ELECTRA BATTERY MATERIALS CORPORATION
(FORMERLY FIRST COBALT CORP.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

ELECTRA BATTERY MATERIALS CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2023 (UNAUDITED)

(expressed in thousands of Canadian dollars)

		June 30, 2023		December 31, 2022
ASSETS				
Current Assets				
Cash and cash equivalents	$	6,228	$	7,952
Marketable securities (Note 6)		1,167		433
Prepaid expenses and deposits		400		716
Receivables		761		3,079
Assets held for sale (Note 6)		-		1,338
		8,556		13,518
Non-Current Assets				
Exploration and evaluation assets (Note 5)		87,693		87,693
Property, plant and equipment (Note 4)		100,415		82,288
Capital long-term prepayments (Note 4)		2,313		3,087
Long-term restricted cash		-		938
Total Assets	$	198,977	$	187,524
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (Note 7)	$	19,603	$	20,164
Current convertible notes payable (Note 10)		-		25,662
Current financial derivative liability - convertible notes (Note 10)		-		6,674
Warrants - convertible notes (Note 10)		5,163		-
Embedded derivative liability (US Warrant) (Note 12)		186		1,271
Liabilities held for sale (Note 6)		-		338
		24,952		54,109
Non-Current Liabilities				
Long-term government loan payable (Note 9)		4,159		3,777
Government grant (Note 9)		988		1,121
Long-term convertible notes payable (Note 10)		47,674		-
Lease liability		198		218
Asset retirement obligations (Note 8)		1,869		1,790
Total Liabilities	$	79,840	$	61,015
Shareholders' Equity				
Common shares (Note 11)		290,061		288,871
Reserve (Note 12)		19,306		17,892
Accumulated other comprehensive income		525		525
Deficit		(190,755)		(180,779)
Total Shareholders' Equity	$	119,137	$	126,509
Total Liabilities and Shareholders' Equity	$	198,977	$	187,524

Going concern (Note 1)

Commitments (Note 16)

Subsequent events (Notes 1, 11)

Approved on behalf of the Board of Directors and authorized for issue on August 17, 2023

/s/ Susan Uthayakumar	*/s/ Trent Mell*
Susan Uthayakumar, Director	Trent Mell, Director

ELECTRA BATTERY MATERIALS CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 (UNAUDITED)

(expressed in thousands of Canadian dollars)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Operating expenses				
General and administrative	$ 424	$ 377	$ 1,324	$ 446
Consulting and professional fees	1,647	932	2,247	1,518
Exploration and evaluation expenditures	276	1,084	353	1,478
Investor relations and marketing	161	318	194	564
Refinery, engineering and metallurgical studies	335	327	959	420
Refinery, permitting, and environmental expenses	59	33	87	61
Salary and benefits	1,291	529	2,619	1,153
Share-based payments	326	304	544	738
Operating loss	4,519	3,904	8,327	6,378
Other				
Unrealized gain (loss) on marketable securities (Note 6)	(79)	(1,008)	31	(550)
Finance income (expense) - convertible notes and warrants (Note 10)	13,244	12,705	(3,250)	16,685
Gain on embedded derivative liability (US Warrant) (Note 12)	1,156	-	1,062	-
Other non-operating income (expense) (Note 13)	2,200	(259)	508	107
Net income (loss) and other comprehensive income (loss)	$ 12,002	$ 7,534	$ (9,976)	$ 9,864
Basic income (loss) per share	$ 0.33	$ 0.23	$ (0.28)	$ 0.31
Diluted loss per share	$ (0.02)	$ (0.13)	$ (0.28)	$ (0.17)
Weighted average number of shares outstanding (basic) (Note 14)	35,972,480	32,069,929	35,836,585	31,541,997
Weighted average number of shares outstanding (diluted) (Note 14)	56,637,198	40,862,782	35,836,585	40,447,579

ELECTRA BATTERY MATERIALS CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023 (UNAUDITED)

(expressed in thousands of Canadian dollars)

	Six months ended June 30, 2023	Six months ended June 30, 2022
Operating activities		
Net income (loss)	$ (9,976)	$ 9,864
Adjustments for items not affecting cash:		
Share-based payments	544	738
Unrealized (gain) loss on marketable securities	(31)	550
Realized gain on marketable securities	(90)	-
Depreciation	30	-
Loss (Gain) on financial derivative liability - 2026 Notes (Note 10)	5,076	(16,685)
Loss on extinguishment of 2026 Notes and recognition of 2028 Notes (Note 10)	20,119	-
Fair value gain on convertible notes payable and warrants 2028 Notes (Note 10)	(21,945)	-
Directors fees paid in DSUs	885	-
Fair value adjustment on embedded derivative liability (US Warrant)	(1,062)	-
Unrealized loss on foreign exchange	324	-
Other	-	172
	(6,126)	(5,361)
Changes in operating working capital:		
Decrease (Increase) in receivables	2,166	(737)
Decrease in accounts payable and accrued liabilities	(1,352)	(727)
(Increase) Decrease in prepaid and other current assets	315	(1,978)
Cash Flows used in operating activities	(4,997)	(8,803)
Investing activities		
Transfer from (to) restricted cash	938	(821)
Capital long-term prepayments	-	(6,223)
Proceeds from sale of marketable securities	538	202
Additions to property, plant and equipment	(14,754)	(6,992)
Cash Flows used in investing activities	(13,278)	(13,834)
Financing activities		
Proceeds from at-the-market equity program ("ATM Program"), net transaction costs of $nil (2022 - $66)	-	2,585
Proceeds from exercise of warrants	-	53
Proceeds from exercise of options	-	140
Proceeds from government loan	250	3,898
Payment of lease liability, net of interest	(19)	-
Proceeds from 2028 Notes (Note 10)	68,049	-
Repayment of 2026 Notes (Note 10)	(48,036)	-
Settlement of transaction costs on 2028 Notes (Note 10)	(2,100)	-
Interest settlement on 2026 Notes (Note 10)	(1,656)	(2,194)
Cash Flows provided by financing activities	16,488	4,482
Changes in cash during the period	(1,787)	(18,155)
Effect of exchange rates on cash	63	240
Cash – Beginning of the period	7,952	58,626
Cash – End of the period	$ 6,228	$ 40,711

ELECTRA BATTERY MATERIALS CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2023 (UNAUDITED)

(expressed in thousands of Canadian dollars)

	Common Shares					
	Number of Shares	**Amount**	**Reserves**	**Accumulated Other Comprehensive Income**	**Deficit**	**Total**
Balance – December 31, 2022	35,185,977	$ 288,871	$ 17,892	$ 525	$ (180,779)	$ 126,509
Net loss for the period	-	-	-	-	(9,976)	$ (9,976)
Share based payment expense	-	-	544	-	-	$ 544
Directors fees paid in deferred share units	-	-	887	-	-	$ 887
Shares and units issued for:						
Exercise of warrants, options, and deferred share units, performance share units, and restricted share units (Note 13)	3,053	17	(17)	-	-	$ -
Settlement of transaction costs on 2028 Notes	77,500	175	-	-	-	$ 175
Convertible Notes Conversion (Note 10)	368,543	998	-	-	-	$ 998
Balance – June 30, 2023	35,635,073	$ 290,061	$ 19,306	$ 525	$ (190,755)	$ 119,137
Balance – December 31, 2021	30,974,853	$ 276,215	$ 16,554	$ 525	$ (193,330)	$ 99,964
Net income for the period	-	-	-	-	9,864	$ 9,864
Share based payment expense	-	-	738	-	-	$ 738
Directors fees paid in deferred share units	-	-	6	-	-	$ 6
Shares and units issued for:						
Exercise of warrants, options, and deferred share units, performance share units, and restricted share units	135,726	611	(420)	-	-	$ 191
ATM Program sales, net of transaction costs	472,495	2,585	-	-	-	$ 2,585
Convertible Notes Conversion (Note 10)	789,103	4,835	-	-	-	$ 4,835
Balance – June 30, 2022	32,372,177	$ 284,246	$ 16,878	$ 525	$ (183,466)	$ 118,183

1. Nature of Operations

Electra Battery Materials Corporation (the "Company", "Electra") was incorporated on July 13, 2011, under the Business Corporations Act of British Columbia (the "Act"). On September 4, 2018, the Company filed a Certificate of Continuance into Canada and adopted Articles of Continuance as a Federal Company under the Canada Business Corporations Act (the "CBCA"). On December 6, 2021, the Company changed its corporate name from First Cobalt Corp. to Electra Battery Materials Corporation. The Company is in the business of producing battery materials for the electric vehicle supply chain. The Company is focused on building an ethical supply of cobalt, nickel and recycled battery materials.

Electra is a public company which is listed on the Toronto Venture Stock Exchange (TSX-V) (under the symbol ELBM). On April 27, 2022, the Company began trading on the NASDAQ (under the symbol ELBM). The Company's registered office is Suite 2400, Bay-Adelaide Centre, 333 Bay Street, Toronto, Ontario, M5H 2T6 and the corporate head office is located at 133 Richmond Street W, Suite 602, Toronto, Ontario, M5H 2L3.

The Company is focused on building a North American integrated battery materials complex for the electric vehicle supply chain. The Company is in the process of constructing its expanded hydrometallurgical refinery (the "Refinery") and exploring and developing its mineral properties.

Going Concern Basis of Accounting

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to continue its operations for the foreseeable future and realize its assets and discharge its liabilities in the normal course of business.

On May 11, 2023, the Company released updated economics and capital spend estimates for its refinery complex currently under construction at Temiskaming Shores, Ontario, Canada. The re-baseline engineering report has determined that the total capital costs are now estimated at $155,000 to $167,000, of which approximately $81,700 has been spent as of June 30, 2023. At this time, the Company does not have sufficient financial resources necessary to complete the construction and final commissioning of the Refinery and will require additional financing in 2023 and 2024 to continue operations, complete the construction of the Refinery, advance its battery recycling strategy, purchase required feedstock as the Refinery enters its operating phase and remain in compliance with the minimum liquidity covenant under the convertible notes arrangement (refer to Note 10).

As per Note 10, the Company was required to have a United States registration statement providing for the resale of the underlying Common Stock deliverable on the conversion of the debenture and warrant indenture by May 15, 2023. The Company has received a waiver on this covenant from all indenture holders until August 31, 2023. Management expects the Company will continue to seek additional waivers from the indenture holders prior to expiry but there are no assurances that the indenture holders will accommodate further waivers the Company will seek. If the Company is unable to provide a registration statement and is not successful in obtaining suitable waivers, it would result in an event of default under the bond and warrant indenture which provides the indenture holders the right to demand repayment of the instrument.

The Company is actively pursuing various alternatives including equity and debt financing to increase its liquidity and capital resources. During the period ended June 30, 2023, the Company initiated a strategic business review process to evaluate potential strategic alternatives to maximize shareholder value, including but not limited to a potential equity/debt investment from a strategic partner, sale of all or selected portions of the Company's assets, and merger opportunities with other entities. On August 11, 2023, subsequent to period end, the Company completed a private placement for gross proceeds of $21,500, consisting of a brokered placement for $16,500 and a non-brokered placement for $5,000 (refer to Note 11). The Company is also in discussion with various parties on additional financing opportunities and alternatives to finance the funding of feedstock purchases. Although the Company has historically been successful in obtaining financing in the past, there can be no assurances that the Company will be able to obtain adequate financing in the future, or strategic review process will culminate in any transaction or alternative. These conditions indicate the existence of a material uncertainty that casts substantial doubt on the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not include the adjustments to the amounts and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

In addition, the Company continues to explore its Idaho mineral properties as a potential future source of North American cobalt and copper. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from the disposition of each mineral property. Furthermore, the acquisition of title to mineral properties is a complicated and uncertain process, and while the Company has taken steps in accordance with normal industry standards to verify its title to the mineral properties in which it has an interest, there can be no assurance that such title will ultimately be secured. The carrying amounts of exploration and evaluation assets are based on their acquisition costs, and do not necessarily represent present or future values.

2. Significant Accounting Policies, Estimates, and Basis of Preparation

Basis of Presentation and Statement of Compliance

The Company prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). These condensed interim consolidated financial statements should be read in conjunction with our most recent annual financial statements. These condensed interim consolidated financial statements follow the same accounting policies, estimates, and methods of application as our most recent annual financial statements except for the accounting standards and valuation estimates relating to the Convertible Note Arrangement which closed on February 13, 2023 (Note 10).

All amounts on the condensed interim consolidated financial statements are presented in thousands of *Canadian* dollars unless otherwise stated.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 17, 2023.

Convertible Note Arrangement

Where a modification of the terms of a debt instrument meets the derecognition conditions in IFRS 9, any difference between the carrying amount of the original liabilities and the consideration paid is recognized in profit or loss. Where the consideration paid includes the recognition of new financial liabilities those are initially measured at fair value.

The valuation of 2028 Notes (Note 10) and Warrants relating to the 2028 Notes are carried at fair values and involves significant estimation. The fair values were determined at inception and are reviewed and adjusted on a quarterly basis or when conversions take place. Factors considered in the fair value of these components are risk free rate, the Company's share price, equity volatility and credit spread.

Refinery Impairment Testing
The assessment of fair values, including those of the CGUs for purposes of testing for impairment of the refinery for potential impairment, require the use of estimates and assumptions for future operating performance and capital requirements, as well as future long-term commodity prices, discount rates, earnings multiple and foreign exchange rates. Changes in any of the assumptions or estimates used in determining the fair values could impact the impairment analysis.

3. Recently Adopted and Issued Not Yet Effective Accounting Standards

<u>Deferred tax related to assets and liabilities arising from a single transaction</u>
In May 2021, the IASB published a narrow scope amendment to *IAS 12 – Income Taxes*. In September 2022, IAS 12 was revised to reflect this amendment. The amendment narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences such as deferred taxes on leases and decommissioning obligations. The amendment is effective for annual periods beginning on or after January 1, 2023 and applied retrospectively. The adoption of this amendment did not have an impact on the Company's financial statements.

<u>Definition of Accounting Estimates</u>
On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. The adoption of the new standard did not impact the financial statements of the Company.

<u>Disclosure of Accounting Policies</u>
On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments help companies provide useful accounting policy disclosures. The adoption of the new standard did not impact the financial statements of the Company.

<u>Classification of liabilities as current or non-current</u>
In January 2020, the IASB published narrow scope amendments to *IAS 1 Presentation of financial statements*. The narrow scope amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The IASB proposed to defer the effective date of the 2020

amendments to no earlier than January 1, 2024. The Company will adopt the narrow scope amendments on the date they become effective and is assessing the impact of these amendments on its financial statements.

International Tax Reform

Pillar Two Model Rules. Amendments to IAS 12 Income Taxes were issued to give entities temporary mandatory relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's international tax reform. The amendments became effective upon issuance, except for certain disclosure requirements which become effective for annual reporting periods beginning on or after January 1, 2023.

Other accounting standard issued but not yet effective

The following new and amended standard is not expected to have a significant impact on the Company's financial statements.

- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16 Leases) – effective January 1, 2024.

(expressed in thousands of Canadian dollars)

4. Property, Plant and Equipment and Capital Long-Term Prepayments

Cost	**Property, Plant, and Equipment**	**Construction in Progress**	**Right-Of-Use Assets**	**Total**
December 31, 2021	$ 5,433	$ 5,015	$ -	$ 10,448
Additions during the year	556	57,085	301	57,942
Transfer from capital long term prepayments	-	13,948	-	13,948
Balance December 31, 2022	$ 5,989	$ 76,048	$ 301	$ 82,338
Additions during the period	-	17,383	-	17,383
Transfer from capital long term prepayments	-	774	-	774
Balance June 30, 2023	$ 5,989	$ 94,205	$ 301	$ 100,495

Accumulated Depreciation	**Property, Plant, and Equipment**	**Construction in Progress**	**Right-Of-Use Assets**	**Total**
December 31, 2021	$ 2	$ -	$ -	$ 2
Charge for the year	8	-	40	48
Balance December 31, 2022	$ 10	$ -	$ 40	$ 50
Charge for the period	-	-	30	30
Balance June 30, 2023	$ 10	$ -	$ 70	$ 80

Net Book Value				
Balance December 31, 2022	$ 5,979	$ 76,048	$ 261	$ 82,288
Balance June 30, 2023	**$ 5,979**	**$ 94,205**	**$ 231**	**$ 100,415**

Most of the Company's property, plant, and equipment assets relate to the Refinery located near Temiskaming Shores, Ontario, Canada. The carrying value of property, plant, and equipment is $100,184 (December 31, 2022 - $82,288), all of which is pledged as security for the convertible notes arrangement. (Note 10).
In September 2021, the Company moved into the development stage and began capitalizing engineering, refurbishment and other costs directly associated with bringing the Refinery into the state required for its intended use. Capitalized development costs for the period ended June 30, 2023 totalled $14,978 (December 31, 2022 - $64,080) and capitalized borrowing costs were $3,101 (December 31, 2022 - $6,954).

No depreciation has been recorded for the Refinery in the current year (December 31, 2022 - $Nil) as the asset is not yet in service. The minor depreciation relates to mobile assets in use at Iron Creek.

Right-of-use asset relates to an office lease which the Company entered into during 2022.

(expressed in thousands of Canadian dollars)

Balance		**Capital long-term prepayments**
December 31, 2021	$	6,631
Additions during the year	$	10,404
Transfer to property, plant and equipment	$	(13,948)
December 31, 2022	$	3,087
Transfer to property, plant and equipment	$	(774)
June 30, 2023	$	2,313

Capital long-term prepayments relate to payments for long-term capital contracts made for Refinery equipment that have not yet been received by the Company as of June 30, 2023, all of which are pledged as security for the convertible notes arrangement (Note 10). The prepayments mainly relate to milestone payments to vendors for the cobalt crystallizer and the solvent extraction equipment being manufactured for the Refinery.

(expressed in thousands of Canadian dollars)

5. Exploration and Evaluation Assets

	Balance December 31, 2022	Acquisition Costs	Impairment Reversal	Reclassification to Held for Sale	Balance June 30, 2023
Iron Creek	$ 87,693	$ -	$ -	$ -	$ 87,693
Total	$ 87,693	$ -	$ -	$ -	$ 87,693

	Balance December 31, 2021	Acquisition Costs	Impairment Reversal	Reclassification to Held for Sale	Balance December 31, 2022
Iron Creek	$ 87,661	$ 32	$ -	$ -	$ 87,693
Cobalt Camp, Ontario	-	-	1,338	(1,338)	-
Total	$ 87,661	$ 32	$ 1,338	$ (1,338)	$ 87,693

All of the Iron Creek mineral properties are pledged as security for the Convertible Notes issued on February 13, 2023 (Note 10). Upon successful commissioning of the Refinery, the Iron Creek mineral properties will be released from the Convertible Notes security package.

6. Marketable Securities

Marketable securities represent Kuya Silver Corp ("Kuya") shares held by the Company. The Kuya shares were acquired via the Kerr Assets sale on February 26, 2021 and January 31, 2023 described below ("2023 Sale"). The total value of marketable securities at June 30, 2023 was $1,167 (December 31, 2022 - $433). These shares were marked-to-market at June 30, 2023 resulting in a gain of $31 being recorded during the six months ended June 30, 2023 (June 30, 2022 – loss of $550).

On January 31, 2023, the Company completed the sale of the remaining assets of Canadian Cobalt Camp consisting of Keely-Frontier patents ("Cobalt Camp") which Kuya did not own, as well as their associated asset retirement obligations. These assets and associated asset retirement obligations were classified as assets and liabilities held for sale at December 31, 2022. To complete the sale, Kuya issued to the Company 3,108,108 shares at a deemed price of $0.37 per share (being the share price equivalent to the VWAP prior to issuance) comprised of 2,702,703 shares as consideration for the $1,000 sale price (classified as disposal group held for sale by the Company at December 31, 2022) and an additional 405,405 to settle $150 of payables to the Company. Kuya has also agreed to enter into a royalty agreement with the Company whereby it will grant the Company a two percent royalty on net smelter returns from commercial products derived from the remaining assets. The Company will retain a right of first offer to refine any base metal concentrates produced from the assets at the Company's Ontario refinery.

(expressed in thousands of Canadian dollars)

7. Accounts Payable and Accrued Liabilities

	June 30, 2023	December 31, 2022
Accounts Payable and Accrued Liabilities	$ 17,098	$ 18,850
Accrued interest	2,505	1,300
Withholding tax liabilities	-	14
	$19,603	$ 20,164

Accounts payable and accrued liabilities comprise primarily of trade payables incurred in the normal course of business and mainly relate to the development of the Refinery. Included in accounts payable and accrued liabilities are amounts totalling $162 (December 31, 2022 - $389) due to related parties (Note 18) related to compensation. The accrued interest relates to interest owing on the Convertible Notes, which is paid semi-annually in February and August each year as detailed in Note 10.

8. Asset Retirement Obligations

As at June 30, 2023, the Company has recorded its best estimate of the asset retirement obligations relating to its properties and assets.

The full estimated closure costs in the closure plan, last updated with the relevant government authorities in October 2022, incorporates disturbances that have yet to take place. Those elements include the completed new solvent extraction building, new chemicals on site, and a new tailings area. Company updated its estimate of the present value of reclamation activities for the Refinery based the infrastructure and disturbances that existed at June 30, 2023. The following assumptions were used to calculate the asset retirement obligation:

- Undiscounted cash flows of $1,928 (December 31, 2022 - $1,932)
- Closure activities date of 2037 – (December 31, 2022 – 2036)
- Nominal discount rate of 3.26% - (December 31, 2022 – 3.31%)
- Long-term inflation rate of 3.0% - (December 31, 2022 – 2.50%)

(expressed in thousands of Canadian dollars)

During the six months ended June 30, 2023, the asset retirement obligation was increased by $79 (June 30, 2022 – increase of $118) due to changes in estimate from discounting. The continuity of the asset retirement obligation at June 30, 2023 and December 31, 2022 is as follows:

	Total ARO
Balance at January 1, 2022	$ 1,674
Change in estimate from discounting	(274)
Change in estimate of costs	728
Transferred to liabilities held for sale (Note 6)	(338)
Balance at December 31, 2022	1,790
Change in estimate from discounting	84
Change in estimate of costs	(5)
Balance at June 30, 2023	$1,869

9. Long-Term Government Loan Payable and Government Grant

On November 24, 2020, the Company had entered into a contribution agreement with the Ministry of Economic Development and Official Languages as represented by the Federal Economic Development Agency for Northern Ontario ("FedNor") for up to a maximum of $5,000 financing related to the recommissioning and expansion of the Refinery in Ontario. The contribution was to be in the form of debt bearing a 0% interest rate and funded in proportion to certain Refinery construction activities.

Once construction is completed, the cumulative balance borrowed will be repaid in 19 equal quarterly instalments starting on March 1, 2024. The funding is provided pro rata with incurred Refinery construction costs, with all other conditions required for the funding having been met. The loan is discounted using a market rate of 7% with the resulting difference between the amortized cost and cash proceeds recognized as Government Grant.

On November 30, 2020, the Company had entered into a separate contribution agreement with the Northern Ontario Heritage Fund Corporation ("NOHFC") for up to a maximum of $5,000 financing related to recommissioning and expansion of the Refinery in Ontario. The contribution was to be in the form of a nonrepayable grant. Contributions will be made as a reimbursement of a portion of the Refinery construction costs incurred.

(expressed in thousands of Canadian dollars)

During 2023, the Company received a separate one-time contribution from FedNor for $250 on completion of Battery Materials Park scoping study ("Nickel Study"). The contribution was in form of debt bearing 0% interest rate and will be repaid in 27 equal quarterly instalments starting on January 1, 2024.

The following table sets out the gross proceeds of Government Loans and Government Grant received at June 30, 2023 and December 31, 2022.

	Government Loan	Government Grant	Total
Balance - January 1, 2022	**$ 1,000**	**$ -**	**$ 1,000**
FedNor loan - February 2022	1,579	-	1,579
FedNor loan - March 2022	938	-	938
FedNor loan - April 2022	1,216	-	1,216
NOHFC grant - June 2022	-	165	165
Balance - December 31, 2022	**$ 4,733**	**$ 165**	**$ 4,898**
FedNor Loan (Nickel Study) - February 2023	250	-	250
Balance - June 30, 2023	**$ 4,983**	**$ 165**	**$ 5,148**

As of June 30, 2023, the Company has recorded a balance of $4,159 (December 31, 2022 - $3,777) to Long-Term Government Loan Payable and $988 (December 31, 2022 - $1,121) to Government Grant. There were no transaction costs incurred in setting up the contribution agreement.

10. Convertible Note Arrangement

On February 13, 2023, the Company completed subscription agreements with certain institutional investors in the United States with respect to $68,049 (US$51,000) principal amount of 8.99% senior secured notes due February 2028 ("2028 Notes"). The initial conversion rate of the Notes is 403.2140 Common Shares per US$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately US$2.48 per Common Share) subject to certain adjustments set forth in the Note Indenture (the "Conversion Price"). The Notes bear interest at 8.99% per annum, payable in cash semi-annually in arrears in February and August of each year and mature in February 2028. During the first 12 months of the term of the Notes, the Company may pay interest through the issuance of Common Shares at an increased annual interest rate of 11.125%. In the event the Company achieves a third-party green bond designation during the term of the Note Indenture, the interest rate on future cash interest payments shall be reduced to 8.75% per year and the interest rate of future interest paid through the issuance of Common Shares shall be reduced to 10.75% per year.

The investors in the offering also received an aggregate of 10,796,054 warrants to purchase common shares in the Company. The Warrants are exercisable for five years at an exercise price of US$2.48, subject to certain adjustments.

The investors also received a royalty (the "Royalty") of (i) 0.6% on "Operating Revenue" from the sale of all cobalt produced from the Refinery payable in the first twelve months following a defined threshold of commercial production, where "Operating Revenue" consists of revenue from the Refinery less certain permitted deductions; and (ii) 0.6% on all revenue from sales of cobalt generated from the Refinery in the second to fifth years following the commencement of commercial production. Royalty payments under the royalty agreements are subject to a cumulative cap of US$6 million.

The Company used a portion of the proceeds of the 2028 Notes offering to purchase all of the outstanding convertible notes consisting of US$36 million of existing 6.95% senior secured notes due December 2026 ("2026 Notes") for cancellation at par, as well as to pay accrued and unpaid interest on the 2026 Notes through the closing date of the 2028 Notes offering for US$51,000 ($68,049). The net proceeds were $20,013, before interest payment of $1,656 and transaction costs of $2,275. As the terms of the 2028 Notes are substantially different from the 2026 Notes, the Company has accounted for the 2026 Notes as an extinguishment of the original financial liability and recognized a new financial liability for the 2028 Notes. The extinguishment of 2026 Notes and recognition of 2028 Notes resulted in a loss of $20,119 as determined below.

(expressed in thousands of Canadian dollars)

	Convertible Notes Payable	Financial Derivative Liability	Total
Balance at January 1, 2022	$ 22,541	$ 37,715	$ 60,256
Effective interest	6,954	-	6,954
Foreign exchange loss	2,728	-	2,728
Interest payment	(3,183)	-	(3,183)
(Gain) loss on fair value derivative revaluation	-	(27,686)	(27,686)
Portion derecognized due to conversions	(2,078)	(3,355)	(5,433)
Less: Accrued Interest	(1,300)	-	(1,300)
Ending balance at December 31, 2022	25,662	6,674	32,336
Effective interest	914	-	914
Foreign exchange loss	(22)	-	(22)
(Gain) loss on fair value derivative revaluation	-	5,076	5,076
Less: Accrued Interest	(356)	-	(356)
Ending balance at February 13, 2023	26,198	11,750	37,948
Proceeds from 2028 Notes			20,013
Fair value used to settle 2026 Notes			57,961
Fair value of 2028 Notes			75,805
Loss before transaction costs			(17,844)
Transaction costs			(2,275)
Loss on extinguishment of 2026 Notes and recognition of 2028 Notes			(20,119)

The 2028 Notes contains components of Convertible Notes, Warrants, and a Royalty. Based on the 2028 Notes agreements, these components are separately exercisable hence the Company has accounted for each as a freestanding financial instrument and initially recorded these components at fair value.

The Company has classified the components of 2028 Notes as follows.

- Convertible Notes Payable – Fair Value Through Profit or Loss ("FVTPL"). Elements of gains or losses attributable to changes in own credit risk will be recognized in other comprehensive income.
- Warrants – Derivative financial liabilities classified and measured at FVTPL.
- Royalty – Amortized cost.

(expressed in thousands of Canadian dollars)

The following table sets out the details of these components relating to 2028 Notes as at June 30, 2023.

	Convertible Notes Payable	Warrants	Royalty	Total
Balance at January 1, 2023	$ -	$ -	$ -	$ -
Initial recognition at fair value	60,108	13,519	2,178	75,805
Balance at February 13, 2023	60,108	13,519	2,178	75,805
Portion derecognized due to conversions	(840)	-	-	(840)
Revaluation to fair value	(13,634)	(8,311)	-	(21,945)
Interest capitalized	2,505	-	-	2,505
Foreign exchange loss	(323)	(45)	(121)	(489)
Effective interest	-	-	306	306
Balance at June 30, 2023	47,816	5,163	2,363	55,342
Less: reclass to accrued interest	(2,505)	-	-	(2,505)
Less: current portion	-	(5,163)	-	(5,163)
Long term convertible notes payable at June 30, 2023	$ 45,311	$ -	$ 2,363	$ 47,674

For the three and six months ended June 30, 2023 and 2022, the Company incurred the following finance costs relating to 2026 Notes and 2028 Notes.

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Gain (loss) on financial derivative liability - 2026 Notes	-	12,705	(5,076)	16,685
Loss on extinguishment of 2026 Notes and recognition of 2028 Notes		-	(20,119)	-
Fair value gain on convertible notes payable and warrants	13,244	-	21,945	-
	13,244	12,705	(3,250)	16,685

The 2028 Notes are secured by a first priority security interest (subject to customary permitted liens) in substantially all of the Company's assets, and the assets and/or equity of the secured guarantors. The 2028 Notes are subject to customary events of default and basic positive and negative covenants. The Company is required to maintain a minimum liquidity balance of US$2,000 under the terms of the 2028 Notes. The Company also must have a United States registration statement providing for the resale of the underlying Common Stock deliverable on the conversion of the debenture and warrant indenture by May 15, 2023. The Company has received a waiver on this covenant from all indenture holders until August 31, 2023. Management expects the Company will seek additional waivers from the indenture holders prior to expiry on August 31, 2023 but there are no assurances that the indenture holders will accommodate further waivers the Company will seek. If the Company is unable to provide a registration statement and is not successful in obtaining suitable waivers, it would result in an event of default under the bond and warrant indenture which provides the indenture holders the right to demand repayment of the instrument.

11. Shareholder's Equity

(a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value. As at June 30, 2023, the Company had 35,635,073 (December 31, 2022: 35,185,977) common shares outstanding.

(b) Issued Share Capital

During the six months ended June 30, 2023, the Company issued common shares as follows:

- $1,006 (US$750) of convertible notes were converted by noteholders which resulted in the Company issuing a total of 302,411 common shares. The Company also made interest make-whole payments to the noteholders upon conversion totaling $157 (US$135) which was settled by issuing 66,132 common shares. There were no significant transaction costs incurred in relation to the conversions.

- The Company issued 77,500 common shares at an average price of $2.26 to the placement agent for 2028 Notes to settle $175 of transaction costs.

- The Company issued 3,053 common shares for the exercise of restricted share units.

On August 11, 2023, subsequent to year-end, the Company completed a private placement for gross proceeds of $21,500 (net proceed of approximately $20,100), consisting of a brokered placement for $16,500 and a non-brokered placement for $5,000 (the "Offering"). Under the terms of the Offering, the Company has issued 19,545,454 units, at a price of $1.10 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $1.74 at any time on or before August 11, 2025. As consideration for services under the brokered Offering, the Company paid to the agents a cash commission of $990 equivalent to 6% of gross proceed of brokered placement and issued to the agents 900,000 non-transferable broker warrants of the Company entitling the holder to acquire one common share at a price of $1.10 at any time on or before August 11, 2025.

12. Share Based Payments

<u>Long-term incentive plan</u>

The Company adopted a long-term incentive plan on December 2, 2021 (the "Plan") whereby it can grant stock options, restricted share units ("RSUs"), Deferred Share Units ("DSUs"), and Performance Share Units ("PSUs") to directors, officers, employees, and consultants of the Company.

Stock options generally vest in equal tranches over three years. The grant date fair value is determined using the Black-Scholes Option Pricing Model and this value is recognized as an expense over the vesting period. DSUs vest immediately but cannot be exercised until the holder ceases to be a Director or Officer of Electra. DSUs are valued based on the market price of the Company's common shares on the grant date, with the full value expensed immediately. PSUs generally vest over an 18–24-month period if certain performance metrics have been achieved. They are valued based on the market price of the Company's shares on the grant date and this value is expensed over the vesting period. RSUs generally vest over a 24–36-month period. They are valued based on the market price of the Company's shares on the grant date and this value is expensed over the vesting period.

(expressed in thousands of Canadian dollars)

The maximum number of shares that may be reserved for issuance under the Plan is limited to 2,333,333 shares.

(a) Stock Options

The changes in incentive share options outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance December 31, 2021	$ 5.94	834,351
Granted	$ 4.66	461,162
Exercised	$ 2.52	(55,554)
Expired	$ 9.12	(247,999)
Balance December 31, 2022	$ 4.95	991,960
Granted	$ 2.40	366,319
Expired	$ 6.91	(221,666)
Balance June 30, 2023	$ 3.74	1,136,613

During the six months ended June 30, 2023:

- The Company granted 366,319 stock options to employees under its long-term incentive plan. The options may be exercised within 5 years from the date of the grant at $2.40 per share. The fair value of the options at the date of the grant was $543 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 3.37% per year, an expected life of 4 years, expected volatility of 82.51%, no expected dividends and a share price of $2.40.

(expressed in thousands of Canadian dollars)

Incentive share options outstanding and exercisable (vested) at June 30, 2023, are summarized as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
$ 2.40	366,320	3.70	$ 2.40	-	$ 2.40
$ 2.52	125,000	0.61	$ 2.52	104,630	$ 2.52
$ 2.61	27,778	2.16	$ 2.61	27,778	$ 2.61
$ 2.88	16,667	0.63	$ 2.88	16,667	$ 2.88
$ 3.21	120,000	3.75	$ 3.21	-	$ 3.21
$ 3.24	55,556	0.65	$ 3.24	55,556	$ 3.24
$ 4.38	30,000	3.98	$ 4.38	10,000	$ 4.38
$ 4.63	19,444	3.90	$ 4.63	6,481	$ 4.63
$ 4.90	40,000	3.94	$ 4.90	13,333	$ 4.90
$ 5.40	187,238	2.97	$ 5.40	62,413	$ 5.40
$ 5.76	19,444	3.76	$ 5.76	6,481	$ 5.76
$ 6.21	29,167	1.86	$ 6.21	19,444	$ 6.21
$ 6.48	94,444	0.50	$ 6.48	94,444	$ 6.48
$ 7.29	5,556	1.64	$ 7.29	5,556	$ 7.29
	1,136,614	2.71	$ 3.74	422,783	$ 4.38

During the six months ended June 30, 2023, the Company has expensed $333 (June 30, 2022 - $232) for options valued at share prices in the range of $2.40 to $6.21 as shared-based payment expense.

(b) DSUs, RSUs and PSUs

Restricted Share Units

The Company's RSU plan transactions during the six months ended June 30, 2023, and 2022 were as follows:

Number of Units	2023	2022
Balance - January 1	78,289	63,711
Granted	286,843	50,890
Exercised	(3,053)	(15,249)
Expired	-	(6,482)
Balance, June 30	362,079	92,870

(expressed in thousands of Canadian dollars)

Performance Share Units

The Company's PSU plan transactions during the six months ended June 30, 2023, and 2022 were as follows:

Number of Units	2023	2022
Balance, January 1	63,889	87,500
Granted	-	18,057
Exercised	-	(27,085)
Expired	-	(6,944)
Balance, June 30	63,889	71,528

Deferred Shares Units

The Company's DSU plan transactions during the six months ended June 30, 2023, and 2022 were as follows:

Number of Units	2023	2022
Balance, January 1	235,312	176,331
Granted	275,868	35,550
Exercised	-	(12,493)
Balance, June 30	511,180	199,388

During the six months ended June 30, 2023, the Company has expensed $885 (June 30, 2022 - $6) for DSUs, $60 (June 30, 2022 - $181) for PSUs, and $151 (June 30, 2022 - $135) for RSUs as shared-based payment expense.

(expressed in thousands of Canadian dollars)

Warrants

Details regarding warrants issued and outstanding are summarized as follows:

Canadian dollar denominated warrants

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance - December 31, 2021	$7.53	1,274,785
Exercised warrants	$3.78	(210,545)
Expired warrants	$3.78	(83,213)
Balance - December 31, 2022	$8.66	981,027
Expired warrants	$8.66	(981,027)
Balance - June 30, 2023	$0.00	-

United States dollar denominated warrants

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – December 31, 2021	$0.00	-
Issuance of warrants (Note 12)	US$3.10	2,483,150
Balance - December 31, 2022		2,483,150
Issuance of warrants (Note 10)	US$2.48	10,796,054
Balance - June 30, 2023	US$2.60	13,279,204

Total warrants

Balance - December 31, 2022	3,464,177
Balance - June 30, 2023	13,279,204

The expiry of warrants are as follows:

Grant Date	Expiry Date	Number of warrants outstanding	Weighted Average Exercise Price
November 15, 2022	November 15, 2025	2,483,150	US$3.10
February 13, 2023	February 13, 2028	10,796,054	US$2.48
		13,279,204	US$2.60

(expressed in thousands of Canadian dollars)

During the six months ended June 30, 2023, the Company issued 10,796,054 warrants in conjunction with 2028 Notes (Note 10). No warrants were exercised during the six months ended June 30, 2023. Total of 981,027 warrants expired during the six months ended June 30, 2023.

During the year ended December 31, 2022, 210,545 warrants of the Company were exercised for gross proceeds of $807. The Company issued a total of 2,483,150 share purchase warrants in conjunction with its November 2022 best-efforts, overnight-marketed offering. During the year ended December 31, 2022, a total of 83,213 warrants expired.

On November 15, 2022, 2,345,000 warrants were issued to subscribers in the Company's best-efforts, overnight-marketed offering. As Warrants issued are denominated in foreign currency that is different from the Company's functional currency, the warrants are determined to be financial derivative liabilities and the total fair value of US$2,087 was recorded as such. The fair value of the warrants was estimated using the Monte Carlo Simulation Model assuming a risk-free interest rate of 4.172%, an expected volatility of 62.89%, share price of US$2.35, strike price of US$3.10.

As part of the November 15, 2022 Offering, 138,150 Broker Warrants Units (consisting of one common share and one warrant) were issued as transaction costs. The Broker Warrants are equity-settled and was issued for services received; hence the Company has recorded US$325 in reserve, which was measured at fair value of services received.

13. Other Non-Operating (Income) Expense

The Company's Other Non-Operating (Income) Expense comprises the following for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Foreign exchange gain (loss)	$ 2,020	$ (342)	$ 284	$ (43)
Interest income	78	70	122	89
Realized gain on marketable securities	90	-	90	48
Other non-operating income	12	13	12	13
Other non-operating income (expense)	$ 2,200	$ (259)	$ 508	$ 107

(expressed in thousands of Canadian dollars)

14. Income (Loss) Per Share

The following table sets forth the computation of basic and diluted loss per share for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Numerator				
Net Income loss for the period – basic	$ 12,002	$ 7,534	$ (9,976)	$ 9,864
Gain on financial derivative liability – convertible notes	(13,244)	(16,685)	-	(20,665)
Net loss for the period – diluted	$ (1,242)	$ (9,151)	$ (9,976)	$ (10,801)
Denominator				
Basic – weighted average number of shares outstanding	35,972,480	32,069,929	35,836,585	31,541,997
Effect of dilutive securities	20,664,718	8,792,853	-	8,905,582
Diluted – adjusted weighted average number of shares outstanding	56,637,198	40,862,782	35,836,585	40,447,579
Income (Loss) Per Share – Basic	$0.33	$0.23	$(0.28)	$0.31
Loss Per Share – Diluted	$(0.02)	$(0.13)	$(0.28)	$(0.17)

The basic income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period.

The diluted loss per share reflects the potential dilution of common share equivalents such as outstanding stock options, and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

Share purchase warrants and stock options were excluded from the calculation of diluted weighted average number of common shares outstanding during the three and six months period ended June 30, 2023 and 2022 as the warrants and stock options were anti-dilutive.

15. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the condensed interim consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

(expressed in thousands of Canadian dollars)

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not active or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Financial Assets and Liabilities

The Company's fair values of financial assets and liabilities were as follows:

	Carrying Value		**June 30, 2023**			
	Fair value through profit or loss	**Amortized cost**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:						
Cash and cash equivalents	$ -	$ 6,228	$ -	$ -	$ -	$ 6,228
Receivables	-	761	-	-	-	761
Marketable securities	1,167	-	1,167	-	-	1,167
	$ 1,167	$ 6,989	$ 1,167	$ -	$ -	$ 8,156
Liabilities:						
Accounts payable and accrued liabilities	$ -	$19,603	$ -	$ -	$ -	$ 19,603
Long-term government loan payable	-	4,159	-	-	-	4,159
Convertible notes payable [1]	45,311	-	-	-	45,311	45,311
Warrants – Convertible Notes [1]	5,163	-	-	-	5,163	5,163
Royalty – Note 10 [1]	-	2, 363	-	-	2,363	2,363
Other financial derivative liability	186	-	-	-	186	186
	$ 50,660	$ 26,125	$ -	$ -	$ 53,023	$ 76,785

[1] Components of 2028 Notes payable. See Note 10.

Valuation techniques

A) Marketable securities

Marketable securities are included in Level 1 as these assets are quoted on active markets.

B) Convertible Notes Payable

For the convertible notes payable designated at fair value through profit or loss, the valuation is derived by a finite difference method, whereby the convertible debt as a whole is viewed as a hybrid instrument consisting of two components, an equity component (i.e., the conversion option) and a debt component, each with different risk. The key inputs in the valuation include risk-free rates, share price, equity volatility, and credit spread. As there are significant unobservable inputs used in the valuation, the convertible notes payable is included in Level 3.

The fair value of the convertible note payable has been estimated based on significant unobservable inputs which are equity volatility and credit spread. The Company used an equity volatility of 56%. If the Company had used an equity volatility that was higher or lower by 10%, the potential effect would be an increase of $3,149 or a decrease of $3,155 to the fair value of the convertible note payable. The Company used a credit spread of 28.2%. If the Company had used a credit spread that was higher or lower by 5%, the potential effect would be a decrease of $3,603 or an increase of $4,245 to the fair value of convertible note payable.

C) Warrants – Convertible Notes

The Warrants issued in a foreign currency and accounted for at fair value through profit or loss are valued using a Monte Carlo Simulation Model to better model the variability in exercise date. The key inputs in the valuation include risk-free rates and equity volatility. As there are significant unobservable inputs used in the valuation, the financial derivative liability is included in Level 3.

The fair value of the Warrants has been estimated using a significant unobservable input which is equity volatility. The Company used an equity volatility of 56%. If the Company had used an equity volatility that was higher or lower by 10%, the potential effect would be an increase of $542 or a decrease of $735 to the fair value of the Warrants.

D) Royalty

The fair value of the Royalty has been estimated at inception using a discounted cash flow model. The key inputs in the valuation include the discount rate and cash flows estimates of future operating and gross revenues. As there are significant unobservable inputs used in the valuation, the Royalty is included in Level 3. A 10% increase or decrease in revenues would directly correspond to a similar percentage change in royalty payments.

(expressed in thousands of Canadian dollars)

E) Other Financial Derivative Liability

The fair value adjustment on embedded derivative liability (US Warrant) issued in foreign currency as at June 30, 2023 was $188 (December 31, 2022 - $1,271) and is accounted for at FVTPL. The valuation of warrants where the strike price is in US dollar and the warrants can be exercised at a time prior to expiry, the Company uses a Monte Carlo Simulation Model to better model the variability in exercise dates. The key inputs in the valuation include risk-free rates and equity volatility. As there are significant unobservable inputs used in the valuation, the financial derivative liability is included in Level 3.

The Company used an equity volatility of 53.63% (December 31, 2022 – 62.85%). If the Company had used an equity volatility that was higher or lower by 10%, the potential effect would be an increase of $128 (December 31, 2022 - $163) or a decrease of $109 (December 31, 2022 - $366) to the fair value of the embedded derivative.

16. Commitments

As at June 30, 2023, the Company's commitments relate to purchase and services commitments for work programs relating to Refinery expansion and payments under financing arrangements. The Company had the following commitments as of June 30, 2023:

	2023	**2024**	**2025**	**2026**	**Thereafter**	**Total**
Purchase commitments	$ 3,479	$ -	$ -	$ -	$ -	$ 3,479
Convertible notes payments [1]	3,783	6,262	6,064	6,064	74,261	96,434
Government loan payments	-	1,032	1,032	1,032	1,887	4,983
Royalty payments[2]	-	-	-	699	948	1,647
Total	$ 7,262	$ 7,294	$ 7,096	$ 7,795	$ 77,096	$ 106,543

[1] Convertible notes payment amounts are based on contractual maturities of 2028 Notes and assumption that it would remain outstanding until maturity. As discussed in Note 10, 2026 Notes were cancelled and replaced with 2028 Notes in February 2023.

[2] Royalty payments are estimated amounts associated with the royalty agreements entered with the convertible debt holders as part of the 2028 Note offering. The estimated amounts and timing are subject to changes in sulfate prices, timing of completion of the refinery, reaching commercial operations and timing and amounts of sales.

(expressed in thousands of Canadian dollars)

17. Segmented Information

The Company's exploration and evaluation activities are in the province of Ontario, Canada and Idaho, USA, with its head office function in Canada. All of the Company's capital assets, including property and equipment, and exploration and evaluation assets are located in Canada and USA.

The Company's Chief Operating Decision Maker (CODM) is its Chief Executive Officer. The CODM reviews the results of Company's refinery business as a discrete business unit, separate from the rest of the Company's activities which are reviewed on an aggregate basis.

(a) Segmented Operating Results

	For Period Ended June 30, 2023		
	Refinery	**Corporate & Other**	**Total**
Operating Expenses			
Consulting and professional fees	$ -	$ 2,247	$ 2,247
Exploration and evaluation expenditures	-	353	353
General and administrative and Travel	354	970	1,324
Investor relations and marketing	-	194	194
Refinery, engineering and metallurgical studies	959	-	959
Refinery, permitting, and environmental expenses	87	-	87
Salary and benefits	960	1,659	2,619
Share-based payments	-	544	544
Operating loss	$ 2,360	$ 5,967	$ 8,327
Unrealized gain on marketable securities	-	31	31
Finance costs - convertible notes	-	(3,250)	(3,250)
Loss on financial derivative liability - US warrants	-	1,062	1,062
Other non-operating expense	-	508	508
Loss before taxes	$ (2,360)	$ (7,616)	$ (9,976)

	For Period Ended June 30, 2022		
	Refinery	**Corporate & Other**	**Total**
Operating Expenses			
Consulting and professional fees	$ 4	$ 1,514	$ 1,518
Exploration and evaluation expenditures	-	1,478	1,478
General and administrative and Travel	17	429	446
Investor relations and marketing	-	564	564
Refinery, engineering and metallurgical studies	420	-	420
Refinery, permitting, and environmental expenses	61	-	61
Salary and benefits	181	972	1,153
Share-based payments	-	738	738
Operating loss	$ 683	$ 5,695	$ 6,378
Unrealized gain on marketable securities	-	(550)	(550)
Gain on financial derivative liability - convertible notes	-	16,685	16,685
Other non-operating income	-	107	$ 107
Income (loss) before taxes	$ (683)	$ 10,547	$ 9,864

(expressed in thousands of Canadian dollars)

(b) Segmented Assets and Liabilities	**Total Assets**		**Total Liabilities**	
	June 30, 2023	**December 31, 2022**	**June 30, 2023**	**December 31, 2022**
Refinery	$ 100,992	$ 91,322	$ 15,794	$ 17,723
Corporate & Other	97,985	96,202	64,046	43,292
Total	$ 198,977	$ 187,524	$ 79,840	$ 61,015

18. Related Party Transactions

The Company's related parties include key management personnel and companies related by way of directors or shareholders in common.

(a) Key Management Personnel Compensation

During the six months ended June 30, 2023 and 2022, the Company paid and/or accrued the following fees to management personnel and directors:

	June 30, 2023	**June 30, 2022**
Management	$ 995	$ 708
Directors	54	124
	$ 1,049	$ 832

During the six months ended June 30, 2023, the Company had share-based payments made to management and directors of $739 (June 30, 2022 - $449).

(b) Due to Related Parties

As at June 30, 2023, and December 31, 2022, the Company had the following amounts due to related parties:

	June 30, 2023	**December 31, 2022**
Accounts payable and accrued liabilities	$ 162	$389
	$ 162	$ 389

As at June 30, 2023, the accrued liabilities balance for related parties was $162 (December 31, 2022 - $389), which relates mainly to quarter-end compensation accruals.