



*international lithium corp.*  
Power of Blue Sky Discoveries + Green Technology

**FORM 51-102F1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018**

**#1910 - 1030 West Georgia Street  
Vancouver, BC  
V6E 2Y3**

**TELEPHONE: +1 604.449.6520  
EMAIL: [ir@internationallithium.com](mailto:ir@internationallithium.com)**

The following discussion and analysis ("MD&A"), prepared as of November 26, 2018, should be read together with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2018 and the consolidated financial statements for the year ended December 31, 2017 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available on the Company's website at [www.internationallithium.com](http://www.internationallithium.com) and SEDAR at [www.sedar.com](http://www.sedar.com).

## Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These forward-looking statements include statements regarding the future price of lithium or potassium or rare earth metals commodities, the timing and amount of estimated future production, costs of production, capital expenditures, the success of exploration activities, permitting time lines, currency fluctuations, the requirements of future capital, drill results and the estimation of mineral resources and reserves. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained in this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of commodities;
- the availability of financing for the Company's development of projects on reasonable terms;
- the political and regulatory environment of countries in which the Company operates;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; and
- the ability to attract and retain skilled staff.

These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity and, particularly, lithium and potash prices, access to skilled mining development personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Additional risk factors are described in more detail hereinafter. **Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risks they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.**

## Description of Business

International Lithium Corp. (the “Company” or “ILC”) was incorporated under the laws of the Province of British Columbia on March 26, 2009 and is in the process of exploring its resource properties. It became a quoted public company on TSX Venture Exchange in 2011. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary International Lithium (US) LLC in the United States. All inter-company transactions and accounts have been eliminated upon consolidation.

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

The Company, as an exploration company, currently requires additional financing to continue in business and is likely to continue to require such additional financing for some time. There can be no assurance that such financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change and investors may suffer additional dilution. To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company.

## Overall Performance

The Company incurred a comprehensive loss of \$1,575,499 (2017 - \$1,308,472) during the nine months ended September 30, 2018.

### *Significant Events and Transactions*

Significant events and transactions during the nine months ended September 30, 2018 and to the date of this MD&A include the following:

- The Company increased its available for sale investment in Lito Minera Argentina S.A. by \$1,840,216.
- The Company received advances of \$493,964 under a promissory note issued to a director of the Company. The note is payable on demand and bears interest at the rate of 15% per annum.
- Management changes in 2018: On March 14, 2018, the Company appointed John Wisbey as Chairman and Chief Executive Officer of the Company, replacing Kirill Klip. Maurice Brooks, formerly Interim CFO, became CFO. On November 1, 2018, the Company appointed Nicholas Davies as a Director of the Company. On November 12, 2018, Kirill Klip ceased to be a Director of the Company.
- On August 29, 2018 the Company concluded an agreement with Pioneer Resources (ASX: PIO) with the effect that:
  - a. Pioneer is deemed to have achieved the conditions for the first earn-in under the Mavis Lake joint venture agreement and as a result now owns 51% of Mavis Lake, with the Company retaining 49%. In addition, the Company will receive a 1.5% net smelter return royalty on Mavis Lake.
  - b. Pioneer being deemed to withdraw from the Raleigh Lake joint venture agreement with the result that the Company owns 100% of Raleigh Lake, free of any obligations to other parties whether for exploration options or royalties.
  - c. The Company will receive 2,500,000 additional shares in Pioneer (received).
- On July 14, 2018 and August 11, 2018, the Company repaid in full to three directors the outstanding balance of \$475,000 of the maturing 2017 Series 2 convertible debenture that had been issued in August 2017. Two of these directors reinvested the proceeds in full, being a total of \$321,164, in the 2018 Series 2 Convertible debentures.

- On May 3, 2018, June 15, 2018 and July 14, 2018, the Company completed tranches of a non-brokered private placement of secured convertible debentures known as 2018 Series 2 Convertible Debentures to raise proceeds of \$1,800,000. 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 for the first year and \$0.10 per common share thereafter. The debentures will be secured by a general security agreement against the Company's assets. 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.
- On June 18, 2018, the Company granted 680,000 stock options to a consultant of the Company. The options are exercisable at \$0.085 per share until four years from the date of grant and were fully vested on the date of grant.
- During April 2018, and following issue of the 2018 Series 1 Convertible Debentures, the Company repaid in full to two directors the outstanding balance of \$400,000 of two maturing convertible debentures that had been issued in April 2017. The remaining \$125,000 of those debentures had been converted by other holders during 2017.
- On April 18, 2018, the Company entered into a non-brokered private placement of convertible debentures, known as 2018 Series 1 Convertible Debentures, 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 per common share for the first year and \$0.10 per common share thereafter. 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.
- On April 18, 2018, 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.
- On December 29, 2017, the Company announced an intended \$1,000,000 private placement of 5,000,000 units ("Unit") at a price of \$0.20 per Unit. Each Unit consisted of one common share and one-half share purchase warrant. Each warrant is exercisable at a price of \$0.30 for a period of 24 months from closing. On January 25, 2018, the Company made the first closing of this private placement and issued 2,250,000 units for \$450,000. The placement was closed on March 9, 2018 without any further subscription monies having been received after the first closing. As at December 31, 2017, the Company had received \$88,140 in advance of the private placement.

## Exploration Summary

### *Avalonia Project – Ireland*

The Avalonia lithium project is comprised of eight prospecting licences totalling 292 square kilometres centred 80 km south of Dublin straddling Counties Carlow and Wicklow in southeastern Ireland. The property encompasses an extensive NE-SW oriented 50-kilometre-long rare metals pegmatite belt situated within the East Carlow Deformation Zone along the eastern side of the Leinster Granite. Since acquiring the licences in 2009, the Company has conducted a series of exploration programs to advance the project. The Company has a 45% interest in the project with the remaining 55% held by GFL International Co. Ltd.

In 2016, a total of 23 diamond drill holes comprising 1,756 metres of NQ sized core were completed in the central part of the Avalonia project's lithium belt and entirely within County Carlow. Of these, 10 holes focussed on further delineating pegmatites in the Aclare area. Down-dip extension and infill drilling was used to delineate the distribution of lithium and rare metals in the system and identify thickening vectors of the pegmatite body.

Highlights of the drilling include three drill holes which intersected a previously unknown pegmatite 450 metres east of the main Aclare pegmatites. This new pegmatite is hosted in a granite sill parallel and adjacent to the granite sill hosting the main Aclare pegmatites where drill hole ACL13-04 intersected 2.23% Li<sub>2</sub>O over a drill width of 23.3 metres, including 3.43% Li<sub>2</sub>O over 6 metres (see Company news release dated June 25, 2013). All lengths reported are drill intercepts and have not been converted into true widths.

Spodumene bearing pegmatite boulders were discovered in field walls between the new pegmatite and the Aclare mineralization. These boulders contain spodumene crystals that are greater than 40 centimetres in length and some of the largest identified on the property to date.

**Drilling Highlights** (News release July 21, 2016)

- Most notable pegmatite intersection grading 2.33% Li<sub>2</sub>O over 4.62m at southern extent of Aclare pegmatite;
- Aclare pegmatite high-grade mineralization open along trend to the southwest and at depth;
- Improved understanding of mineral zonation to assist future targeting; and
- Plans to extend drill pattern at Aclare and initiate exploration in the vicinity of a high-grade spodumene boulder field at Moylisha in preparation for drilling.

Particularly encouraging results (ACL16-22) are from the southern extent of the drilling and show that mineralization is open to the southwest with significant widths and grades. Holes ACL16-15 and 22 determined that an area previously mapped as a fault controlled break in the pegmatite is in fact a bend in the mineralized zone revealing that the pegmatite zone is continuous and is made up of several closely spaced parallel bodies in this area.

Table of significant lithium values from the 2016 Avalonia drilling program

| Hole_ID   | From (m) | To (m) | Length* (m) | Li <sub>2</sub> O% |
|-----------|----------|--------|-------------|--------------------|
| ACL16-15  | 68.18    | 78.83  | 10.65       | 1.07               |
| including | 70.87    | 75.97  | 5.10        | 1.62               |
| including | 70.87    | 72.12  | 1.25        | 2.50               |
| ACL16-22  | 85.23    | 89.85  | 4.62        | 2.33               |
| including | 86.26    | 87.93  | 1.67        | 3.29               |
| ACL16-09  | 46.10    | 48.45  | 2.35        | 1.58               |
| including | 46.10    | 47.03  | 0.93        | 2.99               |

\* All lengths reported are drill core intercepts and have not been converted into true width.

The area drill tested by the Company represents one of the main prospects located along the 42 kilometre lithium pegmatite belt that falls within the Avalonia licences. A total of 23 targets have been identified to date by geochemical surveys and prospecting along the belt. Since its discovery in the late 1960s, the Aclare area has received more exploration activity and drilling than other targets and consequently is the most geologically understood part of the belt. This makes Aclare a valuable area for testing methods that will then be applied at other targets along the 42 km belt.

On August 1, 2017, the Company was informed by the manager of the Avalonia joint venture that the annual reports summarizing work activities for the prospecting licensing held in counties Carlow and Wicklow were filed with the Department of Communications, Energy and Natural Resources in Ireland.

On December 27, 2017, ILC and Ganfeng Lithium approved a budget for the 2018 calendar year for the Avalonia JV. The budget calls for Euro 705,000 (approximately CDN \$1 million) to be invested in the Avalonia project. The budget covers ongoing exploration and evaluation work, administration fees and contingencies.

Work currently planned for 2018 is to follow up on the 2016 exploration results, in particular at the Moylisha target area, where extensive boulder trains of spodumene-bearing pegmatite assaying up to 4.59% Li<sub>2</sub>O\* have yet to be traced back to source.

The 2018 drilling will take place in two phases with a total of approximately 2,000 metres drilling at the Moylisha target area. The first phase which has already started, will focus on drilling in proximity to the previous drilling from 1976 and 2013 to aid in the interpretation of geophysical work conducted in 2017. The second phase of drilling will target previously

undrilled areas at Moylisha and any new targets identified during the first phase. A total of 25 sites have been permitted for drilling although not all will be drilled. Each phase of drilling is expected to take about six weeks (totalling twelve weeks for the entire program).

\* Previously reported grab sample in a Company news release dated January 31, 2012. Grab samples are by definition selective and are unlikely to represent average grades on the property.

### *Mariana Project – Salta, Argentina*

The Mariana property is comprised of 13 mining licenses, covering approximately 22,133 hectares' land over Salar de Llullaillaco, located in Salta Province, Argentina. ILC owns between 14.492% and 20% of Litio Minera Argentina S.A. ("Litio") which holds title to the Property. A subsidiary of Jiangxi Ganfeng Lithium Co., Ltd. ("GFL") holds the remainder of Litio. The interest in Litio is subject to a dispute with the other joint venture partner and if the Company is unsuccessful in resolving the dispute, the Company's interest in Litio may be reduced to 14.492%.

Under the terms of an Option Agreement dated May 19, 2011 entered into between the Company, the Company's then wholly owned subsidiary Litio, and the Company's then parent company TNR Gold Corp ("TNR"), Litio acquired the Mariana property, and the Company with Litio as co-signatory agreed to pay TNR a Net Smelter Return 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 to TNR of \$1 million within 240 days of the commencement of commercial production.

The Mariana project, a lithium-potash salar covering an expansive 160 km<sup>2</sup> project area, strategically encompasses the entire salar and a significant portion of the surrounding area to provide prospective land for a potential future processing plant facility. Salar, or salt lakes, host some of the largest known lithium resources in the world and the Mariana basin is one of the more prominent salars in the renowned lithium belt of South America that provides more than 70% of global production.

On March 8, 2017, the Company announced an independent resource estimate on the project. The resource estimate was prepared by Geos Mining Minerals Consultants based in Sydney, Australia. A technical report containing the resource estimate was prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The report, entitled "Technical Report: Mariana Lithium Project, Salar de Llullaillaco, Argentina" and dated April 10, 2017, is now available under the Company's profile at [www.SEDAR.com](http://www.SEDAR.com). The effective date for the resource estimation is January 20, 2017, which represents the date of the most recent data that supports the brine estimate and the report.

The following highlights taken from the report, and set out below, should be considered in the context of the detailed information provided.

- Indicated resource estimate contains an estimated 1,248,000 tonnes of lithium carbonate equivalent (LCE).
- Inferred resource estimate contains an estimated 618,000 tonnes of LCE
- The indicated resource for Resource Area 1 is estimated at 765 billion litres of brine grading 306 mg/L lithium ("Li") and 9,457 mg/L potassium ("K").
- The inferred resource is estimated at 361 billion litres of brine grading 322 mg/L lithium ("Li") and 10,316 mg/L potassium ("K").
- Brine resources are tabulated and reported for average specific yield (SY) of 15% and a cut-off value of 230 mg/L Li.

On April 25, 2017, the Company was informed by the manager of the Mariana Joint Venture that three large evaporation ponds measuring 14 x 14 metres have been constructed and filled to 30 centimetres depth with raw brine from Salar de Llullaillaco to conduct evaporation tests at the site and begin the development of a natural evaporation concentration process for the brine. Two smaller ponds that are to be used for the later stages of the brine concentration were also constructed at the site. A field laboratory and liming plant are currently still under construction.

On September 5, 2017, the Company received a final report, "Proof of Concept Study – Lithium Recovery Using Membrane Separation" (the "Study") prepared by Synexus (Pty) Limited of South Africa ("Synexus"). Results from the Study indicate that the selective recovery of lithium directly from the Mariana project's raw (filtered) brine, with the simultaneous rejection of other cation and anion species, using a proprietary lithium selective separation process (the "technology") is possible. Lithium was selectively recovered from the raw brine to produce lithium hydroxide ("LiOH"), a high value ingredient used directly in lithium battery manufacturing, as a final product.

In the case of the Mariana project, this new technology could provide an alternative to the currently adopted plan of using natural solar evaporation of producing a brine concentrate containing about 6% lithium that would be exported for refining.

On December 6, 2017 the Company received a report prepared by Geos Mining Minerals Consultants of Australia through ILC's joint venture partner, Mariana Lithium Co., Ltd. ("MLC"), a subsidiary of GFL. The report summarizes results from trial pump tests conducted in September 2017 at the Mariana lithium brine joint venture project. The trial tests are part of ongoing pump tests at three locations on the project. A conclusion from the trial pump test report states, "A step-drawdown test pumped at three (3) rates of between 10 and 30 L/s indicated a high transmissivity, hydraulic conductivity and storativity." The ultimate goal for these ongoing tests is to carry out long term pumping at a constant rate of 60 L/s at three sites within the resource area.

On December 27, 2017, ILC and MLC unanimously approved the budget for the 2018 calendar year for the Mariana JV. The budget calls for US \$14,044,000 (US \$17,343,517 including contingencies and administrative fees) to be invested in ongoing exploration and evaluation work including continuing studies that will be used to formulate a basis for a preliminary economic assessment ("PEA"). The results of the PEA will be used to determine the course of action for pre-feasibility studies expected to be conducted throughout the remainder of the year.

#### *Mavis Lake - Fairservice Project - Ontario, Canada*

The Mavis Lake - Fairservice Project ("Mavis Lake Lithium Project") is owned 49% by the Company and 51% by Pioneer Resources Limited ("Pioneer") (ASX:PIO). It consists of a package of nineteen adjacent mineral claims which include thirteen unpatented mining claims (the Mavis Lake 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.

#### Mavis Lake Option Agreement

On June 22, 2016, the Company announced that Pioneer had entered into an option agreement (the "Option Agreement") to advance an exploration program on the Company's Mavis Lake lithium project (the "Project") (see Company news releases dated March 14, 2016 and April 20, 2016). Under the terms of the Option Agreement, Pioneer can earn up to an 80% interest in ILC's Mavis Lake lithium project. The Project includes the Fairservice patented mining leases.

Key terms of the Option Agreement include:

- Pioneer may earn an initial 51% interest in the Project by spending \$1.5 million on exploration activities within three years and paying to ILC a total of \$375,000 in cash and shares on an equal basis over the same three years (the "First Earn-in"). These conditions have now been deemed to be achieved.
- Following the First Earn-in, ILC will be granted a 1.5% NSR. The First Earn-In has now taken place.
- Pioneer will then be granted, if they choose, a second option whereby it can earn an additional 29% by spending \$8.5 million within seven years (total \$10 million over ten years). Thereafter, ILC and Pioneer will contribute on a pro-rata basis. If either party dilutes to 15% Project equity, their interest will be converted to a 1.5% NSR. In the case of the Company this is in addition to the 1.5% NSR achieved on the First Earn-in.

During the year ended December 31, 2016, the Company received \$37,500 in cash from Pioneer, a first installment 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 installment of 2,073,075 common shares valued at \$37,500, and recoveries totalling \$15,654. During the nine months ended September 30, 2018, the Company received \$100,000 for option payments from Pioneer, comprised of \$51,145 in cash and a third installment of 2,173,913 common shares valued at \$48,855.

On August 29, 2018 the Company concluded an agreement with Pioneer with the effect that Pioneer is deemed to have achieved the conditions for the first earn-in under the Mavis Lake joint venture agreement by issuing 2,500,000 shares to the Company and as a result now owns 51% of Mavis Lake, with the Company retaining 49%. In addition, the Company will receive a 1.5% NSR on Mavis Lake. During the nine months ended September 30, 2018, the Company received 2,500,000 shares in Pioneer.

#### Mavis Lake Exploration

On February 8, 2017, the Company announced that the first drill hole of the 2017 drill program at the Mavis Lake lithium project intersected a spodumene-bearing pegmatite. The first drill hole, MF-17-39, intersected 18m\* of spodumene-bearing

pegmatite between 79.9m and 97.9m down-hole. The spodumene zone is described as exhibiting broken crystals with the largest observed spodumene crystal oriented parallel to the core axis and measuring approximately 45cm in length.

On April 11, 2017, the Company announced the analytical results from the winter drill program at the Mavis Lake project. Drilling at the project commenced on February 4, 2017 under the direction of Pioneer and was completed on March 2, 2017. In total, 12 oriented diamond core drill holes were completed for a total of 1,305 metres across three target areas: PEG006, PEG006.5 and PEG018.

Key intersections from the Pegmatite 6 Target Area indicate\*:

- 1.47% lithium oxide (“Li<sub>2</sub>O”) over 17.90 metres from 80.00 metres in drill hole MF17-39;
- 1.70% Li<sub>2</sub>O over 26.30 metres from 111.9m in drill hole MF17-49, including a zone grading 2.97% Li<sub>2</sub>O over 7.70m; and
- 1.45% Li<sub>2</sub>O over 16.55 metres from 74.55 metres and 1.40% Li<sub>2</sub>O over 23.10 metres from 122.00 metres in drill hole MF17-50.

\* All lengths reported are drill core intercepts and have not been converted into true width. True width of the drill hole intercepts, which may be shorter than those reported, are currently unknown.

On April 9, 2018, the Company announced the results of a successful drilling program at Mavis Lake. The program, targeting the Fairservice Pegmatite 6 Prospect, consisted of nine diamond core holes for a total of 1,591 metres, and delivered multiple intersections of spodumene-bearing pegmatite in all nine holes. Seven of the nine drillholes intersected significant mineralization.

STANDOUT INTERSECTION\* | MF18-53: 55.25m at 1.04% Li<sub>2</sub>O from 82.75m

Other intersections\* of spodumene-bearing pegmatites returned:

- MF18-58: 28.95m at 1.14% Li<sub>2</sub>O from 116.8m
- MF18-51: 23.30m at 1.09% Li<sub>2</sub>O from 76.8m
- MF18-52: 13.45m at 1.17% Li<sub>2</sub>O from 149.95m
- MF18-54: 18.20m at 1.27% Li<sub>2</sub>O from 94.8m and
- MF18-54: 6.10m at 2.33% Li<sub>2</sub>O from 139.25
- MF18-55: 12.35m at 1.41% Li<sub>2</sub>O from 135.14m

\* All reported widths are drill hole widths and have not been converted to true width. True width is unknown at this time.

#### *Raleigh Lake Lithium Pegmatite Project, Ontario, Canada*

The Company’s wholly owned Raleigh Lake project (“Raleigh Lake”) is situated 7 kilometres south of the Trans-Canada Highway, 60 kilometres southeast from the Company’s Mavis Lake lithium project, 80 kilometres southeast from the town of Dryden, Ontario and approximately 240 kilometres northwest of Thunder Bay. Four unpatented mining claims totalling 368 hectares were recently staked increasing the Project area to 809 hectares. The expanded claim boundaries now cover an extensive zone exhibiting multiple intensely anomalous bands known to host high-grade lithium pegmatites.

Previous exploration campaigns on the Raleigh Lake project included mapping, litho-geochemistry, trenching (1,500 m) and diamond core drilling (2,817.5m in 17 holes) resulting in the identification of several substantial pegmatites and numerous smaller ones (see Company news releases dated March 23, 2016 and July 13, 2016 for further details).

Mapping and litho-geochemical sampling indicate a highly fractionated rare-metals’ pegmatite belt at least 5 km in length and 2 km in width now fully enclosed within the Company’s expanded claim boundaries. The strength of the litho-geochemical signature in the host rock adjacent to known pegmatites will be a highly effective exploration tool to signal the location of hidden or blind pegmatites; pegmatites buried under soil cover or capped by another rock type.

Ownership of the Raleigh Lake project was previously subject to an option agreement between ILC and Pioneer (the “Raleigh Lake Option Agreement”), but this option agreement has now been terminated through Pioneer withdrawing from the project, and the project is again wholly owned by the Company with no claims by any third party in respect of option agreements or royalties.

During the year ended December 31, 2016, pursuant to the Raleigh Lake Option Agreement, the Company received \$25,000 in cash from Pioneer and a first installment 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.



On August 29, 2018 the Company concluded an agreement with Pioneer with the effect that Pioneer is deemed to withdraw from the Raleigh Lake Option Agreement with the result that the Company owns 100% of Raleigh Lake free of any obligations to other parties whether for exploration options or royalties.

During the nine months ended September 30, 2018, the Company acquired from a vendor 55 additional claims adjacent to the Raleigh Lake for a total consideration of \$20,000 cash and 400,000 shares of the Company. The purchased claims are free of any obligation or royalties. The acquisition increased the area of Raleigh Lake Project to 1,976 hectares.

#### *Forgan Lake Project, Ontario, Canada*

The Forgan Lake property is wholly owned by the Company and consists of eighteen cell claims and two boundary claims covering an area of 256 hectares located in the Thunder Bay Mining District in Northwestern Ontario, Canada.

During the nine months ended September 30, 2018, the Company entered into a sale and royalty agreement with Ultra Lithium Inc (“ULI”). Under the terms of the agreement, ULI may earn 100% interest in Forgan Lake property by spending \$500,000 on exploration expenditures and paying the Company a total of \$200,000, half in cash and half in shares, over the period of two years. In addition, the Company will receive 1.5% NSR on future production from Forgan Lake property and from an adjoining property owned by ULI.

During the nine months ended September 30, 2018, the Company received \$25,000 in cash from ULI recording as recoveries in excess of carrying value.

*Afzaal Pirzada, PGeo, a Qualified Person under the meaning of NI 43-101 and a consultant of the Company, is responsible for the technical content of this MD&A.*

## **Mineral Properties and Commitments**

A detailed listing and narrative of the Company’s properties is provided in the consolidated financial statements for the nine months ended September 30, 2018, including the capitalized exploration and evaluation costs presented on a property-by-property basis.

Detailed exploration and evaluation expenditures (including acquisition costs) for the period ended September 30, 2018 are as follows:

| <b>September 30, 2018</b>                                 | Mavis Lake<br>Fairservice,<br>Ontario | Raleigh Lake,<br>Ontario | Total        |
|---|---------------------------------------|--------------------------|--------------|
| Exploration and evaluation costs, beginning of the period | \$ 1,348,594                          | \$ -                     | \$ 1,348,594 |
| Additions during the period:                              |                                       |                          |              |
| Acquisition cost  | -                                     | 56,000                   | 56,000       |
| Exploration costs   | 266                                   | 2,313                    | 2,579        |
|   | 1,348,860                             | 58,313                   | 1,407,173    |
| Recoveries and option payments                            | (149,355)                             | -                        | (149,355)    |
| Exploration and evaluation costs, end of the period       | \$ 1,199,505                          | \$ 58,313                | \$ 1,257,818 |

## **Outlook**

The Company’s primary focus for the foreseeable future will be exploring the potential of the Raleigh Lake lithium pegmatite project. In addition, it will follow up on work with strategic partner GFL to advance exploration programs on its Mariana lithium-potash brine (Argentina), and Avalonia lithium (Ireland) rare metals pegmatite projects. The Company will also be working with Pioneer to facilitate the exploration on the Mavis Lake lithium project. It is also seeking out new project opportunities globally.

## Summary of Quarterly Results

### For the Quarters Ended

|                                   | September 30,<br>2018 | June 30,<br>2018 | March 31,<br>2018 | December 31,<br>2017 |
|-----------------------------------|-----------------------|------------------|-------------------|----------------------|
| Total assets                      | \$ 8,543,295          | \$ 8,797,726     | \$ 7,380,147      | \$ 6,617,363         |
| Exploration and evaluation assets | 1,257,818             | 1,348,860        | 1,348,594         | 1,348,594            |
| Working capital (deficiency)      | (3,899,446)           | (3,345,521)      | (1,944,685)       | (1,833,485)          |
| Long-term debt                    | 3,327,356             | 3,318,294        | 3,184,953         | 3,036,881            |
| Shareholders' equity              | 961,417               | 1,356,370        | 2,050,623         | 1,648,144            |
| Loss and comprehensive loss       | (474,931)             | (710,512)        | (390,056)         | (1,477,612)          |
| Basic and diluted loss per share  | (0.01)                | (0.01)           | (0.00)            | (0.02)               |

  

|                                   | September 30,<br>2017 | June 30,<br>2017 | March 31,<br>2017 | December 31,<br>2016 |
|-----------------------------------|-----------------------|------------------|-------------------|----------------------|
| Total assets                      | \$ 7,562,603          | \$ 7,437,146     | \$ 6,562,567      | \$ 5,888,185         |
| Exploration and evaluation assets | 1,348,329             | 1,348,329        | 1,423,330         | 1,429,893            |
| Working capital (deficiency)      | (2,180,119)           | (1,662,768)      | (569,784)         | 142,659              |
| Long-term debt                    | 2,958,233             | 3,010,623        | 3,021,510         | 2,976,714            |
| Shareholders' equity              | 2,186,508             | 2,436,503        | 2,631,275         | 2,819,510            |
| Loss and comprehensive loss       | (258,136)             | (389,975)        | (660,361)         | (502,370)            |
| Basic and diluted loss per share  | (0.00)                | (0.00)           | (0.01)            | (0.01)               |

Changes in key financial data over the periods presented can be attributed to the Company exploring mineral properties in Argentina, Canada and Ireland. Significant changes over the periods presented include the following:

- 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, the Company was required to make a one time payment in the amount of USD\$105,890 (\$132,387), was included in in accounts payable and accrued liabilities at December 31, 2017. This payment, which was made in January 2018, relates to reimbursements of expenditures and fees.
- The working capital (deficiency) for the nine months ended September 30, 2018 relates to current liabilities for convertible debentures.

The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance project exploration and advancement.

## Results of Operations

### Nine months ended September 30, 2018 and 2017

The Company incurred a comprehensive loss of \$1,575,499 (2017 - \$1,308,472) during the nine months ended September 30, 2018.

Significant changes are as follows:

- Consulting fees of \$338,923 (2017 - \$445,326) decreased over prior period due to the change in management.
- Directors' fees of \$77,324 (2017 - \$58,328) have been accrued according to board resolutions.

- Foreign exchange resulted in a loss of \$101,481 relative to a gain of \$242,375 in corresponding period 2017. The Company is exposed to foreign exchange movements on liabilities denominated and settled in US dollars including the exploration loan. Exposure in the prior period was higher due to the operator activities over the Mariana project.
- Loss on equity investments of \$34,432 (2017 - \$113,754) relates to the Company's proportion of the net loss in each of Lito Minera Argentina S.A. (2017 only) and Blackstairs Lithium Limited.
- Interest and bank charges of \$561,041 (2017 - \$257,342) relates to interest accruing on the Company's exploration loan with GFL, convertible debentures and additional financing costs.
- Rent and office increased to \$53,859 (2017 - \$33,753) as a result of additional work developing the Company's website and restructuring IT systems.
- Professional fees decreased to \$87,095 (2017 - \$118,563) subsequent to the management changeover.
- Shareholder communications increased to \$187,183 (2017 - \$57,838) due to participation in road shows and increase in investor relations activities.
- Share-based payments of \$94,627 (2017 - \$505,331) relates to the value of stock options granted and vesting in the period.
- Operator income of \$nil (2017 - \$168,039) relates to the Company's management of the Mariana project in accordance with the joint venture agreement. In March 2017 GFL took over operatorship of the Mariana project.

#### *Three months ended September 30, 2018 and 2017*

The Company incurred a comprehensive loss of \$445,490 (2017 - \$162,264) during the three months ended September 30, 2018.

Significant changes are as follows:

- Consulting fees were \$90,873 (2017 - \$144,683).
- Directors' fees of \$25,500 (2017 - \$16,000) have been accrued according to board resolutions.
- Foreign exchange resulted in a gain of \$58,066 relative to a gain of \$129,470 in corresponding period 2017. The Company is exposed to foreign exchange movements on liabilities denominated and settled in US dollars including the exploration loan. Exposure in the prior period was higher due to the operator activities over the Mariana project.
- Loss on equity investments of \$9,091 (2017 - \$1,323 gain) relates to the Company's proportion of the net loss in each of Lito Minera Argentina S.A. and Blackstairs Lithium Limited.
- Interest and bank charges of \$240,727 (2017 - \$99,904) relates interest accruing on the Company's exploration loan with GFL, convertible debentures and additional financing costs.
- Rent and Office were \$25,986 (2017 - \$7,999) due to increase in IT services availed and in rent expense.
- Professional fees increased to \$34,309 (2017 - \$16,424) subsequent to the management changeover.
- Shareholder communications increased to \$51,457 (2017 - \$6,912 recovery) due to increase in investor relation activities.
- Share-based payments of \$27,557 (2017 - \$nil) relates to the value of stock options granted and vesting in the period.

## **Liquidity and Capital Resources**

To date, the Company has not yet realized profitable operations. The Company, as an exploration company, currently requires additional financing to continue in business and is likely to continue to require such additional financing for some time. There can be no assurances that such financing will be available or if available, will be on reasonable terms.

The consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

The following table provides information regarding the Company's working capital and accumulated deficit as at September 30, 2018 and December 31, 2017.

|                              | September 30,<br>2018 | December 31,<br>2017 |
|------------------------------|-----------------------|----------------------|
| Working capital (deficiency) | \$ (3,899,446)        | \$ (1,833,485)       |
| Deficit                      | (10,722,222)          | (9,445,651)          |

At September 30, 2018 the Company had \$174,363 (December 31, 2017 - \$3,855) in cash. The Company works to invest in its mineral properties in a difficult economic environment.

Net cash used by operating activities during the nine months ended September 30, 2018 was \$843,699 (2017 – \$270,164). The cash used in operating activities for the period consists of the operating loss net of non-cash items and changes in non-cash working capital.

Net cash used in investing activities during the period ended September 30, 2018 was \$1,429,820 (2017 – \$881,571). In the current period the Company advanced \$1,506,253 to Litio as an available for sale investment (2017 - \$950,636 to Litio as additional capital into the equity investee). The Company received property option payments of \$76,145 (2017- \$62,500).

Financing activities provided cash of \$2,444,027 during the nine months ended September 30, 2018 (2017 – \$1,128,781). The Company received \$361,110, net of issuance costs, for shares issued, paid interest of \$160,206 with respect to the convertible debentures, issued convertible debentures, net of issuance cost, in amount of \$1,801,287 (2017 – 995,281), repaid convertible debentures totalling \$273,836 (2017 - \$nil), issued a promissory note in the amount of \$160,000 (2017 - \$nil), and received \$8,000 (2017 - \$153,000) for exercised stock options during the nine months ended September 30, 2018.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of lithium and rare earth metals or interests related thereto. The economics of developing and producing mined material are affected by many factors including the cost of operations and the market price of the mined material. Depending on the market price of mined material, the Company may determine that it is impractical to continue commercial production (once commenced).

## Related Party Transactions

The Company entered into the following transactions with related parties:

| Transaction                                  | Relationship   | September 30,<br>2018 | September 30,<br>2017 |
|--|--|-----------------------|-----------------------|
| Management fees                              | 0819315 BC Ltd., Gary Schellenberg, former CEO and former Director | \$ -                  | \$ 30,000             |
| Administration fees                          | Heather Schellenberg, Spouse of former Director                    | -                     | 6,000                 |
| Administration fees (Argentina)              | Roberto Lara, Officer of Litio Minera Argentina S.A.               | -                     | 1,500                 |
| Exploration expenditures and consulting fees | Anthony Kovacs, COO and Blacksmith Metals Exploration Ltd.         | 108,000               | 108,000               |
| IT Support Services                          | CONVENDIA Ltd., John Wisbey, CEO and Director                      | 19,954                | -                     |
| Consulting fees                              | 619517 BC Ltd., Jerry Bella, former CFO                            | -                     | 25,000                |
| Consulting fees                              | Kirill Klip, former CEO, President and Director                    | 37,048                | 135,000               |
| Consulting fees                              | Maurice Brooks, Director and CFO                                   | 60,193                | 36,000                |
| Consulting fees                              | John Wisbey, CEO and Director                                      | 65,806                | -                     |
| Consulting fees                              | Nancy La Couvee, Corporate Secretary                               | 20,373                | -                     |
| Consulting fees                              | Patricia Fong, former CFO  | 14,800                | 4,080                 |
| Directors' fees                              | John Wisbey  | 37,742                | 16,582                |
|  | Maurice Brooks   | 21,291                | -                     |
|  | Ross Thompson  | 15,291                | 16,582                |
|  | Kirill Klip  | 3,000                 | -                     |
|  | Xiaoshen Wang  | -                     | 12,582                |
|  | David Shen   | -                     | 12,582                |

At September 30, 2018, the Company had convertible debentures with a face value of \$1,884,500 (December 31, 2017: \$875,000) due to four directors of the Company and of \$700,000 due to TNR, and a promissory note in the amount of \$160,000 due to a director of the Company, (Note 11&12 of the consolidated financial statements for the nine months ended September 30, 2018).

At September 30, 2018, due to related parties consisted of \$55,890 (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 September 30, 2018, \$nil (December 31, 2017, - \$35,500) was receivable from a significant shareholder.

On April 18, 2018, the Company entered into a non-brokered private placement of convertible debentures, known as 2018 Series 1 Convertible Debentures, 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 per common share for the first year and \$0.10 per common share thereafter. 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.

Following issuance of the 2018 Series 1 Convertible Debenture, the Company repaid in full to two directors the outstanding balance of \$400,000 of two maturing debentures that had been issued in April 2017.

During the nine months ended September 30, 2018, 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.

On May 3, 2018, June 15, 2018 and July 14, 2018, the Company completed tranches of a non-brokered private placement of secured convertible debentures known as 2018 Series 2 Convertible Debentures to raise proceeds of \$1,800,000. 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 for the first year and \$0.10 per common share thereafter. The Debentures will be secured by a general security agreement against the Company's assets. 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.

The Company received advances of \$493,964 under a promissory note issued to a director of the Company. The note is payable on demand and bears interest at the rate of 15% per annum.

#### *Commitments - Consulting agreements*

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.

#### *Contingency*

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.

## **Financial Instruments and Other Instruments**

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include credit risk, currency risk, interest rate risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Please refer to Note 18 of the unaudited consolidated financial statements for the period ended September 30, 2018, for further details.

## **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements as at September 30, 2018.

## **Adoption of New Accounting Policies**

### **New standards adopted**

IFRS 2 – Share Based Payments: the amendments eliminate the diversity in practice in the classification and measurement of particular share-based payment transactions which are narrow in scope and address specific areas of classification and measurement. It is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted provided it is disclosed. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

IFRS 9 – Financial Instruments: Applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. At this point, the Company does not expect that the adoption of this standard will have a significant effect on the Company's disclosure requirements.

IFRS 15 – Clarifications to IFRS 15 “Revenue from Contracts with Customers” issued. The amendments do not change the underlying principles of the standard, but simply clarify and offer some additional transition relief. The standard is effective for annual periods beginning on or after January 1, 2018. The Company does not expect that the adoption of this standard will have any effect on the Company’s consolidated financial statements.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration: addresses how to determine the ‘date of the transaction’ when applying IAS 21. It is effective for annual periods beginning on or after January 1, 2018 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.

### **New standard 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.

## **Critical Accounting Policies**

The preparation of the 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 the 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 investments in associates, the Company’s functional currency, 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 and the equity investment in Lito.

### *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 of the consolidated financial statements.

### *Impairment testing*

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

### *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% in Lito as at September 30, 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 of the consolidated financial statements).

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.

## Outstanding Share Data

The following table summarizes the outstanding share capital, convertibles, stock options, and warrants as of the date of the MD&A:

|  | <b>Number of shares<br/>issued or issuable</b> |
|--|--|
| Common shares  | 94,995,902                                     |
| Convertible debentures (\$700,000 at \$0.14, and \$1,800,000 and \$1,180,000 at \$0.085) | 40,058,824                                     |
| Stock options  | 7,035,000                                      |
| Warrants   | 4,360,000                                      |
| <b>Total if all converted or exercised</b>   | <b>146,449,726</b>                             |

## Subsequent Events

Subsequent to September 30, 2018 the following events occurred:

- a) 150,000 options exercisable at \$0.155, 50,000 options exercisable at \$0.15, and 200,000 options exercisable at \$0.18 were cancelled.
- b) The Company increased its available for sale investment in Litio Minera Argentina S.A by \$333,964.
- c) The Company received further advances of \$333,964 under the promissory note issued to a director.
- d) The Company received 140,732 common shares in Ultra Lithium Inc. valued at \$25,000 as consideration under the Forgan Lake property sale and royalty agreement.

## Management's Responsibility for Financial Statements

Information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes that such estimates have been based on careful judgments and have been properly reflected in the consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## Business Risks

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as liquidity, operational, market and regulatory risks. There are also legal risks and risks where we are relying on partners to make key decisions which affect the future of the Company's projects.



- Liquidity risk, in particular funding risk, is seen by the Board as the key issue or risk in 2018 and 2019. The Company, as an exploration company, has no or insignificant income, and has expenditure to develop its properties as well as normal operating costs and debt service costs. Consequently, it has required and will require additional financing to continue in business and this is likely to continue for some time. The Company was in mid March 2018 within days of suffering an incurable default on the Mariana project which would permanently have decreased its shareholding in Litio. Following the change in management in March 2018, considerable focus is being placed on funding the Company ahead of its needs and, except for some issues where there is a dispute, the Company is now substantially up to date with all its payables.

There can be no assurance that future financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change and investors may suffer additional dilution.

To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. For example, for the Company's Mariana property if a cash call is missed and the default is not cured, there is a loss of shareholding in Litio. If three cash calls are missed and the default is not cured, the Company's equity interest in Litio can, under a 2014 agreement, be converted by its partner into a NSR, with considerable potential loss of value to the Company. There are no defaults outstanding on Mariana or other properties at the time of this MD&A.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental laws and regulations, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and to the best of its knowledge adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Market risks include commodity prices, interest rates and the Canadian dollar, United States dollar, Argentinean Peso and Euro exchange rates, all of which are beyond the Company's control.
- Regulatory risks include possible delays in the Company or its partners getting regulatory approval to the transactions that the Board of Directors believe to be in the best interests of the Company, and also on a much smaller scale include increased fees for filings and the introduction of any additional reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.
- Partner risks can exist, and might exist in the future, where the Company's partner has different interests or capabilities from those of the Company and is unable or unwilling to progress projects at the same speed that the Company would like to. The company has mitigated its credit or liquidity risk by choosing a strong company Ganfeng Lithium as its key partner, but there is no guarantee that Ganfeng will prioritize Mariana and Avalonia for development over other projects even though the Board might wish that they do. Similarly the Company might argue, for example, that membrane technology is an appropriate technology to use at Mariana, but under the terms of the 2014 joint venture agreement it will ultimately be Ganfeng's decision on whether or not to adopt this technology.
- Legal risks: 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. This carries litigation risk.

For information on additional risks, please refer to the Company's unaudited consolidated financial statements for the nine months ended September 30, 2018.

## **Internal Control Over Financial Reporting**

### *Changes in Internal Control over Financial Reporting (“ICFR”)*

In connection with National Instrument 52-109, Certification of Disclosure in Issuer’s Annual and Interim Filings (“NI 52-109”) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the consolidated financial statements and the audited annual financial statements and respective accompanying Management’s Discussion and Analysis. The Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.