



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

**FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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The following discussion and analysis ("MD&A"), prepared as of April 30, 2019, should be read together with the consolidated financial statements for the year ended December 31, 2018 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 and SEDAR at 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 \$2,395,550 (2017 - \$2,786,084) during the year ended December 31, 2018.

Significant Events and Transactions

Significant events and transactions during the year ended December 31, 2018 and to the date of this MD&A include the following:

- The Company completed a non-brokered private placement announced for 37,600,000 units at \$0.05 per unit for gross proceeds of \$1,880,000. Each unit comprised of one common share and a half share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.10 per share for two years from issue. The Company’s directors and officers participated in the private placement. The 2018 series 2 Convertible Debentures amounting to \$358,000 and interest payables of \$13,241 were converted to participate in the private placement.
- The Company entered into Amending Agreement with certain 2018 series 2 Convertible Debentures holders. As per the amended terms, the debentures will mature on June 30, 2020, and 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 \$0.065 until maturity. All other terms remained the same.
- The Company completed a non-brokered private placement of convertible debentures in the principal amount of GBP 240,000 with a related party. The debentures will mature on May 31, 2019 and bears interest at the rate of 15% per annum. 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 \$0.07 per common share.
- The Company settled a convertible debenture in the amount of \$700,000 due to a former significant shareholder on its maturity.
- The Company increased its available for sale investment in Lito Minera Argentina S.A. by \$1,711,184.
- The Company received advances of \$515,857 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 December 10, the Company appointed Anthony Kovacs as 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 Convertibles 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 who subscribed to the \$1,007,750 tranche 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 in the first year and \$0.10 per common share thereafter until maturity. The debenture holders who subscribed to the \$792,250 tranche 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 until the maturity date. The Debentures are secured by a general security agreement against the Company's assets. 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 2,050,000 units for \$410,000. The placement was closed on March 9, 2018 with issuance of another 200,000 units at a price of \$0.20 per unit for gross proceeds of \$40,000. 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% Li₂O over a drill width of 23.3 metres, including 3.43% Li₂O 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% Li₂O 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 ₂ 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.

During 2018 Ganfeng Lithium drilled a total of 1947.6 metres of NQ diameter core drilling in fifteen drill holes spanning a strike length of approximately 400 metres at the Moylisha prospect of the Avalonia Project. The drilling to date suggests that the pegmatites, including spodumene pegmatites, are open to the northeast and southwest along strike and at depth.

Several of the drill holes have successfully intercepted multiple occurrences of spodumene bearing pegmatites as indicated in the table below.

Table of significant lithium results from the 2018 Avalonia Project Drill Program.

Hole ID	Grade (%Li ₂ O)	Width* (m)	From (m)	To (m)
MOY18-04	1.12	0.34	93.93	94.27
MOY18-06	2.55	2.05	75.17	77.22
MOY18-06	1.17	0.74	97.46	98.20
MOY18-08	2.17	0.71	9.77	10.48
MOY18-10	1.56	2.15	31.43	33.58
MOY18-11	1.03	12.29	86.27	98.56
MOY18-11	1.27	1.88	100.32	102.20
MOY18-11	1.49	1.40	105.45	106.85
MOY18-11	1.04	3.28	121.42	124.70
MOY18-13	1.35	4.28	68.32	72.60
MOY18-14	2.13	1.85	108.77	110.62
MOY18-14	0.99	1.18	112.52	113.70
MOY18-16	1.69	1.44	21.63	23.07
MOY18-16	1.06	1.59	40.83	42.42
MOY18-16	1.32	1.62	67.65	69.27
MOY18-17	2.08	3.14	44.34	47.48
MOY18-17	1.11	1.15	50.70	51.85
MOY18-17	1.18	1.01	53.15	54.16
MOY18-18	1.38	0.72	22.08	22.80
MOY18-18	2.78	0.72	49.83	50.55
MOY18-18	1.95	0.64	55.64	56.28
MOY18-18	2.13	0.65	81.21	81.86

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

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 Lito Minera Argentina S.A. ("Lito") which holds title to the Property. A subsidiary of Jiangxi Ganfeng Lithium Co., Ltd. ("GFL") holds the remainder of Lito. The interest in Lito 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 Lito 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 Lito, and the Company's then parent company TNR Gold Corp ("TNR"), Lito acquired the Mariana property, and the Company with Lito 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 km² 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. 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 called 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 project ended up well under its budget, and the Company paid a total of CAD \$1,711,184. During the year ended December 2018, a Preliminary Economic Assessment was produced, showing an estimated value for the project of USD \$192m, based on assumptions of a mine life of 25 years, and annual production of 10,000 tonnes of Lithium Carbonate equivalent and 80,000 tonnes equivalent of Sulphate of Potash. 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 2019.

On December 6, 2018, ILC reported that a positive preliminary economic study was completed for the Mariana project. The PEA was prepared by Advisian (“Advisian”), a division of the WorleyParsons Group, for Mariana Lithium Corp. to provide a PEA of its Mariana Lithium Brine Project in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”). The PEA technical report assesses the potential economic viability of developing the 14 exploration licenses (Minas), that cover the Salar de Llullaillaco (the Salar) and surrounding area (23,560 hectares), for the purpose of extraction of lithium brine resources and processing of two products – Lithium Carbonate Equivalent and Sulphate of Potash. All figures are quoted in US dollars. It should be noted that the Company did not play any significant part in the production of the PEA report, and that the conclusions are therefore those of the consultants.

PEA Highlights:

- 25-year mine life producing 10,000 tonnes per year (“TPY”) Lithium Carbonate Equivalent (“LCE”) plus 84,000 TPY Sulphate of Potash (“SOP”).
- The estimated CAPEX and OPEX are for a conventional brine extraction facility, solar evaporation ponds and SOP processing with a level of accuracy of -30/+50%.
- CAPEX estimated at US \$243 million for 25-year mine life.
- NPV = US \$192 million after-tax at 10% discount rate, IRR = 20% post-tax.
- Project results remain positive, even with important negative variations on the driver variables, indicating project strength and resilience; thus, the PEA study indicates Mariana’s proposed 10,000 TPY LCE concentrated brine and 84,000 TPY SOP fertilizer operation has the potential to generate strong economic returns.

Cautionary Note:

The preliminary economic assessment (PEA) is preliminary in nature, and it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. The PEA includes the results of an economic analysis of mineral resources, and mineral resources that are not mineral reserves do not have demonstrated economic viability.

For the first half of 2019, GFL proposed a budget of USD \$10,000,000. The Company decided to take a break from contributions while focusing on other strategic projects. Based on calls to date, the Company’s share in Mariana by end April 2019 will be 15.392%.

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 year ended December 31, 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 entered into an amended 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 year ended December 31, 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 (“Li₂O”) over 17.90 metres from 80.00 metres in drill hole MF17-39;
- 1.70% Li₂O over 26.30 metres from 111.9m in drill hole MF17-49, including a zone grading 2.97% Li₂O over 7.70m; and
- 1.45% Li₂O over 16.55 metres from 74.55 metres and 1.40% Li₂O 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% Li₂O from 82.75m

Other intersections* of spodumene-bearing pegmatites returned:

- MF18-58: 28.95m at 1.14% Li₂O from 116.8m
- MF18-51: 23.30m at 1.09% Li₂O from 76.8m
- MF18-52: 13.45m at 1.17% Li₂O from 149.95m
- MF18-54: 18.20m at 1.27% Li₂O from 94.8m and
- MF18-54: 6.10m at 2.33% Li₂O from 139.25
- MF18-55: 12.35m at 1.41% Li₂O 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 entered into 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 year ended December 31, 2018, the Company acquired from a vendor certain 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 certain claims covering an area of 256 hectares located in the Thunder Bay Mining District in Northwestern Ontario, Canada.

During the year ended December 31, 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 year ended December 31, 2018, the Company received \$25,000 in cash and 140,732 shares valued at \$25,000 from ULI recorded 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 year ended December 31, 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 year ended December 31, 2018 are as follows:

December 31, 2018	Mavis Lake Fairservice, Ontario	Raleigh Lake, 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	4,813	5,079
	1,348,860	60,813	1,409,673
Recoveries and option payments	(149,355)	-	(149,355)
Exploration and evaluation costs, end of the period	\$ 1,199,505	\$ 60,813	\$ 1,260,318

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

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Total assets	\$ 8,962,873	\$ 8,543,295	\$ 8,797,726	\$ 7,380,147
Exploration and evaluation assets	1,260,318	1,257,818	1,348,860	1,348,594
Working capital (deficiency)	(4,076,970)	(3,899,446)	(3,345,521)	(1,944,685)
Long-term debt	3,575,282	3,327,356	3,318,294	3,184,953
Shareholders' equity	966,339	961,417	1,356,370	2,050,623
Loss and comprehensive loss	(820,051)	(474,931)	(710,512)	(390,056)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.00)

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total assets	\$ 6,617,363	\$ 7,562,603	\$ 7,437,146	\$ 6,562,567
Exploration and evaluation assets	1,348,594	1,348,329	1,348,329	1,423,330
Working capital (deficiency)	(1,833,485)	(2,180,119)	(1,662,768)	(569,784)
Long-term debt	3,036,881	2,958,233	3,010,623	3,021,510
Shareholders' equity	1,648,144	2,186,508	2,436,503	2,631,275
Loss and comprehensive loss	(1,477,612)	(258,136)	(389,975)	(660,361)
Basic and diluted loss per share	(0.02)	(0.00)	(0.00)	(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 year ended December 31, 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

Years ended December 31, 2018 and 2017

The Company incurred a comprehensive loss of \$2,395,550 (2017 - \$2,786,084) during the year ended December 31, 2018.

Significant changes are as follows:

- Consulting fees of \$435,650 (2017 - \$573,534) decreased over prior period due to the change in management.
- Directors' fees of \$113,041 (2017 - \$70,328) have been accrued according to board resolutions.
- Foreign exchange resulted in a loss of \$279,302 relative to a gain of \$182,085 in corresponding period 2017. The Company is exposed to foreign exchange movements on liabilities denominated and settled in US dollars including the exploration loan.
- Loss on equity investments of \$40,196 (2017 - \$82,284) 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 \$815,784 (2017 - \$375,054) relates to interest accruing on the Company's exploration loan with GFL, convertible debentures, promissory notes and additional financing costs.
- Rent and office increased to \$96,822 (2017 - \$61,500) as a result of increase in IT services availed and rent expense.
- Professional fees decreased to \$157,878 (2017 - \$169,760) subsequent to the management changeover.
- Shareholder communications increased to \$343,048 (2017 - \$76,661) due to participation in road shows and increase in investor relations activities.
- Share-based payments of \$122,183 (2017 - \$1,051,198) 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.
- The Company realized a loss of \$nil (2017 - \$666,314) on dilution Mariana Property Joint Venture after it was no longer considered an investment in associate effective December 26, 2017.
- During the year, the Company recognized recoveries against operating expenses of \$nil (2017 - \$84,122) for amounts collected against expenses under the management of the Mariana project.

Three months ended December 31, 2018 and 2017

The Company incurred a comprehensive loss of \$820,051 (2017 - \$1,477,612) during the three months ended December 31, 2018.

Significant changes are as follows:

- Consulting fees of \$96,727 (2017 - \$128,007) decreased over prior period due to the change in management.
- Directors' fees of \$35,717 (2017 - \$12,000) have been accrued according to board resolutions.
- Foreign exchange resulted in a loss of \$177,821 relative to a loss of \$60,290 in corresponding period 2017. The Company is exposed to foreign exchange movements on liabilities denominated and settled in US dollars including the exploration loan.
- Loss on equity investments of \$5,764 (2017 - \$31,470 gain) relates to the Company's proportion of the net loss/gain in each of Lito Minera Argentina S.A. (2017 only) and Blackstairs Lithium Limited.
- Interest and bank charges of \$254,743 (2017 - \$117,712) relates interest accruing on the Company's exploration loan with GFL, convertible debentures, promissory notes and additional financing costs.
- Rent and Office were \$42,963 (2017 - \$27,747) due to increase in IT services availed and in rent expense.
- Professional fees increased to \$70,783 (2017 - \$51,197) subsequent to the management changeover.
- Shareholder communications increased to \$155,865 (2017 - \$18,823) due to increase in investor relation activities.
- Share-based payments of \$27,556 (2017 - \$545,867) relates to the value of stock options granted and vesting in the period.
- The Company realized a loss of \$nil (2017 - \$666,314) on dilution Mariana Property Joint Venture after it was no longer considered an investment in associate effective December 26, 2017.

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 December 31, 2018 and 2017.

	December 31, 2018	December 31, 2017
Working capital deficiency	\$ (4,076,970)	\$ (1,833,485)
Deficit	(11,415,289)	(9,445,651)

At December 31, 2018 the Company had \$162,919 (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 year ended December 31, 2018 was \$1,315,006 (2017 – \$672,507). 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 year ended December 31, 2018 was \$680,483 (2017 – \$1,369,459). In the current period the Company advanced directly \$747,997 to Litio as an investment (2017 - \$1,546,531 to Litio as additional capital into the equity investee). The Company received property option payments of \$76,145 (2017- \$62,500) and made property option payments of \$20,000 (2017 - \$nil). Proceeds from sale of marketable securities were \$22,867 (2017 – \$94,219).

Financing activities provided cash of \$2,154,553 during the year ended December 31, 2018 (2017 – \$2,000,876). The Company received \$335,360, net of issuance costs, for shares issued, paid interest of \$228,690 with respect to the convertible debentures, issued convertible debentures, net of issuance cost, in amount of \$1,681,831 (2017 – 1,693,666), repaid convertible debentures totalling \$273,836 (2017 - \$nil), received advances under a promissory note in the amount of \$160,000 (2017 - \$nil), and received \$33,000 (2017 - \$165,000) for exercised stock options during the year ended December 31, 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	December 31, 2018	December 31, 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 Lito Minera Argentina S.A.	-	1,500
Exploration expenditures	Coast Mountain Geological Ltd., Gary Schellenberg, former CEO and former Director	-	14,439
Exploration expenditures and consulting fees	Anthony Kovacs, COO and Blacksmith Metals Exploration Ltd.	144,000	144,000
IT Support Services	CONVENDIA Ltd., John Wisbey, CEO and Director	26,490	26,485
Consulting fees	619517 BC Ltd., Jerry Bella, former CFO	-	25,000
Consulting fees	Kirill Klip, former CEO, President and Director	37,048	180,000
Consulting fees	Maurice Brooks, Director and CFO	82,693	48,000
Consulting fees	John Wisbey, CEO and Director	95,806	-
Consulting fees	Nancy La Couvee, Corporate Secretary	36,933	-
Consulting fees	Patricia Fong, former CFO	14,800	-
Consulting fees and exploration expenditures	Mike Sieb, former Director	-	7,987
Directors' fees	John Wisbey	52,742	22,582
	Maurice Brooks	28,791	-
	Ross Thompson	22,791	22,582
	Kirill Klip	3,717	-
	Nicholas Davies	5,000	-
	Xiaoshen Wang	-	12,582
	David Shen	-	12,582

At December 31, 2018, the Company had convertible debentures with a face value of \$1,889,500 (December 31, 2017: \$875,000) due to four directors of the Company (2017 – three directors) and of \$700,000 due to a former significant shareholder, and a promissory note in the amount of \$515,857 due to an officer and director of the Company (2017 - \$nil). (*Notes 11 & 12 of the consolidated financial statements*)

At December 31, 2018, due to related parties consisted of \$28,412 (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 December 31, 2018, \$10,246 (December 31, 2017, - \$35,500) was receivable from a former significant shareholder.

During the year ended December, 31, 2018, the Company granted 1,505,000 options to the directors and officers pursuant to the Company's stock option plan. The options have an exercise price of \$0.085 per share, expiry period of five years, and are fully vested one year from the date of grant. The fair value of these options calculated using the Black-Scholes option-pricing model was \$109,329.

During the year ended December, 31, 2017, the Company granted 5,150,000 options to the directors and officers pursuant to the Company's stock option plan. The options have an exercise price of \$0.155 and \$0.18 per share, expiry period of five years, and are fully vested at the date of grant. The fair value of these options calculated using the Black-Scholes option-pricing model was \$741,098.

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.

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 Convertibles 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 who subscribed to the \$1,007,750 tranche 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 in the first year and \$0.10 per common share thereafter until maturity. The debenture holders who subscribed to the \$792,250 tranche 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 until the maturity date. The Debentures are secured by a general security agreement against the Company's assets. Directors and officers of the Company participated in the Private Placement.

On February 13, 2019, the Company completed a non-brokered private placement of convertible debentures in the principal amount of GBP 240,000 with a related party. The debentures will mature on May 31, 2019 and bears interest at the rate of 15% per annum. 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 \$0.07 per common share.

On April 15, 2019, the Company completed a non-brokered private placement announced for 37,600,000 units at \$0.05 per unit for gross proceeds of \$1880,000. Each unit comprised of one common share and a half share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.10 per share for two years from issue. The Company's directors and officers participated in the private placement. The 2018 series 2 Convertible Debentures amounting \$358,000 were converted to participate in the private placement.

During the year ended December 31, 2018, the Company received a total of \$515,857 (2017 - \$nil) from an officer and director of the Company under a promissory note and recorded interest expense of \$15,210 (2017 - \$nil). Of the total proceeds, \$333,964 was forwarded to Lito as cash contribution directly and \$21,893 were payment to a consultant for consulting fees during the year. The note is payable on demand and bears interest at the rate of 15% per annum.

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 19 of the consolidated financial statements for the year ended December 31, 2018, for further details.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at December 31, 2018.

Adoption of New Accounting Policies

New standards adopted

Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9 Financial instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 has been applied retrospectively and did not result in a change to measurement of financial instruments, in either the current or prior periods.

Financial assets

The classification of financial assets depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, the classification will depend on the business model in which the investment is held and contractual terms of the cash flows

The Company classifies its financial assets into one of the following categories as follows:

Amortized cost

The Company classifies its financial assets at amortized cost only if both of the following conditions are met:

- the financial asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets are measured at fair value plus directly attributable transaction costs at initial recognition and are subsequently measured at amortized costs using effective interest method less any provisions for impairment.

Fair value through other comprehensive income ("FVOCI")

The Company classifies its equity investments at FVOCI for which are not held for trading and the Company has made an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments. Upon disposal of these equity investments, any balance within the other comprehensive income reserve for these equity investments is reclassified to retained earnings/deficit and is not reclassified to profit or loss. In addition, the other comprehensive income reserve for an impaired equity investment is not reclassified to profit or loss.

Fair value through profit or loss ("FVPL")

The Company classifies the following financial assets at FVPL:

- equity investments that are held for trading;
- equity investments for which the Company has not elected to recognize fair value gains and losses through other comprehensive income;
- debt investments that do not qualify for measurement at either amortized cost or at FVOCI; and
- derivative financial instruments.

The Company has classified its cash and marketable securities as fair value through profit or loss, receivables as amortized cost and investment has been classified as fair value through other comprehensive income (loss).

Financial liabilities

The Company classifies its financial liabilities as subsequently measured at amortized cost or FVPL. Financial liabilities are subsequently measured at amortized cost, except for those at FVPL such as derivative financial instruments and contingent consideration payables. The FVPL option can be elected for financial liabilities if:

- it eliminates or significantly reduces an accounting mismatch;
- the financial liability is part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract.

This irrevocable election is made at initial recognition and these financial liabilities cannot be reclassified out of the category while they are held or issued. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at FVPL will recognize changes in fair value attributable to the Company's own credit risk in other comprehensive income instead of profit or loss, unless this would create an accounting mismatch.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets which are classified and measure at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the financial assets.

The criteria used to determine risk of default and to estimate expected credit losses include:

- delinquencies in payments;
- significant financial difficulty of the debtor;
- it becomes probable that the debtor will enter bankruptcy; or
- significant changes in macroeconomic factors that indicate future defaults will vary and measurable changes in estimated future cash flows will result, provided that such information is observable and available without undue cost or effort.

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 does not expect the adoption of IFRS 16 will have material impact 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 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 its investment, 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 and investment in Lito Minera Argentina S.A. (“Lito”) and deconsolidation of 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 15 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 investment

The Company holds a 17.246% interest in Lito as at December 31, 2018 and 2017. 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 Lito. The equity investment in Lito 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 Lito from July 13, 2016 and ceased equity accounting on December 26, 2017. (Note 7 and 8 of the consolidated financial statements)

The assessment that the Company did not have significant influence over the investment in Lito as at December 26, 2017 resulted 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 Lito, the common directors and management between Lito and the Company and the intercompany transactions and relationship with Lito and concluded that no significant influence existed.

The determinations of fair value of the Company’s investments at other than initial cost are subject to certain limitations. Financial information for privately-held company may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company’s judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

Outstanding Share Data

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

	Number of shares issued or issuable
Common shares	132,595,903
Convertible debentures (GBP 240,000 at \$0.07, \$280,000 at \$0.085, \$2,364,993 at \$0.065 and \$1,800,000 at \$0.065)	63,695,332
Stock options	9,085,000
Warrants	19,925,000
Total if all converted or exercised	225,301,235

Subsequent Events

Subsequent to December 31, 2018 the following events occurred:

- a) The Company completed a non-brokered private placement announced for 37,600,000 units at \$0.05 per unit for gross proceeds of \$1880,000. Each unit comprised of one common share and a half share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.10 per share for two years from issue. The Company's directors and officers participated in the private placement. The 2018 series 2 Convertible Debentures amounting \$358,000 and interest payables of \$13,241 were converted to participate in the private placement. *(Note 12 and 15 of the consolidated financial statements)*
- b) 3,235,000 share warrants exercisable at \$0.12 expired unexercised. *(Note 15 of the consolidated financial statements)*
- c) The Company settled a convertible debenture in the amount of \$700,000 due to a former significant shareholder on its maturity. *(Note 12 and 14 of the consolidated financial statements)*
- d) The Company completed a non-brokered private placement of convertible debenture in the principal amount of GBP 240,000 with a related party. The debenture is will mature on May 31, 2019 and bears interest at the rate of 15% per annum. 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 \$0.07 per common share. *(Note 12 of the consolidated financial statements)*
- e) The Company entered into Amending Agreement with certain 2018 series 2 Convertible Debentures holders. As per the amended terms, the debentures will mature on June 30, 2020, and 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 \$0.065 until maturity. All other terms remained the same. *(Note 12 of the consolidated financial statements)*

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 consolidated financial statements for the year ended December 31, 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.