



**AMENDED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)**

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2018

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

INTERNATIONAL LITHIUM CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	Unaudited March 31, 2018	Audited December 31, 2017
ASSETS		
Current		
Cash	\$ 144,405	\$ 3,855
Receivables (Note 4)	39,712	41,493
Marketable securities (Note 5)	-	23,072
Prepays	15,769	30,433
	<u>199,886</u>	<u>98,853</u>
Available for sale securities (Note 6)	4,587,477	4,049,753
Investment in Blackstairs Lithium Limited (Note 6)	1,244,190	1,120,163
Exploration and evaluation assets (Note 7)	<u>1,348,594</u>	<u>1,348,594</u>
	<u>\$ 7,380,147</u>	<u>\$ 6,617,363</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 8 and 11)	\$ 544,901	\$ 338,824
Due to related party	41,640	-
Convertible debentures (Note 9)	1,558,030	1,593,514
	<u>2,144,571</u>	<u>1,932,338</u>
Exploration loan (Note 10)	<u>3,184,953</u>	<u>3,036,881</u>
	<u>5,329,524</u>	<u>4,969,219</u>
Shareholders' Equity		
Share capital (Note 12)	9,578,361	9,074,133
Subscriptions received (Note 12)	353,512	113,140
Equity reserves (Note 12)	1,931,039	1,953,017
Equity component of convertible debentures (Note 9)	26,994	26,994
Accumulated other comprehensive gain (loss) (Note 6)	(11,547)	(73,489)
Deficit	<u>(9,827,736)</u>	<u>(9,445,651)</u>
	<u>2,050,623</u>	<u>1,648,144</u>
	<u>\$ 7,380,147</u>	<u>\$ 6,617,363</u>

Nature and continuance of operations (Note 1)

Commitments & Contingencies (Note 11, 17)

Subsequent events (Note 18)

Approved and authorized by the Board on May 30, 2018

"John Wisbey" Director "Maurice Brooks" Director

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

INTERNATIONAL LITHIUM CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MARCH 31

	2018	2017
OPERATING EXPENSES		
Administration fees (Note 11)	\$ -	\$ 6,000
Argentina administration	1,281	4,500
Consulting fees (Note 11)	124,717	177,564
Directors' fees (Note 11)	20,324	13,746
Foreign exchange loss (gain)	79,755	(8,652)
Interest and bank charges	131,781	69,792
Loss on equity investments (Note 6)	7,827	73,923
Professional fees	831	67,537
Property investigation	-	10,154
Rent and office	42,190	16,506
Shareholder communications	31,322	30,290
Share-based payments (Note 12)	-	421,126
Transfer agent and filing fees	10,979	9,462
Travel and promotion	786	17,580
	<u> </u>	<u> </u>
Total operating expenses	(451,793)	(909,528)
Operator income (Notes 6 and 7)	-	168,039
Gain (loss) on marketable securities (Note 5)	(205)	1,989
Recoveries against operating expenses	-	84,122
Recoveries in excess of carrying value (Note 7)	-	867
	<u> </u>	<u> </u>
	(205)	255,017
Loss for the period	(451,998)	(654,511)
Foreign currency translation (Note 6)	<u>61,942</u>	<u>(5,850)</u>
Comprehensive loss for the period	\$ (390,056)	\$ (660,361)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	93,833,124	84,145,897

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

INTERNATIONAL LITHIUM CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MARCH 31

	2018	2017
CASH FROM OPERATING ACTIVITIES		
Loss for the period	\$ (451,998)	\$ (654,511)
Items not affecting cash:		
Gain on marketable securities	205	(1,989)
Accrued interest expense	130,708	65,640
Foreign exchange	85,686	(20,844)
Loss on equity investments	7,827	73,923
Share-based payments	-	421,126
Changes in non-cash working capital items:		
Receivables	1,781	(12,802)
Prepays	14,664	23,467
Accounts payable and accrued liabilities	<u>167,204</u>	<u>186,351</u>
Net change from operating activities	<u>(43,923)</u>	<u>80,361</u>
CASH FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	-	(10,394)
Recoveries on mineral property expenditures	-	16,958
Equity investment funding	(537,723)	(23,781)
Sale of marketable securities	<u>22,867</u>	<u>-</u>
Net change from investing activities	<u>(514,856)</u>	<u>(17,217)</u>
CASH FROM FINANCING ACTIVITIES		
Shares issued for cash, net of costs	449,250	-
Funds received for issuance of shares	240,372	-
Proceeds from loan	41,640	-
Options exercised	33,000	51,000
Interest paid	<u>(64,933)</u>	<u>-</u>
Net change from financing activities	<u>699,329</u>	<u>51,000</u>
Change in cash for the period	140,550	114,144
Cash, beginning of period	<u>3,855</u>	<u>44,945</u>
Cash, end of period	<u>\$ 144,405</u>	<u>\$ 159,089</u>

Supplemental disclosure with respect to cash flows (Note 11)

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

INTERNATIONAL LITHIUM CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Expressed in Canadian Dollars)

	<u>Share capital</u>		Equity reserves	Subscriptions Received	Equity component of convertible loan	Accumulated other comprehensive income (loss)	Deficit	Total
	Number	Amount						
Balance at December 31, 2016	87,553,046	\$ 8,585,214	\$ 1,016,738	\$ -	\$ -	\$ (16,246)	\$ (6,766,196)	\$ 2,819,510
Share-based payments	-	-	421,126	-	-	-	-	421,126
Option exercise	750,000	109,394	(58,394)	-	-	-	-	51,000
Loss for the period	-	-	-	-	-	(5,850)	(654,511)	(660,361)
Balance at March 31, 2017	88,303,046	8,694,608	1,379,470	-	-	(22,096)	(7,420,707)	2,631,275
Balance at December 31, 2017	91,795,902	9,074,133	1,953,017	113,140	26,994	(73,489)	(9,445,651)	1,648,144
Shares issued for cash	2,250,000	450,000	-	(88,140)	-	-	-	361,860
Share issue cost	-	(750)	-	-	-	-	-	(750)
Funds received in advance for issuance of shares	-	-	-	353,512	-	-	-	353,512
Options exercised	550,000	54,978	(21,978)	(25,000)	-	-	-	8,000
Equity gain on carried interest	-	-	-	-	-	-	69,913	69,913
Loss for the period	-	-	-	-	-	61,942	(451,998)	(390,056)
Balance at March 31, 2018	94,595,902	9,578,361	1,931,039	353,512	26,994	(11,547)	(9,827,736)	2,050,623

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

INTERNATIONAL LITHIUM CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

(Expressed in Canadian Dollars)

MARCH 31, 2018

1. NATURE AND CONTINUANCE OF OPERATIONS

International Lithium Corp. (the “Company”) was incorporated under the Business Corporations Act, British Columbia on March 26, 2009 and is considered to be in the exploration stage with respect to its mineral properties. The Company’s head office address is 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6. The registered and records office address is Suite 700 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1S8.

The Company is in the process of exploring and investing in mineral properties located in Argentina, Canada, and Ireland and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses and expects to incur further losses in the development of its business. These circumstances comprise a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The following table provides information regarding the Company’s working capital and accumulated deficit as at March 31, 2018 and December 31, 2017.

	March 31, 2018	December 31, 2017
Working capital (deficiency)	\$ (1,944,685)	\$ (1,833,485)
Deficit	(9,827,736)	(9,445,651)

2. BASIS OF PREPARATION**Statement of Compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2017.

INTERNATIONAL LITHIUM CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

(Expressed in Canadian Dollars)

MARCH 31, 2018

2. BASIS OF PREPARATION (cont'd...)**Basis of Consolidation and Presentation**

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned inactive subsidiary, International Lithium (US) LLC, a US company. All significant intercompany transactions and balances have been eliminated.

The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. When the Company ceases to control a subsidiary, assets, liabilities and non-controlling interests of the subsidiary are derecognized at their carrying amounts at the date when control is lost. Investment retained in the former subsidiary is recognized at its fair value and any gain or loss resulting from deconsolidation is recorded through profit or loss.

The financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company and its subsidiaries.

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

The most significant judgments relate to the recoverability of the investment in associate, functional currency of the Company and its subsidiary, the recoverability of capitalized amounts of exploration and evaluation assets, recognition of deferred tax assets and liabilities and the determination of the economic viability of a project.

The most significant estimates relate to the calculation of share-based payments, the valuation of deferred income tax amounts, impairment testing, consolidation of Litio Miner Argentina, S.A. ("Litio") and equity investment of Litio.

Share-based payments

Share-based payments, as measured with respect to stock options granted and re-priced, are estimated by reference to the Black-Scholes pricing model; a detailed discussion of management's estimates with respect to the pricing model is found in Note 12.

Impairment testing

The Company has reviewed its exploration and evaluation assets for indications of impairment and determined that there is no such indication.

INTERNATIONAL LITHIUM CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

(Expressed in Canadian Dollars)

MARCH 31, 2018

2. BASIS OF PREPARATION (cont'd...)

Significant accounting judgments and estimates (cont'd...)

Deferred income tax amounts

The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

Valuation of available for sale securities

The Company holds a 17.246% interest in Litio as at March 31, 2018. The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of, and near term business outlook for, the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

As at December 31, 2016, the Company held a 20% interest in Litio. The equity investment in Litio was subject to all estimates included in the financial information from the majority owner as well as estimates of impairment losses. The Company commenced equity accounting of Litio from July 13, 2016 and concluded December 26, 2017 (Note 6).

The assessment that the Company does not have significant influence over the investment in Litio as at December 26, 2017 results in the conclusion of the equity method for accounting for this investment. In making their judgement, management considered its percentage ownership, the composition of the Board of Directors of Litio, the common directors and management between Litio and the Company and the intercompany transactions and relationship with Litio and concluded that no significant influence exists.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards not yet adopted

IFRS 16 – Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is evaluating the effect of this standard on the Company's consolidated financial statements.

IFRIC 23 – Uncertainty Over Income Tax Treatments: clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

INTERNATIONAL LITHIUM CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

(Expressed in Canadian Dollars)

MARCH 31, 2018**4. RECEIVABLES**

		March 31, 2018	December 31, 2017
Input tax credits	\$	4,212	\$ 5,993
Related party receivables (Note 11)		35,500	35,500
Total	\$	39,712	\$ 41,493

5. MARKETABLE SECURITIES

The Company held no marketable securities as at March 31, 2018. As at December 31, 2017, marketable securities consisted of shares of a publicly traded company, Pioneer Resources Limited (“Pioneer”). These shares were received as part of the option agreements on Mavis Lake and Raleigh Projects (Note 7). Marketable securities are measured at fair value by reference to quoted stock prices on established exchanges. During the three months ended March 31, 2018 and the year ended December 31, 2017, the follow transactions occurred:

	March 31, 2018		December 31, 2017	
	Shares	\$	Shares	\$
Opening balance	735,662	\$ 23,072	1,597,925	\$ 32,131
Received from Mavis option agreement	-	-	2,073,075	37,500
Received from Raleigh option agreement	-	-	735,662	10,763
Sale of marketable securities	(735,662)	(23,072)	(3,671,000)	(78,082)
Unrealized gain (loss)	-	-	-	20,760
Ending balance	-	\$ -	735,662	\$ 23,072

6. INVESTMENTS IN ASSOCIATES**Avalonia Lithium Joint Venture**

The Company was granted eight licenses in the Carlow and Wicklow counties, which cover the Leinster pegmatite belt in southeast Ireland.

Under the terms of an option agreement, GFL International Co. Ltd. (“GFL”) has earned a 51% interest (“First Option”) by incurring \$300,000 in exploration expenditures and paying \$25,000 in cash on the effective date of the agreement. The Company also received option payments of \$475,000 with the transfer of the exploration rights for the Avalonia Lithium Project to a newly incorporated subsidiary, Blackstairs Lithium Limited (“BLL”), a company now owned jointly by the Company and GFL. During the year ended December 31, 2015, the Company sold an additional 4% interest in BLL to GFL for \$126,000.

BLL is recognized as an equity investment of the Company. The management committee of the joint venture is comprised of one representative of each of the Company and GFL. Voting is proportionate to each party’s participating interest which is, as at March 31, 2018 and December 31, 2017, 55% to GFL and 45% to the Company.

In order to earn an additional 24% interest in the Avalonia Lithium Project, GFL must incur \$10,000,000 in exploration expenditures or produce a bankable feasibility study within 10 years of the effective date of the agreement. The Company will have a carried interest through to the completion of these exploration expenditures.

INTERNATIONAL LITHIUM CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

(Expressed in Canadian Dollars)

MARCH 31, 2018

6. INVESTMENTS IN ASSOCIATES (cont'd...)**Avalonia Lithium Joint Venture (cont'd...)**

Once GFL has incurred a total of \$10,000,000 in exploration expenditures within the agreed timeframe, or once a positive feasibility study has been produced, the Company's participating interest will be reduced to 21% without incurring additional costs. A participating interest that is subsequently diluted to less than 10% will be converted to a 1% NSR. The Company was initially the manager of the Avalonia Lithium Joint Venture and received a management fee of up to 10% on exploration expenditures. During the year end December 31, 2017, the Company ceased to be the manager of the Avalonia Lithium Project.

The Company accounts for its interest in BLL on an equity basis. As at March 31, 2018, the Company holds a 45% interest in BLL (December 31, 2017 – 45%). The functional currency of BLL is the Euro. Supplementary financial information regarding the Company's investment in BLL is presented below, after adjustments to align accounting policies to those of the Company and to translate to Canadian dollars in accordance with the Company's accounting policies.

Blackstairs Lithium Limited

	March 31, 2018	December 31, 2017
Current assets	\$ 152,036	\$ 83,778
Non-current assets	2,631,165	2,472,679
Current liabilities	<u>(18,334)</u>	<u>(67,206)</u>
Net assets	2,764,867	2,489,251
 The Company's share of the net assets – 45% (December 31, 2017 - 45%)	 \$ 1,244,190	 \$ 1,120,163
	Three months ended March 31, 2018	Three months ended March 31, 2017
Loss for the period	\$ (17,394)	\$ (4,872)
Other comprehensive income (loss) – foreign currency translation	<u>(137,648)</u>	<u>7,833</u>
Total comprehensive income (loss)	(120,254)	2,961
 The Company's share of comprehensive income (loss) – 45% (2017 - 45%)	 \$ (54,114)	 \$ 1,332

INTERNATIONAL LITHIUM CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

(Expressed in Canadian Dollars)

MARCH 31, 2018

6. INVESTMENTS IN ASSOCIATES (cont'd...)

Investment in associate – Blackstairs Lithium Limited	Three months ended March 31, 2018	Year ended December 31, 2017
Balance, beginning of period	\$ 1,120,163	\$ 1,028,154
Equity gain on carried interest	69,912	49,386
Operator income	-	-
Loss on equity investment	(7,827)	(21,879)
Equity – other comprehensive income (loss)	61,942	64,502
Ending balance, investment in associate – Blackstairs Lithium Limited	\$ 1,244,190	\$ 1,120,163

Mariana Property Joint Venture (Argentina)

On July 12, 2016, the Company transferred 80% of its ownership in Lito Minera Argentina, S.A. (“Lito”), which holds title to the Mariana property, to GFL pursuant to the joint venture and investment agreements with GFL. The transfer of ownership diluted the Company’s ownership in Lito from 100% to 20% resulting in deconsolidation of Lito and accordingly the Company’s interest in Lito was recorded as an equity investment effective July 13, 2016.

GFL and the Company entered into a joint venture for operation of the Mariana property (“Mariana Property Joint Venture”) with GFL having an 80% participating interest and the Company having a 20% participating interest in Lito Minera Argentina, S.A. The Mariana property is comprised of 13 mining licenses, covering approximately 22,133 hectares’ land over Salar de Llullaillaco, located in Salta Province, Argentina. The Company was the Manager of the joint venture under which capacity the Company was able to charge administration fees of 7% to 10% on the exploration expenditures incurred in the year. During the year ended December 31, 2017, the Company ceased to be the Manager.

The Mariana property has a Net Smelter Royalty (“NSR”) of 2% of gross revenues received from sale by payer of all concentrate, metal and products derived from the Mariana property less appropriate costs, which can be reduced to 1% at the Company’s option on payment of \$1 million within 240 days of the commencement of commercial production. The NSR is payable to TNR Gold Corp.

In January 2017, a Cash Call requiring the Company to pay a capital contribution to the Mariana joint venture project was made and the Company did not make its required payment. The Company and GFL entered into a settlement agreement dated December 26, 2017 whereby: the Company’s participating interest was reduced to 17.246% resulting in a dilution loss of \$666,314, of which \$642,975 was expensed due to change in ownership and \$23,339 was charged to other comprehensive income (loss) due to foreign currency translation. In January 2018 the Company made a one time payment in the amount of USD\$105,890 (\$132,387). In March 2017 GFL assumed management of the Mariana project.

A participating interest that is diluted to less than 5% will be converted to a 1% NSR.

During the three months ended March 31, 2018, the Company charged \$nil (2017 - \$168,039) in operator income for the Mariana project.

INTERNATIONAL LITHIUM CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

(Expressed in Canadian Dollars)

MARCH 31, 2018

6. INVESTMENTS IN ASSOCIATES (cont'd...)**Mariana Property Joint Venture (Argentina) (cont'd...)***Back-In Right*

At any time and up until 120 days from the completion of a Feasibility Study (as described in National Instrument 43101 - Standards of Disclosure for Mineral Projects) that demonstrates the feasibility of placing the Mariana Property or part thereof into commercial production, the Company will have the right to elect to "buy back" a 10% participating interest in the Mariana Property (the "Back-in Right") by giving written notice to GFL of the exercise of the Back-in Right.

If the Company exercises the Back-in Right, the Company must pay to GFL 10% of the total exploration costs incurred by GFL from March 14, 2014 to the time of the Company's election to exercise the Back-in Right. In addition to the payment of this fee, the Company must also pay to GFL interest on the fee at a rate of 10% per annum calculated annually on a straight-line basis and for each budget year accordingly. The fee, along with the interest amount, must be paid by the Company to GFL within 15 days of the Company's delivery of written notice to GFL of exercise of the Back-in Right.

As the Mariana Property Joint Venture was no longer considered an investment in associate effective December 26, 2017, the carrying value of the investment in associate was transferred to available for sale securities with any gain (loss) on remeasurement recorded in profit or loss on the date of transfer, and any subsequent remeasurements recorded to other comprehensive income.

Litio Minera Argentina, S.A.

The functional currency of Litio is the US dollar. Supplementary financial information regarding the Company's investment in Litio is presented below, after adjustments to align accounting policies to those of the Company and to translate to Canadian dollars in accordance with the Company's accounting policies.

	December 31, 2017
<u>Litio Minera Argentina, S.A.</u>	
Current assets	\$ 3,441,449
Non-current assets	15,827,380
Current liabilities	<u>(1,485,145)</u>
Net assets	17,783,684
The Company's share of the net assets – 20% as at December 26, 2017 (December 31, 2016 - 20%)	 \$ <u>3,556,737</u>

INTERNATIONAL LITHIUM CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

(Expressed in Canadian Dollars)

MARCH 31, 2018

6. INVESTMENTS IN ASSOCIATES (cont'd...)**Litio Minera Argentina, S.A. (Argentina) (cont'd...)**

	Year ended December 31, 2017
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Litio Minera Argentina, S.A.	
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Loss for the period	\$ (302,028)
Other comprehensive loss – foreign currency translation	(842,118)
Total comprehensive loss	(1,144,146)
The Company's share of comprehensive loss – 20% as at December 26, 2017	\$ (228,829)
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	Year ended December 31, 2017
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Investment in associate - Litio Minera Argentina, S.A.	
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Opening Balance	\$ 3,195,518
Additional equity investments ⁽¹⁾	1,702,699
Loss on dilution	(642,975)
Loss on equity investment	(60,405)
Equity – other comprehensive income (loss)	(145,084)
Reclassified to available for sale securities	(4,049,753)
Ending balance, investment in associate - Litio Minera Argentina, S.A.	\$ -
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INTERNATIONAL LITHIUM CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

(Expressed in Canadian Dollars)

MARCH 31, 2018**7. EXPLORATION AND EVALUATION ASSETS**

March 31, 2018	Acquisition Costs	Exploration Costs	Recoveries and Option Payments	Property Total March 31, 2018
Canada				
Mavis Lake / Fairservice (Ontario)	\$ 193,500	\$ 1,245,748	\$ (90,654)	\$ 1,348,594
Raleigh Project (Ontario)	-	-	-	-
	<u>\$ 193,500</u>	<u>\$ 1,245,748</u>	<u>\$ (90,654)</u>	<u>\$ 1,348,594</u>

December 31, 2017	Acquisition Costs	Exploration Costs	Recoveries and Option Payments	Property Total December 31 2017
Canada				
Mavis Lake / Fairservice (Ontario)	\$ 193,500	\$ 1,245,748	\$ (90,654)	\$ 1,348,594
Raleigh Project (Ontario)	-	1,260	(1,260)	-
	<u>\$ 193,500</u>	<u>\$ 1,247,008</u>	<u>\$ (91,914)</u>	<u>\$ 1,348,594</u>

Title to mineral property interests

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Mavis Lake Lithium Project (Ontario)

The Mavis Lake Lithium Project (or "Mavis Lake - Fairservice") is wholly-owned by the Company and consists of a package of nineteen adjacent mineral claims which include thirteen unpatented mining claims (the Mavis claims) and six patented mining leases (the Fairservice property). This package covers the lithium-tantalum core of the Mavis Lake Pegmatite Group adjacent to Mavis Lake near Dryden, Ontario, Canada. The property is subject to a 5% net profits royalty. The Company has the option to purchase the royalty at any time for \$1,000,000.

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**Mavis Lake Lithium Project (Ontario) (cont'd...)***Pioneer Option Agreement and Strategic Alliance*

During the year ended December 31, 2016, the Company entered into an option agreement and strategic alliance ("Agreement") with Pioneer. Under the terms of the Agreement, Pioneer may earn up to an 80% interest in the Mavis Lake Lithium Project.

Pioneer may earn a 51% interest in the project by spending \$1,500,000 on exploration activities within three years of the Agreement and paying to the Company a total of \$375,000, half in cash and half in shares, over the same three years (the "Mavis First Earn-in"). Following the Mavis First Earn-in, the Company will be granted a 1.5% NSR, purchasable at any time for \$1,500,000. During the year ended December 31, 2016, the Company received \$37,500 in cash from Pioneer, a first instalment of Pioneer common shares valued at \$29,316, and recoveries totalling \$108,093. During the year ended December 31, 2017, the Company received \$75,000 for option payments from Pioneer comprised of \$37,500 in cash, a second instalment of 2,073,075 common shares valued at \$37,500, and recoveries totalling \$15,654 (Note 5).

Upon completion of the Mavis First Earn-in, Pioneer will be granted an option to earn an additional 29% by spending \$8,500,000 within seven years ("Mavis Second Earn-in"). Completion of the Mavis First Earn-in and Mavis Second Earn-in would result in aggregate expenditures of \$10,000,000 over a period of ten years. Thereafter, the Company and Pioneer will contribute on a pro-rata basis as to 20% and 80% respectively. An interest in the Mavis Lake Lithium Project diluted to 15% will be converted to a 1.5% NSR.

Raleigh Project

During the year ended December 31, 2016, the Company acquired the Raleigh Project by paying \$6,000 to the vendor and performing additional staking. The Raleigh Project is comprised of 809 hectares of mineral claims in the Kenora Mining District of Ontario. The Raleigh Project was subject to a 1% NSR payable to the vendor which the Company repurchased during the year ended December 31, 2016 for \$3,000.

During the year ended December 31, 2016, the Company entered into an option agreement with Pioneer whereby Pioneer may earn up to an 80% interest in the Raleigh Project. Pioneer may earn a 51% interest in the project by spending \$1,250,000 on exploration activities within three years of the Agreement and paying to the Company a total of \$250,000, half in cash and half in shares, over the same three years (the "Raleigh First Earn-in"). Following the Raleigh First Earn-in, the Company will be granted a 1.5% NSR, purchasable at any time for \$1,500,000. During the year ended December 31, 2016, the Company received \$25,000 in cash from Pioneer and a first instalment of Pioneer common shares valued at \$16,150 resulting in a recovery on the project in excess of carrying value of \$17,701. During the year ended December 31, 2017, the Company further received \$25,000 in cash from Pioneer and 735,552 Pioneer common shares valued at \$10,763 resulting in a recovery on the project in excess of carrying value of \$35,763 (Note 5).

Upon completion of the Raleigh First Earn-in, Pioneer will be granted an option to earn an additional 29% by funding, solely, the exploration expenditures and production of a pre-feasibility technical report within six years of completion of the Raleigh First-Earn In ("Raleigh Second Earn-in"). Thereafter, the Company and Pioneer will contribute on a pro-rata basis as to 20% and 80% respectively.

The Company has the option to pre-empt the Raleigh Second Earn-In by electing, in writing, to participate in a joint venture whereby the Company will contribute 49% and Pioneer 51%. An interest in the Raleigh Lithium Project diluted to 15% will be converted to a 1.5% NSR.

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	2018	2017
Accounts payable and accrued liabilities (Note 11)	\$ 544,901	\$ 338,824
Total	\$ 544,901	\$ 338,824

All payables and accrued liabilities of the Company fall due within the next 12 months.

9. CONVERTIBLE DEBENTURES

On April 11, 2017, April 25, 2017, August 10, 2017, and November 22, 2017 the Company completed tranches of a private placement of convertible debentures in the amounts of \$100,000, \$425,000, \$475,000, and \$700,000 respectively, for total gross proceeds of \$1,700,000. The convertible debentures mature on April 11, 2018, April 25, 2018, August 11, 2018, and January 31, 2019 respectively, are secured by a general security agreement (other than the \$700,000 convertible debenture), bear interest at 15% per annum payable quarterly and the effective interest rate is determined to be 18%. The convertible debentures are convertible into common shares at the option of the holder at any time prior to maturity at a conversion price of \$0.14 per common share. All or any part of the convertible debentures may be redeemed in cash, at any time, after July 11, 2017, July 25, 2017, November 10, 2017, and February 22, 2018 respectively.

The convertible debentures are compound financial instruments, consisting of a debt instrument and an equity conversion feature. The debt instrument was fair valued using a rate applicable to a non-compound debt instrument and is carried at amortized cost. The excess of the proceeds over the value assigned to the debt instrument was allocated as the fair value of the equity component of the convertible debentures. The following table summarizes the Company's convertible debentures as at March 31, 2018:

Balance, December 31, 2016	\$ -
Proceeds on issuance of convertible debentures	1,700,000
Allocation to equity component	(29,136)
Converted loans	(122,858)
Issuance costs	(6,334)
Finance expense	106,772
Interest paid	(54,930)
Balance, December 31, 2017	\$ 1,593,514
Interest paid	(35,484)
Balance, March 31, 2018	-1,558,030
Equity component of convertible debentures, March 31, 2018 and December 31, 2017	\$ 26,994

During the year ended December 31, 2017, \$125,000 in convertible debentures were converted to share capital as a result of the early conversion, \$2,142 of the initial equity component was allocated to share capital.

INTERNATIONAL LITHIUM CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

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MARCH 31, 2018**10. EXPLORATION LOAN**

In conjunction with the Mariana Property Joint Venture, GFL has made available to the Company a loan of up to US\$2,000,000 (“Exploration Loan”) to cover a portion of the Company’s required contribution to the joint venture. The loan carries 10% interest per annum. The Company must repay the Exploration Loan and accrued interest within 30 days of receipt of its proportionate share of the proceeds from the Mariana Property Joint Venture, or NSR as applicable, until such time the Exploration Loan and accrued interest are repaid in full. The Company will not receive proceeds from the NSR until the Exploration Loan and accrued interest are repaid to GFL. In the event that no proceeds are derived from the joint venture, the Exploration Loan and accrued interest will be due by March 14, 2024.

The Exploration Loan is secured by a promissory note in the amount of US\$2,000,000.

The accumulated drawdown on the Exploration Loan as at March 31, 2018 was US\$2,000,000 (December 31, 2017 - US\$2,000,000). Total interest accrued as at March 31, 2018 was US\$470,105 (December 31, 2017 – US\$420,790)

		March 31, 2018	December 31, 2017
Opening balance,	\$	3,036,881 \$	2,976,714
Draw down		-	-
Interest		62,386	264,607
Foreign exchange		85,686	(204,440)
Ending balance,	\$	3,184,953 \$	3,036,881

11. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

Transaction	Relationship	2018	2017
Management fees	A company controlled by a former director	\$ -	\$ 30,000
Administration fees	Spouse of a former director	-	6,000
Administration fees (Argentina)	Officer of an equity investee	-	4,500
Exploration expenditures	Private company with a former common director	-	3,498
Exploration expenditures and consulting fees	Officer, company controlled by an officer	36,000	48,000
IT Support Services	Officer, company controlled by an officer	33,389	-
Consulting fees	Director	-	-
Consulting fees	A company controlled by a former officer	-	25,000
Consulting fees	Former Director and officer	36,774	38,100
Consulting fees	Director and officer	9,193	12,000
Consulting fees	Director and officer	5,806	-
Consulting fees	Officer	12,000	-
Consulting fees	A company controlled by a former officer	7,040	4,080
Directors’ fees	Three directors, one of whom is deputy chairman and corporate secretary	20,324	12,746

At March 31, 2018, due to related parties consisted of \$175,779 (December 31, 2017 - \$69,323) to various directors, officers and related companies for services detailed above and is included in accounts payable and accrued liabilities. At March 31, 2018, \$nil (December 31, 2017, - \$35,500) was receivable from a significant shareholder.

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11. RELATED PARTY TRANSACTIONS (cont'd...)

At March 31, 2018 and December 31, 2017, the Company had convertible debentures with a face value of \$875,000 due to three directors of the Company and \$700,000 due to TNR. Refer to Note 9.

Commitments - Consulting agreements

The Company has entered into consulting agreements with two officers of the Company for the provision of consulting services at a current cost of \$180,000 and \$72,000 per annum respectively. The agreements renew annually at the discretion of the Company's compensation committee. If either of the agreements are terminated without cause, the Company is required to pay a lump sum equal to the greater of (a) one months' fees for each period the consultant has acted on behalf of the Company and (b) twelve months' worth of fees. Should the Company be subject to a change in control and the consultant terminated without cause, the Company must pay an amount equal to the prior twelve months' gross pay.

Refer to Note 17.

12. SHARE CAPITAL AND EQUITY RESERVES**Authorized share capital**

As at March 31, 2018, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares, are fully paid.

Issued share capital

On January 25, 2018, the Company issued 2,050,000 units ("Unit") at a price of \$0.20 per Unit for gross proceeds of \$410,000. Each Unit consisted of one common share and one-half share purchase warrant. Each warrant is exercisable at a price \$0.30 for a period of 24 months from closing.

On March 6, 2018, the Company issued 200,000 units ("Unit") at a price of \$0.20 per Unit for gross proceeds of \$40,000. Each Unit consisted of one common share and one-half share purchase warrant. Each warrant is exercisable at a price \$0.30 for a period of 24 months from closing.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance outstanding and exercisable, December 31, 2016	3,935,000	\$ 0.12
Warrants exercised	<u>(700,000)</u>	<u>0.12</u>
Balance outstanding and exercisable, December 31, 2017	3,235,000	\$ 0.12
Warrants issued	<u>1,125,000</u>	<u>0.30</u>
Balance outstanding and exercisable, March 31, 2018	<u>4,360,000</u>	<u>\$ 0.16</u>

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12. SHARE CAPITAL AND EQUITY RESERVES (cont'd...)

At March 31, 2018, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
1,025,000	\$ 0.30	January 25, 2020
100,000	\$ 0.30	March 6, 2020
3,235,000	\$ 0.12	March 16, 2019

Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors, employees and consultants to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance outstanding, December 31, 2016	4,675,000	\$ 0.06
Options granted	7,400,000	0.165
Options expired	(2,650,000)	0.06
Options exercised	(325,000)	0.06
Balance outstanding, December 31, 2017	9,100,000	\$ 0.14
Options expired	(600,000)	0.06
Options exercised	(550,000)	0.06
Balance outstanding and exercisable, March 31, 2018	7,950,000	\$ 0.16

At March 31, 2018, options were outstanding enabling holders to acquire common shares as follows:

*E

Number of Options	Exercise Price	Expiry Date
550,000	0.06	October 28, 2020
3,150,000	0.155	February 23, 2022
750,000	0.15	April 20, 2022
3,500,000	0.18	December 8, 2022
7,950,000		

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MARCH 31, 2018**12. SHARE CAPITAL AND EQUITY RESERVES (cont'd...)****Share-based payments**

During the year ended December 31, 2017, the Company granted 7,400,000 stock options with a weighted average fair value of \$0.14. The fair value of these options calculated using the Black-Scholes option-pricing model was \$1,051,198.

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the period:

	2018	2017
Risk-free interest rate	-	1.35%
Expected life of options	-	5 years
Expected annualized volatility	-	131.1%
Dividend yield	-	- %

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transactions during the period ended March 31, 2017 consisted of the Company accruing the January Cash Call to Litio of \$631,560 to the equity investment in Litio (Note 6).

14. SEGMENT INFORMATION

The Company operates in one business segment which is the exploration of mineral properties. The geographic distribution of exploration and evaluation assets is disclosed in Note 7.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Financial instruments**

Financial assets and liabilities measured at fair value are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of the financial instruments. Cash and marketable securities are classified as fair value through profit or loss and are measured using level 1 inputs of the fair value hierarchy. Receivables, accounts payable and accrued liabilities, convertible debentures, and exploration loan are classified as loans and receivables.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Convertible debentures and exploration loan are measured at amortized cost. The fair value of the Company's long-term exploration loan approximates its carrying value as the balance accrues as amounts are forwarded from GFL and the interest rate is applied over time. The interest rate is considered to be comparable to other borrowing arrangements made available to the Company.

Risk management

In the mining industry there is always a risk over contractual interpretation of royalty rights and obligations, and it is possible that the Company's interpretation of its rights and obligations could be different from other parties' interpretation of them. The Company is exposed to varying degrees of financial instrument related risks:

The Company is exposed to varying degrees to a variety of financial instrument related

risks: *Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company considers that credit risk with respect to the receivables (Note 4) is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company will endeavour to raise funds for future use from equity financings and other methods as contemplated by management to satisfy its capital requirements and will continue to depend heavily upon these financing activities. The Company is exposed to risk that it will encounter difficulty in satisfying these obligations on maturity. The Exploration Loan is secured by a promissory note.

There can be no assurance that the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the completion of other debt and/or equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in generating revenue, cash flows or earnings.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Market risk

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's policy is to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value. The exploration loan bears a fixed, simple interest rate of 10% and the convertible debentures bear interest at a fixed rate of 15%.

b) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly lithium. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

c) Foreign currency risk

The Company's operations are in Canada, Argentina, and Ireland. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The Company's operating expenses are incurred primarily in Canadian dollars. Exploration programs are in Canadian dollars. Activity in associates occurs in Argentina and Ireland and is denominated in US dollars, Argentinean Pesos and the Euro. The Company is also subject to fluctuations in the Euro, US dollar and Argentinean Peso in conducting exploration work and investment in Ireland and Argentina. Consequently, the Company's investments and expenditures are subject to currency transaction risk and currency translation risk. The fluctuation of the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

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17. COMMITMENTS & CONTINGENCIES

- a) The Company entered into consulting agreements with two officers, who are also directors, of the Company for the provision of consulting services at a current cost of \$180,000 and \$120,000 per annum respectively. If either of the agreements are terminated without cause, the Company is required to pay a lump sum equal to twelve months' worth of fees. Should the Company be subject to a change in control and the consultant terminated without cause, the Company must pay an amount equal to the prior twelve months gross pay.
- b) On March 14, 2018 the Board removed Kirill Klip from his executive positions 'for cause', which would not place any obligation or liability on the Company to pay Kirill Klip any termination amount. However, the Company has received notice from Kirill Klip that he intends to claim for unfair dismissal, although at the date of these accounts he has not quantified his claim.

18. SUBSEQUENT EVENTS

Subsequent to March 31, 2018 the following events occurred:

- a) The Company entered into a non-brokered private placement of convertible debentures, known as 2018 Series 1 Convertibles, in the principal amount of \$1,180,000 with a director who is also an officer of the Company. The Debenture will mature on June 30, 2019 and bear interest at the rate of 15% per annum, payable quarterly. The debenture shareholder may convert at any time, all or a portion of the convertible loan principal into common shares of the Company at a price of \$0.085 (8.5 cents) per common share. The Company has the right to repay the convertible loan on notice, at any time after three months from the date of advance. The convertible loan is secured by a general security agreement against the Company's assets.
- b) Following issuance of the 2018 Series 1 Convertible, the Company repaid in full to two directors the outstanding balance of \$400,000 of two maturing convertibles that had been issued in April 2017.
- c) The Company granted 1,505,000 stock options to directors and officers of the Company. The Options are exercisable at \$0.085 per share until five years from the date of grant and will become fully vested one year from the date of grant.
- d) The Company closed the first tranche of a previously announced \$1,800,000 non-brokered private placement of secured convertible debentures known as 2018 Series 2 Convertibles to raise proceeds of \$275,000. The Debentures will mature on June 30, 2019 and bear interest at a rate of 15% per annum, payable quarterly. The debenture holders may convert at any time, all or a portion of the convertible loan principal into common shares of the Company at a price of \$0.085 per common share. The Debentures will be secured by a general security agreement against the Company's assets. All private placement securities will be restricted from trading for a period of four months and one day from closing. The Company has the right to give notice of repayment of the convertible debenture, at any time after three months from the date of advance, although in this event the debenture holder has the right to convert into shares rather than receiving repayment. Directors and officers of the Company participated in the Private Placement.