2022, this amount is included in accounts payable and accrued liabilities.

During the period ended December 31, 2021, no remuneration was paid to key management personnel and no related party transactions were entered into.

**8. PROPERTY ACQUISITION**

On November 24, 2021, the Company entered into an agreement to acquire mineral claims located in the province of Ontario ("the Mound Lake Property"), in exchange of 39,999,999 common shares (at \$0.02 per share) of the Company. The shares were issued on November 24, 2021. The valuation was determined by arm's length negotiations between the parties, including with the subscribers of subscription receipts as to the pre-money valuation for this property. During the period the Company spent \$161,452 on the property (\$46,000 in additional acquisition costs, \$104,912 on an aerial magnetic survey, \$6,585 towards the preparation of 43-101 report, \$3,955 on geological consultants).



**Rift Lithium Inc.****Notes to the Financial Statements**

**For the year ended December 31, 2022 and the Period from Incorporation (November 23, 2021) to December 31, 2021**

**(Expressed in Canadian Dollars)**

**9. INCOME TAXES**

- a) The reported recovery of income taxes differs from amounts computed by applying the statutory income tax rates to the reported loss before income taxes due to the following:

	Period Ended December 31, 2022	Period Ended December 31, 2021
Loss before income taxes	\$ (222,515)	\$ (812,628)
Statutory tax rate	27.00%	27.00%
Expected income tax (recovery)	(59,998)	(219,409)
Tax effect of the following:		
Unrecognized deferred tax benefits	59,998	219,409
Total income tax expense	\$ -	\$ -

- b) Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31, 2022
Non-capital losses available for future period	\$ 19,816
Exploration and evaluation assets	259,592
	279,408
Unrecognized deferred tax assets	(279,408)
Net deferred tax assets	\$ -

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

- c) As at December 31, 2022, the Company has tax loss carry-forwards of approximately \$73,400 which expire up to 2042. The potential benefit of these losses and deductible temporary differences in excess of the deferred tax liabilities have not been recognized in these financial statements as it is not considered probable that sufficient future tax profit will allow the deferred tax assets to be recovered.

The Company has exploration related expenses for income tax purposes amounting to approximately \$961,000 which may be available to offset future taxable income.

**Rift Lithium Inc.****Notes to the Financial Statements****For the year ended December 31, 2022 and the Period from Incorporation (November 23, 2021) to December 31, 2021****(Expressed in Canadian Dollars)**

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**10. SIGNIFICANT AGREEMENTS**

The Company signed a letter of intent dated December 1, 2021 (the “LOI”) with Titus Energy Corp., in respect of a proposed business combination transaction (the “Transaction”). It is currently anticipated that the Transaction will occur as a share exchange, merger, or amalgamation and the final structure of the Transaction will be subject to receipt of tax, corporate and securities law advice for both Titus and Rift. Upon completion of the Transaction, the combined entity (the “Resulting Issuer”) will continue to carry on the business of Titus. It is expected that upon completion of the Transaction, the Resulting Issuer will apply to list the common shares of Titus for trading on the Canadian Stock Exchange (the “CSE”).