CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018

INTERNATIONAL LITHIUM CORP.

CHAIRMAN'S REPORT FOR YEAR ENDED DECEMBER 31, 2018

Summary

2018 was a year of considerable progress for International Lithium Corp. (the "Company" or "ILC"), and this has continued into 2019. When I became Chairman and CEO in March 2018, my priorities and those of the Board were to stabilize our finances, rebuild trust with our partners, take a strategic review of our mineral holdings, and uncouple ourselves from the former parent company TNR Gold Corp. Significant progress was made in 2018 and early 2019 with all these objectives.

Financial

Our biggest concern in March 2018 was stabilizing our finances given the expected CAD $3.7m of payments due for the Mariana project in 2018, a creditor backlog, and convertibles to repay as well as our overheads. These issues were all successfully dealt with, and we have now raised around CAD $5.0m in equity or convertible funding over the last year despite late 2018 being what has been described as the toughest funding climate for mining companies in many years, if not for a generation. This is 50% more than the company has raised in any previous year, including on IPO.

The overall financial dynamic of the Company is that it has interests in some potentially very valuable lithium producing properties, both hard rock (in Canada and Ireland) and brine (in Argentina). The properties we regard as the most strategic are Raleigh Lake in Ontario, Canada and Mariana in Argentina. These properties are not yet in production and therefore are not yet revenue earning, so consequently the company will continue to need to raise money until either a property goes into production, or until one or more of the properties are sold. It is consequently important that we stay ahead of the funding curve. To that end we are currently fundraising for a further CAD $1.0m of traditional equity finance, having closed CAD $1.88m of equity finance in February to early April 2019, and also having extended the maturity date of CAD $2.34m of our convertibles by a year to June 30, 2020.

Mining

On the mining front, we made progress with four of our five mining properties, and we ended the year with a clear strategy. A brief summary is as follows:

i) Mariana, Argentina – we kept up with our committed budget contributions in 2018. We had a share of 17.246% in the project with a back in right of 10%, taking us up to a total of 27.246%. The project ended up well under its budget of USD $17m, and we paid a total of CAD $1.71m. During the year 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. Clearly this was the consultant's valuation rather than ours, and is subject to numerous assumptions, but it is an encouraging number. Highlighting the risks however, the financing requirement for the project was estimated at USD $243m, with our pro rata share 17.246% or 27.246% of that number.

   For the first 6 months of 2019, in which Ganfeng decided to propose a budget of USD $10m, we decided to take a break from contributions so that we could focus on the Raleigh Lake property. Based on calls to date our share in Mariana by end April 2019 will be 15.392%; should further calls be made in May and June 2019 equal to the whole of the budget, our not contributing to Mariana will mean our share reducing to 13.607%, with our back in right taking us back up to a total of 23.607%.

ii) Raleigh Lake, Ontario – During 2018 we reacquired all our rights to this project without any encumbrances, and we proceeded to increase the size of our claim by a factor of over 3. We now have 3,027 hectares of claims there. We have looked at historical drilling results when a previous operator looking for tantalum found a lot of lithium and some rubidium and caesium, and we have also talked to geologists who were involved in the project at an earlier time. This all makes us very hopeful of the potential of this site, and we will be making aerial drone surveys and drilling of 20 or more holes there in the next few months our top priority.

iii) Mavis Lake, Ontario – As part of a deal with our partner Pioneer Resources, Pioneer acquired 51% of Mavis Lake under an earn-in. We are not expecting a lot of activity there in 2019, as both we and Pioneer are focused on other projects.

iv) Avalonia, Ireland – Our partner Ganfeng continued to finance a drilling program at Avalonia, and we made an update to the market on April 12, 2019. We will not need to contribute to the financing of this project for few years.

v) Forgan Lake, Ontario – we concluded a deal in September 2018 with Ultra Lithium whereby, subject to contracted progress payments and a minimum expenditure of CAD $500,000, they will acquire 100% of the property over 2 years, with our receiving a royalty of 1.5% on this and a neighbouring property.

Partners

On the partner front, we restored our good relations with both Ganfeng Lithium and with Pioneer Resources. Both are shareholders in our Company and we are also a small shareholder in Pioneer Resources. We were able to conclude a transaction for the Mavis Lake and Raleigh Lake properties with Pioneer in the summer to mutual benefit. As Ganfeng's minority partner on both Mariana and Avalonia, we are to a large extent dependent on their intentions for these projects.

Relationship with former parent TNR Gold Corp. ("TNR")

We have now almost entirely uncoupled our relationship with TNR. We started 2018 with TNR owning 8.2m shares in the Company and CAD $700,000 of a convertible issued by the Company, a position reduced from 100% pre-IPO and around 20% in early 2016 when TNR owned 18m shares in the Company. In addition, at the beginning of 2018 there were four common directors between ILC and TNR, a position no longer appropriate given TNR's reduced shareholding in the Company. During the year we reduced the number of common directors to zero through myself resigning from the board of TNR in January 2018, Kirill Klip resigning from the board of the Company in November 2018, and Maurice Brooks and Ross Thompson not standing for re-election to the board of TNR at its November 2018 AGM; this has continued in 2019 with ILC director Anthony Kovacs resigning his management role at TNR in April 2019. In the second half of 2018 we moved to new offices, leaving TNR at what had previously been our office space shared with them. Additionally, by the end of 2018, TNR had sold its holding in the Company down to 2.7m shares, selling 5.5m shares during the year. Following our repayment of the CAD $700,000 convertible to TNR in February 2019, and our own issue of shares and convertible debentures to enable that repayment, TNR's shareholding or share interest in the Company's shares is now under 2% of the Company. We are grateful to TNR for its support over the years, and more recently we were also pleased to have helped TNR in that TNR's sale of ILC shares and recently ILC's convertible debenture repayment to TNR has provided most of TNR's liquidity in the last two years. However, the Board and our main shareholders are also very pleased that this significant source of downward pressure on our share price, and drain on our own liquidity, has now largely been removed.

Personnel

In December we welcomed Anthony Kovacs, our COO, to the board. This was well deserved after several years of valuable contribution to the Company, and his major contribution to the decisions on our properties in 2018. We also welcomed Nick Davies to our board as a Non-executive Director.

Outlook and our plans for 2019

There are many international uncertainties at a macroeconomic level at present including trade wars, European parliamentary elections, U.S. Government shutdown and Brexit. These could all create stock market uncertainty and make funding harder. The asset allocation of risk capital away from mining to cannabis and blockchain technologies will presumably reverse itself at some stage, but this may take some time. We remain convinced however that, with the relentless growth in demand for electric vehicles and electric battery storage, we are set for years if not decades of strong compound growth in demand for batteries. Lithium is a key component of battery technologies, and the demand for batteries will be good for the lithium industry as a whole. Lithium has been described as "the new oil" and we believe the Company is in the right place at the right time.

One of the most important decisions a Board has to make is about the allocation of capital, and at this point we feel that if we are successful in proving the scale of the Raleigh Lake deposit, the investment in that project is likely to bring a bigger gain to shareholder value than investment in any of our other projects. Our key priority for the next few months, and also the first use of new funds as well as working capital, is to conduct enough drilling and magnetic drone survey work at our Raleigh Lake lithium deposit in Ontario, Canada to validate the size of this deposit. If this drilling is successful and delivers on what we are looking for, then our corporate story will be very much stronger and of course the hope is that this will allow the Company to benefit from a significant re-rating. We continue to have confidence in the Mariana project following a successful preliminary economic assessment (PEA) in December 2018. Our partner Ganfeng Lithium has in April 2019 announced publicly that the pre-feasibility and feasibility study of the Mariana Project are expected to complete in 2019, and we will be liaising closely with them on the detail of this over the next few months. Following the results from Raleigh Lake, we will then map out our strategic options for Mariana, Raleigh Lake and other projects, hopefully from a position of strength.

It is our wish to broaden the Company's investor base and to obtain institutional backing that will allow the Company to break out to the next level.

I would like to thank all our staff for their contribution during the year as well as our advisors, and our shareholders for their support.

John Wisbey
Chairman
April 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
International Lithium Corp.

Opinion

We have audited the accompanying consolidated financial statements of International Lithium Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has incurred ongoing losses and expects to incur further losses in the development of its business. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

April 30, 2019

INTERNATIONAL LITHIUM CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT DECEMBER 31,

	Notes	2018	2017
ASSETS			
Current			
Cash		$ 162,919	$ 3,855
Receivables	*4*	54,612	41,493
Marketable securities	*5*	83,170	23,072
Prepaids		43,581	30,433
		344,282	98,853
Equipment	*6*	5,778	-
Investment	*7& 8*	5,760,937	4,049,753
Investment in Blackstairs Lithium Limited	*8*	1,591,558	1,120,163
Exploration and evaluation assets	*9*	1,260,318	1,348,594
		$ 8,962,873	$ 6,617,363
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	*10 &14*	$ 104,689	$ 338,824
Promissory note	*11*	531,067	-
Convertible debentures	*12*	3,785,496	1,593,514
		4,421,252	1,932,338
Exploration loan	*13*	3,575,282	3,036,881
		7,996,534	4,969,219
Shareholders' Equity			
Share capital	*15*	9,613,611	9,074,133
Subscriptions received	*15*	627,500	113,140
Equity reserves	*15*	2,053,222	1,953,017
Equity component of convertible debentures	*12*	110,446	26,994
Accumulated other comprehensive gain loss	*8*	(23,151)	(73,489)
Deficit		(11,415,289)	(9,445,651)
		966,339	1,648,144
		$ 8,962,873	$ 6,617,363

Nature and continuance of operations *(Note 1)*
Commitments & Contingencies *(Notes 14 & 21)*
Subsequent events *(Note 22)*

Approved and authorized by the Board on *April 30, 2019*

"John Wisbey" Director *"Maurice Brooks"* Director

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

INTERNATIONAL LITHIUM CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31,

	Notes	2018	2017
OPERATING EXPENSES			
Administration fees	*14*	$ -	$ 6,000
Argentina administration		-	13,690
Consulting fees	*14*	435,650	573,534
Depreciation expense	*6*	642	-
Directors' fees	*14*	113,041	70,328
Foreign exchange loss (gain)		279,302	(182,085)
Interest and bank charges		815,784	375,054
Loss on equity investments	*5*	40,196	82,284
Professional fees		157,878	169,760
Property investigation		-	9,287
Rent and office		96,822	61,500
Shareholder communications		343,048	76,661
Share-based payments	*15*	122,183	1,051,198
Transfer agent and filing fees		34,897	36,239
Travel and promotion		16,199	43,898
Total operating expenses		(2,455,642)	(2,387,348)
Loss on dilution of Litio Minera Argentina S.A.	*8*	-	(666,314)
Operator income	*8 & 9*	-	168,039
(Loss) gain on marketable securities	*5*	(40,246)	36,897
Recoveries against operating expenses		-	84,122
Recoveries in excess of carrying value	*9*	50,000	35,763
		9,754	(341,493)
Loss for the year		(2,445,888)	(2,728,841)
Foreign currency translation	*8*	50,338	(57,243)
Comprehensive loss for the year		$ (2,395,550)	$ (2,786,084)
Basic and diluted loss per common share		$ (0.03)	$ (0.03)
Weighted average number of common shares outstanding		94,518,505	89,325,375

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

INTERNATIONAL LITHIUM CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31,

	2018	2017
CASH FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,445,888)	$ (2,728,841)
Items not affecting cash:		
Realized loss on marketable securities	38,735	(36,897)
Unrealized gain on marketable securities	(7,220)	-
Accrued interest expense	804,855	371,388
Accrued consulting fees	21,893	-
Depreciation expense	642	-
Foreign exchange	287,078	(204,449)
Loss on equity investments	40,196	82,284
Dilution of Litio Minera Argentina S.A.	-	666,314
Share-based payments	122,183	1,051,198
Recoveries in excess of carrying value	(50,000)	(35,763)
Changes in non-cash working capital items:		
Receivables	25,551	74,086
Prepaids	(13,148)	(2,522)
Accounts payable and accrued liabilities	(139,883)	90,695
Net change from operating activities	(1,315,006)	(672,507)
CASH FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(5,078)	(31,063)
Sale of marketable securities	22,867	94,219
Purchase of fixed asset	(6,420)	-
Option payments received	76,145	62,500
Option payments paid	(20,000)	-
Investment	(747,997)	-
Investment in AFS securities	-	(1,546,531)
Recoveries on mineral property expenditures	-	51,416
Net change from investing activities	(680,483)	(1,369,459)
CASH FROM FINANCING ACTIVITIES		
Convertible debentures issued, net of costs	1,681,831	1,693,666
Convertible debentures repaid	(273,836)	-
Promissory note issued	160,000	-
Shares issued for cash, net of costs	335,360	113,140
Shares subscription received	446,888	-
Options exercised	33,000	165,000
Warrants exercised	-	84,000
Interest paid	(228,690)	(54,930)
Net change from financing activities	2,154,553	2,000,876
Change in cash for the year	159,064	(41,090)
Cash, beginning of year	3,855	44,945
Cash, end of year	$ 162,919	$ 3,855

Supplemental disclosure with respect to cash flows *(Note 16)*

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

INTERNATIONAL LITHIUM CORP.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share capital							
	Number	**Amount**	**Equity reserves**	**Subscriptions received**	**Equity component of convertible loan**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**
Balance at December 31, 2016	87,553,046	$ 8,585,214	$ 1,016,738	$ -	$ -	$ (16,246)	$ (6,766,196)	$ 2,819,510
Equity portion of convertible debentures issued	-	-	-	-	29,136	-	-	29,136
Equity conversion of convertible debentures	892,856	125,000	-	-	(2,142)	-	-	122,858
Equity gain on carried interest	-	-	-	-	-	-	49,386	49,386
Funds received in advance of issuance of shares	-	-	-	113,140	-	-	-	113,140
Stock options exercised	2,650,000	279,919	(114,919)	-	-	-	-	165,000
Warrants exercised	700,000	84,000	-	-	-	-	-	84,000
Share-based payments	-	-	1,051,198	-	-	-	-	1,051,198
Loss for the year	-	-	-	-	-	(57,243)	(2,728,841)	(2,786,084)
Balance at December 31, 2017	91,795,902	9,074,133	1,953,017	113,140	26,994	(73,489)	(9,445,651)	1,648,144
Equity portion of convertible debentures issued	-	-	-	-	98,449	-	-	98,449
Maturity of unexercised convertible debentures	-	-	-	-	(14,997)	-	14,997	-
Equity gain on carried interest	-	-	-	-	-	-	461,253	461,253
Shares issued for cash	2,250,000	450,000	-	(88,140)	-	-	-	361,860
Share issue cost	-	(1,500)	-	-	-	-	-	(1,500)
Shares issued for property acquisition	400,000	36,000	-	-	-	-	-	36,000
Funds received in advance of issuance of shares	-	-	-	627,500	-	-	-	627,500
Stock options exercised	550,000	54,978	(21,978)	(25,000)	-	-	-	8,000
Share based payments	-	-	122,183	-	-	-	-	122,183
Loss for the year	-	-	-	-	-	50,338	(2,445,888)	(2,395,550)
Balance at December 31, 2018	94,995,902	$ 9,613,611	$ 2,053,222	$ 627,500	$ 110,446	$ (23,151)	$(11,415,289)	$ 966,339

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

1. NATURE AND CONTINUANCE OF OPERATIONS

International Lithium Corp. (the "Company") was incorporated under the Business Corporations Act, British Columbia on March 26, 2009 and is considered to be in the exploration stage with respect to its mineral properties. The Company's head office address is 1910 – 1030 West Georgia Street, Vancouver, British Columbia, Canada, V6E 2Y3. The registered and records office address is 700 Granville Street, Suite 725, Vancouver, British Columbia, Canada, V5Z 1E4.

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

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

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

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

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Consolidation and Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

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

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

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

Significant accounting judgments and estimates

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

The most significant judgments relate to the recoverability of 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 Litio Minera Argentina S.A. ("Litio") and deconsolidation of Litio.

Share-based payments

Share-based payments, as measured with respect to stock options granted and re-priced, are estimated by reference to the Black-Scholes pricing model; a detailed discussion of management's estimates with respect to the pricing model is found in Note 15.

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 Litio 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 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 ceased equity accounting on December 26, 2017. (Note 7 and 8)

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

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

Valuation of investment (cont'd...)

The assessment that the Company did not have significant influence over the investment in Litio 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 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar. The functional currency of the Company's associates are the Euro and US dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in loss for the year.

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:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

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 payable. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

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 measured 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.

Investment in associate

The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associates.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties – exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

The carrying values of capitalized amounts are reviewed annually or when indicators of impairment are present. In the case of undeveloped properties there may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the intentions for the development of such a property.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount.

Impairment of tangible and intangible assets

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

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company does not have any significant rehabilitation obligations.

Borrowing costs

Interest and other financing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

The Company accounts for stock options granted to directors, officers and employees at the fair value of the options granted. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share-based compensation is accrued and charged to operations, with an offsetting credit to share-based payment reserve, over the vesting periods. Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be reliably measured. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants and convertible loan, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and the convertible loans were converted and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the periods presented, the calculations proved to be anti-dilutive.

Income taxes

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

Deferred tax is recorded for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered the deferred tax asset is not set up.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Warrants Issued in Equity Financing Transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves. Warrants that are issued as payment for agency fees or other transaction costs (Finder's Warrants) are assigned a value based on the Black- Scholes pricing model and included in reserves. When warrants are exercised, any reserves related to those warrants are reclassified from reserves to share capital.

New standards not yet adopted

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

4. RECEIVABLES

	December 31, 2018	December 31, 2017
Input tax credits	$ 6,042	$ 5,993
Related party receivables *(Note 14)*	10,246	35,500
Other receivables	38,324	-
Total	$ 54,612	$ 41,493

5. MARKETABLE SECURITIES

As at December 31, 2018, marketable securities consisted of shares of publicly traded companies, Pioneer Resources Limited ("Pioneer") and Ultra Lithium Inc ("Ultra") (December 31, 2017 – shares of Pioneer). The Pioneer shares were received as part of the option agreements on the Mavis Lake and Raleigh Lake Projects, and the Ultra shares were received as part of the option agreement on the Forgan Lake Project *(Note 9)*. Marketable securities are measured at fair value by reference to quoted stock prices on established exchanges. During the years ended December 31, 2018 and 2017, the following transactions occurred:

5. MARKETABLE SECURITIES

	December 31, 2018		December 31,2017	
	Shares	$	Shares	$
Pioneer shares				
Opening balance	735,662	$ 23,072	1,597,925	$ 32,131
Received from Mavis Lake option agreement	4,673,913	98,210	2,073,075	37,500
Received from Raleigh Lake option agreement	-	-	735,662	10,763
Sale of marketable securities	(735,662)	(22,866)	(3,671,000)	(78,082)
Unrealized gain (loss)	-	(26,505)	-	20,760
Ending balance	4,673,913	71,911	735,662	23,072
Ultra shares				
Opening balance	-	-	-	-
Received from Forgan Lake option agreement	140,732	25,000	-	-
Unrealized gain (loss)	-	(13,741)	-	-
Ending balance	140,732	11,259	-	-
Total		$ 83,170		$ 23,072

6. EQUIPMENT

Furniture and fixtures	Cost	Accumulated Depreciation	Net Book Value
Balance as at December 31, 2017	$ -	$ -	$ -
Additions	6,420	642	5,778
Balance as at December 31, 2018	$ 6,420	$ 642	$ 5,778

7. INVESTMENT

As at December 31, 2018 and 2017, investment securities consist of a 17.246% investment in Litio Minera Argentina S.A. ("Litio") which holds title to the Mariana property. Litio was classified as an investment security through other comprehensive income after it was no longer considered an investment in associate effective December 26, 2017. *(Note 8)*

During the year ended December 31, 2018, the Company invested $1,711,184 in Litio as additional investments.

8. INVESTMENTS IN ASSOCIATES

Avalonia Lithium Joint Venture

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

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

Avalonia Lithium Joint Venture (cont'd...)

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

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

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

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

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

Blackstairs Lithium Limited

	December 31, 2018	December 31, 2017
Current assets	$ 292,666	$ 83,778
Non-current assets	3,280,987	2,472,679
Current liabilities	(36,858)	(67,206)
Net assets	3,536,795	2,489,251
The Company's share of the net assets – 45% (2017 - 45%)	$ 1,591,558	$ 1,120,163

	Year ended December 31, 2018	Year ended December 31, 2017
Loss for the year	$ (89,324)	$ (48,620)
Other comprehensive income – foreign currency translation	111,861	143,337
Total comprehensive income	22,537	94,717
The Company's share of comprehensive income – 45% (2017 - 45%)	$ 10,142	$ 42,623

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

Blackstairs Lithium Limited (cont'd...)

Investment in associate – Blackstairs Lithium Limited	Year ended December 31, 2018	Year ended December 31, 2017
Balance, beginning of year	$ 1,120,163	$ 1,028,154
Equity gain on carried interest	461,253	49,386
Loss on equity investment	(40,196)	(21,879)
Equity – other comprehensive income (loss)	50,338	64,502
Ending balance, investment in associate – Blackstairs Lithium Limited	$ 1,591,558	$ 1,120,163

Mariana Property Joint Venture (Argentina)

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

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

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

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

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

During the year ended December 31, 2018, the Company charged $nil (2017 - $ 168,039) in operator income for the Mariana project.

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

Mariana Property Joint Venture (Argentina) (cont'd...)

Back-In Right

At any time and up until 120 days from the completion of a Feasibility Study (as described in National Instrument 43-101 - Standards of Disclosure for Mineral Projects) that demonstrates the feasibility of placing the Mariana Property or part thereof into commercial production, the Company will have the right to elect to "buy back" a 10% participating interest in the Mariana Property (the "Back-in Right") by giving written notice to GFL of the exercise of the Back-in Right.

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

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

Litio Minera Argentina S.A.

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

Litio Minera Argentina S.A.		Year ended December 31, 2017
Loss for the period	$	(302,028)
Other comprehensive loss – foreign currency translation		(842,118)
Total comprehensive loss		(1,144,146)
The Company's share of comprehensive loss – 20% as at December 26, 2017	$	(228,829)

Investment in associate - Litio Minera Argentina S.A.		Year ended December 31, 2017
Opening Balance	$	3,195,518
Additional equity investments		1,702,699
Loss on dilution		(642,975)
Loss on equity investment		(60,405)
Equity – other comprehensive income (loss)		(145,084)
Reclassified to investment securities		(4,049,753)
Ending balance, investment in associate - Litio Minera Argentina S.A.	$	-

9. EXPLORATION AND EVALUATION ASSETS

Year ended December 31, 2018	Acquisition Costs	Exploration Costs	Recoveries and Option Payments	Property Total December 31, 2018
Canada				
Mavis Lake / Fairservice (Ontario)	$ 193,500	$ 1,155,360	$ (149,355)	$ 1,199,505
Raleigh Lake Project (Ontario)	56,000	4,813	-	60,813
	$ 249,500	$ 1,160,173	$ (149,355)	$ 1,260,318

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

Title to mineral property interests

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

Mavis Lake Lithium Project (Ontario)

The Mavis Lake Lithium Project (or "Mavis Lake - Fairservice") is 49%-owned by the Company and 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. The property is subject to a 5% net profits royalty. The Company has the option to purchase the royalty at any time for $1,000,000.

Pioneer Option Agreement and Strategic Alliance

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

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

9. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Mavis Lake Lithium Project (Ontario) (cont'd...)

During the year ended December 31, 2017, the Company received $75,000 for option payments from Pioneer comprised of $37,500 in cash, a second instalment of 2,073,075 common shares valued at $37,500, and recoveries totaling $15,654 *(Note 5).*

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 instalment of 2,173,193 common shares valued at $48,855 *(Note 5).*

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. *(Note 5)*

Second Earn-in: Pioneer has the option to earn an additional 29% by spending $8,500,000 within seven years ("Mavis Lake Second Earn-in"). Thereafter, the Company and Pioneer will contribute on a pro-rata basis as to 20% and 80% respectively. An interest in the Mavis Lake Lithium Project diluted to 15% will be converted to a 1.5% NSR.

Raleigh Lake Project

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

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

On August 29, 2018 the Company entered into an agreement with Pioneer Resources with the effect that Pioneer is 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.

During the year ended December 31, 2018, the Company acquired from a vendor 55 additional claims adjacent to the Raleigh Lake Project 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.

9. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Forgan Lake Project

The Forgan Lake property is wholly owned by the Company and consists of certain claims 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.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	December 31, 2018	December 31, 2017
Accounts payable and accrued liabilities *(Note 14)*	$ 104,689	$ 338,824
Total	$ 104,689	$ 338,824

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

11. PROMISSORY NOTES

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 Litio 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.

12. CONVERTIBLE DEBENTURES

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

On April 18, 2018, the Company completed a non-brokered private placement of convertible debentures, known as 2018 Series 1 Convertibles, in the principal amount of $1,180,000 with a director who is also an officer of the Company. The Debenture will mature on June 30, 2019 and bear interest at the rate of 15% per annum, payable quarterly. The debenture shareholder may convert at any time, all or a portion of the convertible loan principal into common shares of the Company at a price of $0.085 per common share in the first year and $0.10 per common share thereafter until maturity. The Company has the right to repay the convertible loan on notice. The convertible loan is secured by a general security agreement against the Company's assets.

12. CONVERTIBLE DEBENTURES (cont'd...)

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.

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

The following table summarizes the Company's convertible debentures as at December 31, 2018:

Balance, December 31, 2016	$ -
Proceeds on issuance of convertible debentures	1,700,000
Allocation to equity component	(29,136)
Converted loans	(122,858)
Issuance costs	(6,334)
Finance expense	106,772
Interest paid	(54,930)
Balance, December 31, 2017	1,593,514
Proceeds on issuance of convertible debentures	2,980,000
Allocation to equity component	(98,449)
Debentures matured	(875,000)
Issuance costs	(29,875)
Finance expense	529,591
Interest paid	(314,285)
Balance, December 31, 2018	$ 3,785,496
Equity component of convertible debentures	
December 31, 2017	$ 26,994
December 31, 2018	$ 110,446

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

Subsequent to December 31, 2018, $371,241 of the convertible debentures was applied as subscription towards subsequent private placement.

13. EXPLORATION LOAN

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

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

The accumulated drawdown on the Exploration Loan as at December 31, 2018 was US$2,000,000 (December 31, 2017 - US$2,000,000). Total interest accrued as at December 31, 2018 was US$620,790 (2017 – US$420,790)

		December 31, 2018		December 31, 2017
Opening balance	$	3,036,881	$	2,976,714
Interest		260,053		264,607
Foreign exchange		278,348		(204,440)
Ending balance	$	3,575,282	$	3,036,881

14. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

Transaction	Relationship		December 31, 2018		December 31, 2017
Management fees	A company controlled by a former director	$	-	$	30,000
Administration fees	Spouse of a former director		-		6,000
Administration fees (Argentina)	Officer of a former equity investee		-		1,500
Exploration expenditures	Private company with a former common director		-		14,439
Exploration expenditures and consulting fees	Officer, company controlled by an officer		144,000		144,000
IT Support Services	Officer, company controlled by an officer		26,490		26,485
Consulting fees	A company controlled by a former officer		-		25,000
Consulting fees	Former Director and officer		37,048		180,000
Consulting fees	Director and officer		95,806		-
Consulting fees	Director and officer		82,693		48,000
Consulting fees	Officer		36,933		-
Consulting fees	A company controlled by a former officer		14,800		-
Consulting fees and exploration expenditures	Officer, company controlled by an officer		-		7,987
Directors' fees	Four directors and a former director		113,041		70,328

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.

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

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)*

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.

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.

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.

15. SHARE CAPITAL AND EQUITY RESERVES

Authorized share capital

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

Issued share capital

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

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

On September 21, 2018, the Company issued 400,000 shares at a value of $36,000 as consideration for acquisition of a property. *(Note 9)*

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

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance outstanding and exercisable, December 31, 2016	3,935,000	$ 0.12
Warrants exercised	(700,000)	0.12
Balance outstanding and exercisable, December 31, 2017	3,235,000	$ 0.12
Warrants issued	1,125,000	0.30
Balance outstanding and exercisable, December 31, 2018	4,360,000	$ 0.17

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

Number of Warrants	Exercise Price	Expiry Date
1,025,000	$ 0.30	January 25, 2020
100,000	$ 0.30	March 6, 2020
3,235,000*	$ 0.12	March 16, 2019
4,360,000		

*subsequently expired unexercised.

Stock options

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

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance outstanding, December 31, 2016	4,675,000	$ 0.06
Options granted	7,400,000	0.165
Options expired	(2,650,000)	0.06
Options exercised	(325,000)	0.06
Balance outstanding, December 31, 2017	9,100,000	$ 0.14
Options granted	2,185,000	0.085
Options expired/cancelled	(1,650,000)	0.12
Options exercised	(550,000)	0.06
Balance outstanding and exercisable, December 31, 2018	9,085,000	$ 0.14

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

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

Number of Options		Exercise Price	Expiry Date
500,000	$	0.06	October 28, 2020
2,400,000	$	0.155	February 23, 2022
700,000	$	0.15	April 20, 2022
3,300,000	$	0.18	December 8, 2022
680,000	$	0.085	June 18, 2022
1,505,000	$	0.085	April 18, 2023
9,085,000			

Share-based payments

During the year ended December 31, 2018, the Company granted 2,185,000 (2017 - 7,400,000) stock options with a weighted average fair value of $0.07 (2017 – $0.14). The fair value of these options calculated using the Black-Scholes option-pricing model was $122,183 (2017 – $1,051,198).

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

	2018	2017
Risk-free interest rate	2.11%	1.35%
Expected life of options	4 and 5 years	5 years
Expected annualized volatility	125.54%	131.1%
Dividend yield	-%	- %

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash financing and investing activities during the year ended December 31, 2018 consisted of the Company:

a) Receiving marketable securities of $123,210 as option payments. *(Note 5 and 9)*
b) Issuing shares with fair value of $36,000 for acquisition of property. *(Note 9 and 15)*
c) Applied directors and consulting fees of $72,500 towards share subscriptions.
d) Accrued contribution within investment in Litio of $38,670 through accounts receivable.
e) The Company's lenders paid Convertible debenture proceeds totaling $627,058 and promissory notes proceeds totaling $333,964 directly to Litio.
f) Applied accounts payable totaling $21,753 towards convertible debenture proceeds.
g) Applied repayments of convertible debenture totaling $67,277 towards share subscriptions
h) Contribution to investment in Litio of $40,835 funded by investor was applied as share subscriptions.

The significant non-cash financing and investing activities during the year ended December 31, 2017 consisted of the Company:

a) Accrued contributions within investment in Litio of $156,168 through account payable and accrued liabilities. *(Note 8)*
b) Receiving marketable securities of $48,263 as option payments. *(Note 5 and 9)*

17. SEGMENT INFORMATION

The Company operates in one business segment which is the exploration of mineral properties. The geographic distribution of exploration and evaluation assets is disclosed in Notes 8 and 9.

18. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the year ended December 31, is as follows:

	2018	2017
Loss before income taxes	$(2,445,888)	$ (2,728,841)
Expected income tax (recovery)	$ (660,000)	$ (709,000)
Permanent differences	76,000	252,000
Change in statutory, foreign tax and foreign exchange rates	(35,000)	(74,000)
Share issue costs	-	(2,000)
Adjustment to prior year provision for statutory tax returns	233,000	143,000
Expiry of non-capital losses	-	17,000
Change in unrecognized deductible temporary differences	386,000	373,000
Income tax recovery	$ -	$ -

The significant components of the Company's deferred tax assets that have not been included in the consolidated financial statements are as follows:

	2018	2017
Deferred income tax assets:		
Exploration and evaluation assets	$ 124,000	$ 121,000
Property and equipment	(2,000)	-
Share issue costs	2,000	3,000
Marketable securities	5,000	3,000
Debt with accretion	28,000	-
Allowable capital losses	129,000	130,000
Non-capital losses available for future period	1,566,000	1,209,000
	1,852,000	1,466,000
Unrecognized deferred tax assets	(1,852,000)	(1,466,000)
Net deferred income tax assets not recognized	$ -	$ -

No deferred tax asset has been recognized in respect of the above because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has approximately $5,800,000 in non-capital losses for Canadian income tax purposes. These losses, if not utilized, will expire through 2038.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

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

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

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

Risk management

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

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

Credit risk

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

Liquidity risk

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

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

Liquidity risk (cont'd...)

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

Market risk

a) Interest rate risk

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

b) Price risk

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

c) Foreign currency risk

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

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

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

20. CAPITAL MANAGEMENT

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

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

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

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

21. COMMITMENTS & CONTINGENCIES

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.

22. 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 payable of $13,241 were converted to participate in the private placement. *(Note 12 and 15)*

b) 3,235,000 share warrants exercisable at $0.12 expired unexercised. *(Note 15)*

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)*

d) 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. *(Note 12)*

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)*