GRATOMIC INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021

(Expressed in Canadian Dollars)

D&H Group LLP
Chartered Professional Accountants
10th Floor, 1333 West Broadway
Vancouver, BC V6H 4C1

dhgroup.ca
t 604.731.5881
f 604.731.9923

Independent Auditor's Report

To the Shareholders of Gratomic Inc.

Opinion

We have audited the consolidated financial statements of Gratomic Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 Consolidated 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 consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be a key audit matter to be communicated in our report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets

Description

Management assesses whether there are indicators of impairment to exploration and evaluation assets when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed the recoverable amount. Management applies judgement in assessing whether impairment indicators are present. No impairment indicators were identified by management as of December 31, 2022.

This matter was significant to our audit because the carrying value of the Company's exploration and evaluation assets at December 31, 2022, was $ 14,024,500, which represents a significant portion of the Company's total assets and management applies significant judgement in assessing whether impairment indicators are present. See Note 2 and Note 4 to the consolidated financial statements.

How the Key Audit Matter Was Addressed in the Audit
Our approach to addressing the matter included the following procedures, among others:
Evaluated management's assessment as to whether there were any impairment indicators of exploration and evaluation assets, which included the following:

- Obtained all mineral claim and permit listings held by the Company and confirmed the mineral claims held with the related mining authorities.
- Considered the Company's intentions to carry out future exploration and evaluation expenditures which included reading Board of Director's meeting minutes and enquiring as to the intentions and strategy of the Company.
- Assessed whether there were other changes in circumstances indicating that the exploration and evaluation expenditures may not be recoverable, based on the evidence obtained in other areas of the audit.

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company recorded a net loss of $ 8,157,675 and, as at December 31, 2022, the Company had an accumulated deficit of $ 85,274,911 and a working capital deficit of $ 1,602,186. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated 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 consolidated 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

D&H Group LLP
Chartered Professional Accountants
10th Floor, 1333 West Broadway
Vancouver, BC V6H 4C1

dhgroup.ca
t 604.731.5881
f 604.731.9923

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Gordon Cummings.

"D&H Group LLP"

Vancouver, B.C.
April 25, 2023

Chartered Professional Accountants

GRATOMIC INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Expressed in Canadian Dollars

	Notes	December 31, 2022	December 31, 2021
		$	$
Assets			
Current			
Cash		251,981	998,452
Amounts receivable	**3**	993,946	1,004,789
Prepaids		132,236	376,173
		1,378,163	2,379,414
Exploration and evaluation assets	**4**	14,024,500	11,467,949
Long term prepaids		47,685	209,416
Property and equipment	**5**	11,219,030	9,056,038
		26,669,378	23,112,817
Liabilities			
Current			
Amounts payable and accrued liabilities		2,510,166	510,926
Notes payable	**6**	470,183	316,350
		2,980,349	827,276
Long Term			
Decommisioning liability	**7**	577,085	152,563
Total liabilities		3,557,434	979,839
Shareholders' equity			
Share capital	**8**	89,078,575	81,081,371
Reserves		19,308,280	18,168,843
Deficit		(85,274,911)	(77,117,236)
Total equity		23,111,944	22,132,978
Total shareholders' equity and liabilities		26,669,378	23,112,817

Nature of operations and going concern	**1**
Commitments and contingencies	**14**
Subsequent events	**15**

"Arno Brand"	"Armando Farhate"
Director	Director

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

GRATOMIC INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian Dollars

	Notes	2022	2021
		Years ended December 31,	
		$	$
Operating expenses			
Consulting		**2,040,385**	1,190,256
Filing fees and permits		**159,910**	177,969
Investor relations		**38,785**	426,796
Management fees		**470,000**	851,167
Marketing		**1,251,279**	1,350,563
Office and other		**1,160,962**	909,756
Professional fees		**485,149**	654,749
Share-based compensation	**8**	**1,126,000**	14,801,500
Travel, meals and accomodation		**242,272**	379,481
Project investigation fees		**391,715**	248,192
Net loss before the following		**(7,366,457)**	(20,990,429)
Interest		40	-
Loss on sale of fixed assets	**5**	(533,622)	-
Impairment of fixed assets	**5**	(257,636)	-
Write down of exploration and evaluation assets	**4**	-	(322,332)
Net loss and comprehensive loss for the year		(8,157,675)	(21,312,761)
Basic and diluted loss per share		**(0.05)**	(0.15)
Weighted average number of shares outstanding		**179,375,112**	144,856,347

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

GRATOMIC INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
Expressed in Canadian Dollars

	2022	2021
	$	$
Operating Activities		
Net loss for the year	**(8,157,675)**	(21,312,761)
Non-cash items:		
Share-based compensation	**1,126,000**	14,801,500
Write off of exploration and evaluation assets	**-**	322,332
Loss on disposal of fixed assets	**533,622**	-
Fixed assets donated as social commitment	**44,711**	-
Impairment of fixed assets	**257,636**	-
Change in receivable	**10,843**	(637,607)
Change in prepaid expenses	**243,938**	(114,077)
Change in accounts payable and accrued liabilities	**1,870,524**	(225,196)
Cash used for operating activities	**(4,070,401)**	(7,165,809)
Investing Activities		
Exploration and evaluation expenditures	**(1,403,073)**	(885,090)
Long term prepaids	**161,731**	(209,416)
Purchase of property and equipment	**(3,347,501)**	(5,235,689)
Proceeds on sale of fixed assets	**253,445**	-
Cash consideration paid on acquisition charged to deficit	**-**	(100,000)
Cash used for investing activities	**(4,335,398)**	(6,430,195)
Financing Activities		
Proceeds from loans payable	**153,833**	-
Proceeds from issuance of common shares from private placements	**6,989,760**	-
Share issuance costs - cash	**(230,025)**	-
Shares to be issued	**488,010**	603,800
Options exercised	**257,750**	806,000
Warrants exercised	-	12,081,808
Cash provided by financing activities	**7,659,328**	13,491,608
Decrease in cash	**(746,471)**	(104,396)
Cash, beginning of year	**998,452**	1,102,848
Cash, end of year	**251,981**	998,452

Supplemental information		
Non-cash transactions	**$**	$
Amortization included in exploration and evaluation assets	**95,095**	163,456
Amortization included in property and equipment	**168,476**	-
Shares issued to acquire exploration property	**505,146**	-
Reclassification of fair value of options exercised	**227,495**	605,962
Accretion included in exploration and evaluation assets	**-**	21,450
Note payable charged to deficit	**-**	225,983
Shares issued to acquire a non-controlling interest	**-**	36,062,481
Shares issued to acquire property and equipment	**-**	1,468,660
Shares issued to acquire exploration and evaluation assets	**-**	4,954,350
Debentures converted to common shares	**-**	579,075

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

GRATOMIC INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021

Expressed in Canadian Dollars

	Notes	Number of shares	Share capital $	Shares to be issued $	Share-based payment reserves $	Deficit $	Attributable to owners $	Non-controlling Interest $	Total Equity $
December 31, 2020		**92,494,521**	**23,562,864**	**-**	**3,915,985**	**(20,542,115)**	**6,936,734**	**1,630,162**	**8,566,896**
Shares to be issued	8(A)	-	-	603,800	-	-	603,800	-	603,800
Options exercised	8(A)	3,160,000	806,000	-	-	-	806,000	-	806,000
Warrants exercised	8(A)	34,861,983	12,081,808	-	-	-	12,081,808	-	12,081,808
Debentures converted to common shares	8(A)	11,716,659	579,075	-	-	-	579,075	-	579,075
Original fair value of options exercised	8(A)	-	605,962	-	(605,962)	-	-	-	-
Original fair value of warrants exercised	8(A)	-	356,370	-	(356,370)	-	-	-	-
Non-controlling interest charged to reserves	6	-	-	-	(225,197)	-	(225,197)	225,197	-
Non-controlling interest eliminated on acquisition of Gazania Investments Two Hundred and Forty Two (Proprietary) Limited	6	-	-	-	638,887	1,216,472	1,855,359	(1,855,359)	-
Consideration paid on acquisition of Gazania Investments Two Hundred and Forty Two (Proprietary) Limited	8(A)	25,758,915	36,062,482	-	-	(36,478,832)	(416,350)	-	(416,350)
Shares issued for acquisitions	8(A)	4,912,595	6,423,010	-	-	-	6,423,010	-	6,423,010
Stock options granted	8(B)	-	-	-	14,801,500	-	14,801,500	-	14,801,500
Net loss for the year		-	-	-	-	(21,312,761)	(21,312,761)	-	(21,312,761)
December 31, 2021		**172,904,673**	**80,477,571**	**603,800**	**18,168,843**	**(77,117,236)**	**22,132,978**	**-**	**22,132,978**
December 31, 2021		**172,904,673**	**80,477,571**	**603,800**	**18,168,843**	**(77,117,236)**	**22,132,978**	**-**	**22,132,978**
Shares to be issued	8(A)	-	-	488,010	-	-	488,010	-	488,010
Shares issued on unit private placements	8(A)	9,215,410	6,989,760	-	-	-	6,989,760	-	6,989,760
Private placement allocation of proceeds to warrants	8(C)	-	(240,932)	-	240,932	-	-	-	-
Private placement share issue cash costs	8(A)	-	(230,025)	-	-	-	(230,025)	-	(230,025)
Shares to be issued that were issued, including 100,000 for option exercises for $15,000	8(A)	520,571	603,800	(603,800)	-	-	-	-	-
Options exercised	8(A)	1,015,000	257,750	-	-	-	257,750	-	257,750
Original fair value of options exercised	8(A)	-	227,495	-	(227,495)	-	-	-	-
Shares issued for acquisitions	8(A)	1,262,865	505,146	-	-	-	505,146	-	505,146
Stock options granted	8(B)	-	-	-	1,126,000	-	1,126,000	-	1,126,000
Net loss for the year		-	-	-	-	(8,157,675)	(8,157,675)	-	(8,157,675)
December 31, 2022		**184,918,519**	**88,590,565**	**488,010**	**19,308,280**	**(85,274,911)**	**23,111,944**	**-**	**23,111,944**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Gratomic Inc. (hereafter the "Company") was incorporated under the Business Corporations Act (Ontario), and is listed on the TSX Venture Exchange, OTCQX and Frankfurt exchanges (TSX-V: GRAT) (OTCQX: CBULF) (FRANKFURT: CB82). The Company's corporate office is located at Bay Adelaide Centre - East Tower, 22 Adelaide Street West, Suite 3600, Toronto, Ontario M5H 4E3. The Company is a junior exploration company engaged in the acquisition, exploration and development of mineral properties located primarily in Namibia, Brazil, and Canada.

The Company's ability to realize the costs it has incurred to date on its properties is dependent upon it being able to identify economically recoverable reserves; to finance their exploration and evaluation costs; to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the reserves; and to attain profitable operations.

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development, and in which it has an interest, in accordance with industry standards for the current stage of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory, environmental, and social requirements.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has incurred a loss for the year ended December 31, 2022, of $8,157,675 and has an accumulated deficit of $85,274,911. The Company is a junior mining company and is subject to risks and challenges similar to other companies at a comparable stage. These risks include, but are not limited to, dependence on key individuals, investment risks, market risks, and the ability to maintain adequate cash flows, and continuing as a going concern. Cash on hand is currently not adequate to cover expected expenditures for the next 12-months and therefore the Company will be required to secure additional funding. These challenges and the continued cumulative operating losses cast significant doubt on the Company's ability to continue as a going concern. These consolidated statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern. Such adjustments can be material.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus, identified as "COVID-19", as a global pandemic. To combat the spread of COVID-19, governments worldwide enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing, and business and organization closures. Although now removed, these measures caused material disruptions to businesses, governments, and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. The Company implemented safety and physical distancing procedures, including working from home where possible, and limited travel.

The consolidated financial statements of the Company for the years ended December 31, 2022, and 2021, were authorized for issuance in accordance with a resolution of the Board of Directors on April 25, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

These consolidated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC").

The consolidated financial statements are prepared on a going concern basis, under the historical cost convention, except for certain financial assets and liabilities which have been measured at fair value.

Critical judgements and sources of estimation uncertainty

Critical judgements exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flows, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

ii) Capitalization of deferred exploration costs

Minority interest and equity are adjusted to reflect the ownership interest of consolidated subsidiaries in which a minority interest shareholder has a carried interest.

Management is required to assess impairment of intangible exploration and evaluation assets and property and equipment. The triggering events are defined in IFRS 6 and IAS 36 respectively. In making the assessment, management is required to make judgments on the status of each project and their future plans for finding commercial reserves to which the exploration and evaluation assets and property and equipment relate to.

Management has determined that there were no triggering events present as at December 31, 2022, and 2021, as defined in IFRS 6 and IAS 36, as such, no impairment test was performed.

Critical estimates are as follows:

i) Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity settled benefits.

ii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

iii) Useful life of property and equipment

Depreciation expense is allocated based on assumed useful life of property and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of loss and comprehensive loss.

iv) Provisions

Provisions are inherently based on assumptions and estimates using best available information. Additional disclosure of these estimates is included in Note 7 – Decommissioning Liability.

Basis of consolidation

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accordingly, the consolidated financial statements include the accounts of the following subsidiary companies, for which all significant inter-company transactions and balances have been eliminated.

Company Name	Place of Incorporation	Ownership %
Gratomic Graphite (Pty) Ltd	Namibia	100%
Gratomic Graphite Mining Namibia (Pty) Ltd	Namibia	100%
Ludbay Properties (Pty) Ltd	Namibia	100%
Luxury Investments 264 (Pty) Ltd	Namibia	100%
Erf Fifty Aredareigas (Pty) Ltd	Namibia	100%
Graphite Capim Grosso Holding Ltd	Bahamas	100%
Zumbi Mineracao Ltda	Brazil	99.9%
Gratomic Do Brasil Mineracao Ltda	Brazil	99.9%

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 (“FVOCI”) 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 FVOCI. 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.

(ii) Measurement

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 carried at FVTPL are initially recorded at fair value. 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 profit or loss in the period in which they arise.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in comprehensive income or loss in the period in which they arise.

(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 credit risk on 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. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, is measured using the lifetime expected credit loss approach. 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

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 are derecognized when the obligation under the liability is discharged, cancelled, or expires. Gains and losses on derecognition are generally recognized in the statements of net (loss) income.

(v) Measurement Hierarchy

Financial instruments that are measured at fair value are classified within a hierarchy that prioritizes their significance. 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.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors in IAS 21, *The Effects of Change in Foreign Exchange Rates.*

For companies in the consolidated group whose presentation currency is the Canadian Dollar, transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, balances recorded in currencies other than the Canadian dollar are recorded at the period end rate of exchange and exchange gains and losses arising on translation are reflected in profit or loss for the year.

For companies in the consolidated group whose presentation currency is other than the Canadian Dollar translations to Canadian Dollars are done as follows: At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date, while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the year.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Exploration and evaluation assets

Upon acquiring the legal right to explore a property, costs related to the acquisition, exploration and evaluation are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration, and evaluation costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell, and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning and restoration provision

The Company recognizes liabilities for statutory, contractual, constructive, or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development, or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company’s estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the provision. The Company’s estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation, and changes in estimates. Changes in the net present value, excluding changes in the Company’s estimates of reclamation costs, are charged to profit and loss for the year.

At December 31, 2022, the Company estimated and recorded its decommissioning liability at an amount of $577,085 (December 31, 2021 - $152,563).

Property and equipment

Property and equipment includes acquisition costs, capitalized development costs and pre-production expenditures that are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Costs of property and equipment are incurred while construction is in progress and before the commencement of commercial production. Once the construction of an asset is substantially complete, and the asset is ready for its intended use, these costs are amortized.

Depreciation is calculated using a straight-line method to write-off the cost of the assets. The depreciation rates applicable to each category of property and equipment are as follows:

Vehicles, Plant and Equipment	Straight-line over 3 years
Buildings	Straight-line over 10 years

Valuation of equity units issued in private placements

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded in reserves.

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options, compensatory warrants, and agent options are measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options, is credited to share capital.

In situations where equity instruments, compensatory warrants, and agent options are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Share issue costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Flow-through shares

Canadian income tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares, whereby any premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. AMOUNTS RECEIVABLE

The amounts receivable balance in the amount of $993,946 (December 31, 2021 - $1,004,789) relates primarily to Harmonized Sales Tax and Value Added Tax due from the Canadian and Namibian governments respectively.

4. EXPLORATION AND EVALUATION ASSETS

Following is a summary of the exploration and evaluation assets:

For the year ended December 31, 2022	Beginning Balance ($)	Acquisition costs ($)	Exploration costs ($)	Write Off ($)	Ending Balance ($)
Aukam Namibia project	5,261,273	-	1,463,391	-	6,724,664
Zumbi Brazil project	5,221,568	633,861	459,299	-	6,314,728
Buckingham Quebec project	985,108	-	-	-	985,108
	11,467,949	**633,861**	**1,922,690**	**-**	**14,024,500**

For the year ended December 31, 2021	Beginning Balance ($)	Acquisition costs ($)	Exploration costs ($)	Write Off ($)	Ending Balance ($)
Aukam Namibia project	4,405,845	-	855,428	-	5,261,273
Zumbi Brazil project	-	5,154,350	67,218	-	5,221,568
Montpellier Quebec project	322,332	-	-	(322,332)	-
Buckingham Quebec project	985,108	-	-	-	985,108
	5,713,285	**5,154,350**	**922,646**	**(322,332)**	**11,467,949**

Aukam Graphite Project, Namibia

The Aukam Graphite project is a property located in Namibia's Karas Region in Africa. The rights to explore and develop parts of the property, which are of primary interest, are owned by Gratomic Graphite Mining Namibia (Pty) Ltd ("Gratomic Graphite").

On July 29, 2021 the Company acquired the remaining 37% interest in Gratomic Graphite from Next Graphite, Inc. ("NextG"), to now hold a 100% interest. In consideration for the interest, Gratomic issued a total of 25,758,915 common shares in the capital of Gratomic Inc. valued at $36,062,481, made a cash payment of $100,000, and will provide future consideration of US$250,000. The total consideration amounted to $36,478,831 was charged to deficit. The shares are subject to an 18-month escrow, subject to the release of 1/3 of the original balance every 6 months.

The future consideration has been reflected herein, net of US$71,752 Next Graphite owes the Company, in the amount of $225,983 and has been reflected as a note payable. The terms of the note payable are as follows: it is denominated in US$, unsecured, non-interest bearing, matured July 29, 2022, and was convertible into common shares at the market price of the common shares on the maturity date.

A 2% revenue royalty is payable to the individual who farms the property. Under Namibian law, a 2% royalty is payable on the value of minerals mined to the Namibian government in connection with the Aukam Graphite Project.

Zumbi Graphite Project, Brazil

On December 8, 2021, Gratomic acquired a 99.9% interest in Zumbi Mineraceo Ltda. ("Zumbi"), owner of 100% of the Capim Grosso graphite project. In consideration, Gratomic issued a total of 3,840,580 common shares in the capital of Gratomic Inc. valued at $4,954,350, and made a cash payment of $200,000. The Capim Grosso project is situated at the center east portion of the Bahia State, 280 km from the port of Salvador, the state capital, and 166 km from Feira de Santana, the state's second largest city. The project comprises mineral claims covering a surface area of 3,728.06 hectares. The vendors retained a 3% gross smelter return royalty in respect of all minerals processed other than graphite. The Company was subsequently granted four additional Prospecting Licenses near its existing Capim Grosso Graphite project. The total area of the new claims is 6,312 ha.

Expressed in Canadian Dollars

On June 10, 2022, Zumbi acquired an additional 3 mineral claims comprising a total of 2,782.09 hectares located in the State of Bahia, Brazil. The properties, known as the Jacobina and Igrapiuna Prospects, are within 30 kilometers of the Zumbi project. The Company issued 1,262,865 shares valued at $505,146 and agreed to pay US$100,000 ($128,715) as consideration for the property for a total cost of $633,861.

Buckingham, Quebec

The Company owns a 100% interest in the Buckingham properties located in the Province of Quebec.

Montpellier, Quebec

The Montpellier property consisted of claims located in the Hartwell Township, Casse Laurentides Region in Quebec. During the year ended December 31, 2021, the Company decided not to proceed with any further exploration on the project, allowed the claims to lapse, and incurred a write off on the property of $322,332.

5. PROPERTY AND EQUIPMENT

	Land and Buildings $	Plant and equipment $	Vehicles $	Total $
Cost				
At December 31, 2020	750,193	1,626,574	282,033	2,658,800
Additions	1,441,613	4,892,098	370,638	6,704,349
Disposals	-	-	(1,700)	(1,700)
At December 31, 2021	2,191,806	6,518,672	650,971	9,361,449
Additions	-	3,493,120	26,335	3,519,455
Disposals	(721,257)	(167,551)	(166,144)	(1,054,952)
Revaluations	(261,114)	-	-	(261,114)
At December 31, 2022	1,209,435	9,844,241	511,162	11,564,838
Accumulated Depreciation				
At December 31, 2020	72,250	40,114	30,024	142,388
Additions	33,348	4,268	125,840	163,456
Disposals	-	-	(433)	(433)
At December 31, 2021	105,598	44,382	155,431	305,411
Additions	-	17,214	151,262	168,476
Disposals	-	(38,055)	(90,024)	(128,079)
At December 31, 2022	105,598	23,541	216,669	345,808
Carrying Value				
At December 31, 2021	2,086,208	6,474,290	495,540	9,056,038
At December 31, 2022	1,103,837	9,820,700	294,493	11,219,030

6. NOTES PAYABLE

The notes payable consist of:

a) A note payable on the NextG transaction in the amount of $225,983. The note is denominated in US$, unsecured, non-interest bearing, matures July 29, 2022, and was convertible into common shares at the market price of the common shares on the maturity date.
b) Notes payable totaling $244,200 from three individuals who are shareholders of the Company. The loans are unsecured and due on demand.

7. DECOMMISSIONING LIABILITY

	December 31, 2022	December 31, 2021
	$	$
Environmental rehabilitation		
Opening balance	152,563	100,000
Additions	424,522	52,563
Closing balance	577,085	152,563

The environmental rehabilitation provision relates to the decommissioning of plant and equipment and the restoration of the Aukam mining site upon the retirement of mining and exploration activities.

8. SHARE CAPITAL, OPTIONS, AND WARRANTS

(A) Common Shares

Authorized - an unlimited number of common shares.

The following summarizes the share transactions:

During the year ended December 31, 2022:

a) The Company completed a non-brokered private placement of 3,530,971 units at a price of $1.40 per unit for gross proceeds of $4,943,360. Each unit consisted of one common share and one quarter of one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional common share in the Company at a price of $1.45 per share on or before the date that is six months from the date of closing. Cash share issue costs in the amount of $230,025 were incurred in connection with the private placement.
b) 520,571 common shares noted as to be issued at December 31, 2021, were issued.
c) 1,015,000 common shares were issued on the exercise of options for proceeds of $257,750. The original estimated fair value of the options in the amount of $227,495 was transferred from the share-based payment reserve to share capital.
d) 1,262,865 common shares were issued as partial consideration for the acquisition of three mineral claims in Brazil (see Note 4.). The shares were valued at $0.40 each, being the market value of the shares on the date they were issued, for a total value of $505,146.
e) The Company completed a non-brokered private placement on September 14, 2022 of 5,684,440 units priced at $0.36 per unit for gross proceeds of $2,046,398. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.54 per share until September 14, 2023, and thereafter at a price of $0.80 until September 14, 2024. The securities issued are subject to a hold period expiring on January 15, 2023.

Expressed in Canadian Dollars

f) 1,626,700 common shares were reserved for issuance at December 31, 2022, for which proceeds of $488,010 had been received for a private placement that had not yet closed at $0.30 per unit. Upon closing, each unit will consist of one common share and one common share purchase warrant. Each whole warrant will entitles the holder to purchase one common share at a price of $0.45 per share for two years from the date of closing. These shares were issued subsequent to the year end (see Note 15).

During the year ended December 31, 2021:

a) 34,861,983 common shares were issued on the exercise of warrants for gross proceeds of $12,081,808. The original fair value of the warrants of $356,370 was transferred to share capital.
b) 3,160,000 common shares were issued on the exercise of options for gross proceeds of $806,000. The original fair value of the options of $605,962 was transferred to share capital.
c) 11,716,659 common shares were issued on the conversion of debentures. The shares were valued at $579,075 being the agreed conversion value when the debentures were issued.
d) 25,758,915 common shares were issued as consideration for the purchase of the remaining 37% interest in Gratomic Graphite (see Note 4). The shares were valued at $36,062,482, being the market value of the Company's common shares on the day the transaction closed.
e) 4,912,595 common shares were issued for $6,423,010 –
    a. 1,072,015 common shares as consideration for the purchase of two properties and an automobile in Namibia. The common shares were valued at $1,468,660, being the market value of the Company's common shares on the day the transaction closed, and
    b. 3,840,580 common shares as partial consideration for the purchase of Zumbi Mineração Brazil. The common shares were valued at $4,954,350, being the market value of the Company's common shares on the day the transaction closed.

(B) Stock Options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX-V (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to directors, officers, employees and consultants of the Company options to purchase common shares, provided that the number of shares reserved for the issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares, at an exercise price to be determined by the Board at the time the option is granted.

On June 1, 2022, the Company granted 3,050,000 stock options with an exercise price of $0.435 and an estimated fair value of $976,000, to consultants of the Company. The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	Nil
Stock price volatility	100.0%
Risk-free interest rate	2.860%
Expected life of options	5 years

On June 7, 2022, the Company granted 500,000 stock options with an exercise price of $0.390 and an estimated fair value of $150,000, to consultants of the Company. The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	Nil
Stock price volatility	100.0%
Risk-free interest rate	3.100%
Expected life of options	5 year

Expressed in Canadian Dollars

On March 2, 2021, the Company granted 8,850,000 stock options with an exercise price of $1.54 and an estimated fair value of $12,124,500, to management, directors, and consultants of the Company. The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	Nil
Stock price volatility	141.0%
Risk-free interest rate	0.790%
Expected life of options	5 years

On May 12, May 13, and June 7, 2021, the Company granted a total of 1,100,000 stock options with a weighted average exercise price of $1.26 and an estimated fair value of $1,200,000 to directors and a consultant of the Company. The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	Nil
Stock price volatility	141.0%
Weighted average risk-free interest rate	0.930%
Expected life of options	5 years

On July 16 and September 1, 2021, the Company granted 200,000 stock options and 400,000 stock options respectively with an exercise price of $1.47 and $1.27 respectively and an estimated total fair value of $716,000, to management and a consultant of the Company. The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	Nil
Stock price volatility	141.0%
Risk-free interest rate	0.870%
Expected life of options	3 years and 5 years

On November 1, 2021, the Company granted 500,000 stock options with an exercise price of $1.57 and an estimated total fair value of $555,000, to a consultant of the Company. The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	Nil
Stock price volatility	150.0%
Risk-free interest rate	1.500%
Expected life of options	5 years

On December 1, 2021, the Company granted 200,000 stock options with an exercise price of $1.19 and an estimated total fair value of $206,000, to a consultant of the Company. The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	Nil
Stock price volatility	150.0%
Risk-free interest rate	1.350%
Expected life of options	5 years

A summary of option transactions is as follows:

Expressed in Canadian Dollars

	Number of options	Weighted average exercise price $
Balance December 31, 2020	5,655,000	0.262
Expired	(840,000)	1.490
Granted	11,250,000	1.497
Exercised	(3,160,000)	0.255
Balance December 31, 2021	12,905,000	1.260
Exercised	(1,115,000)	0.245
Granted	3,550,000	0.429
Expired	(100,000)	0.850
Balance December 31, 2022	15,240,000	1.143

The original fair value of the 1,115,000 (2021 - 3,160,000) options exercised during 2022 amounted to $227,495 (2021- $605,962), which amount was transferred to share capital. The weighted average share price on the date of exercise for options exercised in 2022 was $0.49 per share (2021 - $1.03 per share).

A summary of options outstanding on December 31, 2022, is as follows:

Exercise price $	Number outstanding and exercisable	Remaining contractual life in months	Weighted average exercise price $
0.500	150,000	4	0.500
0.700	30,000	4	0.700
0.650	90,000	12	0.650
0.150	970,000	31	0.150
1.540	8,050,000	38	1.540
1.250	400,000	40	1.250
1.210	300,000	16	1.210
1.300	400,000	41	1.300
1.470	200,000	43	1.470
1.270	400,000	44	1.270
1.570	500,000	46	1.570
1.190	200,000	47	1.190
0.435	3,050,000	53	0.435
0.390	500,000	53	0.390
	15,240,000		1.143

Expressed in Canadian Dollars

(C) Warrants

The Company has a total of 6,672,322 warrants outstanding. Warrant activity is analyzed as follows:

	Number of Warrants	Weighted average exercise price $
Balance, December 31, 2020	35,163,486	0.35
Exercised	(34,861,986)	0.35
Expired	(227,500)	0.82
Balance, December 31, 2021	74,000	0.06
Granted	6,672,322	0.67
Expired	(74,000)	0.06
Balance December 31, 2022	6,672,322	0.67

A summary of warrants outstanding at December 31, 2022, is as follows:

Expiry Date	Number of Warrants	Weighted Average Exercise Price $
July 26, 2023 - September 2, 2023	987,882	1.45
September 14, 2024	5,684,440	0.54
	6,672,322	0.67

The original fair value of the 34,861,986 warrants exercised during 2021 of $356,370 was transferred from share-based payment reserves to share capital.

The 6,672,322 warrants issued during the year ended December 31, 2022 had an estimated value of $240,932 on the date of the grant.

The Company received approval from the TSX Venture Exchange to extend the exercise date of 987,882 warrants currently exercisable at $1.45 per share until between July 26, 2022 and September 2, 2022 pursuant to the private placement financing which closed between January 26, 2022 and March 2, 2022, for a further year expiring between July 26, 2023 and September 2, 2023. There has been no change to the warrant exercise price.

9. RELATED PARTY DISCLOSURES

The Company has determined that key management consists of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer. The Company paid or accrued the following amounts to key management, and private corporations owned by them:

Expressed in Canadian Dollars

	For the years ended December 31, 2022 $	2021 $
Fees charged to:		
Management fees and consulting fees	1,114,765	1,592,194
Professional and other expenses	270,030	361,953
Share-based payments	-	6,413,000
	1,384,795	8,367,147

During the year ended December 31, 2022, legal fees in the amount of $235,748 (2021 – $361,953) were paid or payable to a law firm whose partner is an officer of the Company.

Included in accounts payable and accrued liabilities at December 31, 2022, was $676,078 (2021 – $34,933) owing for services to directors, and officers, companies owned by directors and officers, and a law firm whose partner is a director and an officer of the Company.

10. SEGMENTED INFORMATION

The Company's primary business activity is the acquisition, exploration and development of mineral properties. The location of the Company's exploration and evaluation assets, and property and equipment, at December 31, 2022 and 2021are as follows:

	2022 $	2021 $
Exploration and evaluation assets		
Canada	985,108	985,108
Namibia	6,724,664	5,261,272
Brazil	6,314,728	5,221,569
	14,024,500	11,467,949
Property and equipment		
Namibia	11,182,483	9,056,038
Brazil	36,547	-
	11,219,030	9,056,038

Expressed in Canadian Dollars

11. INCOME TAXES

a) Provision for Income Taxes
Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2021 - 26.5%) were as follows:

	2022 $	2021 $
Combined Canadian statutory income tax rate	26.50%	26.50%
Loss before income taxes	(8,157,675)	(21,312,761)
Expected income tax recovery based on statutory rate	(2,162,000)	(5,650,000)
Adjustment to expected income tax benefit:		
Share issue costs and other	(43,000)	(32,000)
Permanent differences	200,000	3,925,000
Change in unrecognized temporary differences	2,005,000	1,757,000
Deferred income tax recovery	-	-

b) The tax effects of temporary differences that give rise to deferred income tax assets and liabilities at December 31, 2022 and 2021 are as follows:

	2022 $	2021 $
Deferred tax assets (liabilities):		
Capital assets	-	-
Share issue costs	43,000	35,000
Non-capital losses carried forward	7,377,000	5,570,000
Mining interests	131,000	153,000
Unrecognized deferred tax assets	(7,551,000)	(5,758,000)
Net deferred income tax liability	-	-

c) Losses Carried Forward
As at December 31, 2022, the Company had estimated non-capital losses for Canadian income tax purposes of approximately $25,393,000 (2021 - $20,273,000) available to use against future taxable income. The non-capital losses expire between 2026 and 2042 as follows.

Expiry	Canada $
2026 to 2030	758,000
2031	899,000
2032	701,000
2033	750,000
2034	596,000
2035	596,000
2036	813,000
2037	1,059,000
2038	3,464,000
2039	2,971,000
2040	2,120,000
2041	5,546,000
2042	5,120,000
	25,393,000

12. CAPITAL MANAGEMENT

The Company's objective when managing capital, defined as all components of equity, is to safeguard its ability to continue as a going concern, and to pursue the exploration, evaluation and development of its properties. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets and seeks to retain sufficient equity to ensure that cash flows from assets will be sufficient to meet future cash flow requirements. To maintain or adjust the capital structure, the Company may from time-to-time issue shares and adjust its capital spending. To assess capital and operating efficiency and financial strength, the Company continually monitors its net cash and working capital. The Company's capital management objectives, policies and processes have remained unchanged since December 31, 2021.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash is measured on level 1 of the fair value hierarchy. The carrying amounts for amounts receivable, and accounts payable and accrued liabilities approximate their estimated fair value due to the short-term nature of these financial instruments.

Amounts receivable is classified at amortized cost and is recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The Company's risk exposures and the impact on its financial investments, as summarized below, have not changed significantly during the year.

Economic Viability and Technical Feasibility Risk
No mineral resources, let alone mineral reserves demonstrating economic viability and technical feasibility, have been delineated on the Aukam Property. The Company is not in a position to demonstrate or disclose any capital and/or operating costs that may be associated with the processing plant until the Preliminary Feasibility Study ("PFS") is completed. The Company advises that it has not based its production decision on even the existence of mineral resources let alone on a PFS or feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals and the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic and technical failure. There is no guarantee that production will begin as anticipated or at all or that anticipated production costs will be achieved. Failure to commence production would have a material adverse impact on the Company's ability to generate revenue and cash flow to fund operations. Failure to achieve the anticipated production costs would have a material adverse impact on the Company's cash flow and future profitability.

Credit Risk
The Company's credit risk is primarily attributable to amounts receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to the financial instrument included in amounts receivable is remote.

Liquidity Risk
At December 31, 2022, the Company had current assets of $1,378,163 (December 31, 2021 - $2,379,414) to settle current liabilities of $2,980,349 (December 31, 2021 - $827,276). The Company's financial liabilities generally have contractual maturities that are subject to normal trade terms.

Interest Rate Risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and minimal interest-bearing debt. The Company's current policy is to invest excess cash in investment grade short term deposit certificates issued by its banking institutions. The Company monitors its cash balances and is satisfied with the creditworthiness of its banks. As a result of having minimal interest bearing debt, or interest earning investments, the Company's exposure to interest rate risk is minimal.

Market Risk
Foreign Currency Risk
The Company's functional and reporting currency is the Canadian dollar, and all expenditures are funded in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Price Risk
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. As the Company's properties are in the exploration and development stages and to date do not contain any identified mineral reserves, the Company does not hedge against commodity price risk.

Sensitivity Analysis
Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:
a) The Company receives low interest rates on its cash and cash equivalent balances and, as such, the Company does not have significant interest rate risk.
b) The Company holds balances in foreign currencies that give rise to exposure to foreign exchange risk, however at any point in time the balances are not significant. The Company estimates that a 10% increase or decrease in the foreign currency would give rise to a gain or loss of approximately $6,000 respectively at December 31, 2022.

14. COMMITMENTS AND CONTINGENCIES

The Company's exploration and evaluation activities are subject to government laws and regulations, including tax laws, and laws and regulations governing the protection of the environment. The Company believes that its operations comply in all material respects with all applicable past and present laws and regulations. The Company records provisions for any identified obligations, based on management's estimate at the time. Such estimates are, however, subject to changes in laws and regulations.

The Company has a consulting agreement with its CEO providing for a monthly retainer of $26,667. The agreement:
a) Is terminable by the Company on six months' notice.
b) Contains a change of control clause providing that, in the event of a change in control, a lump sum payment equivalent to 24 months retainer fees will be paid.

The Company has a consulting agreement with its CFO providing for a monthly retained of $12,500. The agreement is terminable by the Company on six months' notice.

The Company has indemnified the subscribers of flow-through share offerings pursuant to subscription agreements with investors for amounts that may become payable by the shareholder as a result of the Company not having met its expenditure commitments on qualified items. During 2019, the Company's 2015 to 2018 taxation years were audited by the Canada Revenue Agency ("the CRA"). As a result of the audit the CRA has disallowed flow through expenditures in the amount of $243,000 that were renounced by the Company in favour of flow through share investors. The Company estimates that it has a liability of $150,000 to the flow through share investors as a result of indemnifications provided to them, which amount has been recorded in these financial statements.

The Company is a defendant in actions being brought by consultants. The outcome of these actions is not determinable at this time. Any losses are provided for as they become likely and can be estimated. In the opinion of management, the ultimate resolution of these actions will not have a material adverse effect on the financial position of the Company, the results of operations or its cash flows.

15. SUBSEQUENT EVENTS

On February 1, 2023, Gratomic completed the first tranche of a non-brokered private placement of 4,348,984 units for gross proceeds of $1,304,695. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.45 per share until the date that is two years after the closing of the Offering. A finder's fee of $25,983 was paid to an eligible intermediary and 86,610 broker warrants were issued. Each broker warrant issued in connection with the sale of units at the initial closing entitles the holder to purchase one common share of the Company at a price of $0.45 until February 1, 2025. The securities issued at the initial closing of the Offering are subject to a hold period expiring on June 2, 2023.

On March 8, 2023, the Company completed the second tranche of a non-brokered private placement, with the placement of 4,730,951 units for gross proceeds of $1,419,285. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.45 per share until March 8, 2025. A finder's fee of $3,497 was paid to an eligible intermediary and 11,656 broker warrants were issued. Each broker warrant issued in connection with the sale of units at the second closing entitles the holder to purchase one common share of the Company at a price of $0.45 until March 8, 2025. The securities issued at the second closing of the Offering are subject to a hold period expiring on July 9, 2023.

On March 29, 2023, Gratomic completed the third tranche of a non-brokered private placement offering, with the placement of 1,090,000 units for gross proceeds of $327,000. The Company has raised $3,050,980 to date. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.45 per share until March 29, 2025. The securities issued on this closing of the Offering are subject to a hold period expiring on July 30, 2023.