



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

**FORM 51-102F1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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The following management's discussion and analysis ("MD&A"), prepared as of May 29, 2020, should be read together with the unaudited condensed interim consolidated financial statements for the period ended March 31, 2020 and the consolidated financial statements for the year ended December 31, 2019 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

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

## Forward Looking Statements

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

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

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

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

## Description of Business

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

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

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

## Overall Performance

The Company incurred a comprehensive loss of \$726,505 (2019 - \$548,160) during the period ended March 31, 2020. This includes an unrealized foreign exchange loss of \$353,702 (2019: \$63,063 gain) on liabilities denominated and settled in foreign currencies including the Exploration Loan and convertible debentures. The underlying cost of overheads has decreased substantially excluding the foreign exchange loss. The related asset in Argentina recorded in Canadian Dollars would have resulted in a net unrealized foreign exchange gain if it were recorded in U.S. Dollars.

## Significant Events and Transactions

Significant events and transactions during the period ended March 31, 2020 and to the date of this MD&A include the following:

- On February 3, 2020, the Company announced the receipt of a technical report from strategic partner Ganfeng Lithium Co. Ltd. that contained an updated mineral resource estimate for the Mariana lithium brine project located in Salta, Argentina. The resource estimate contained in the technical report includes:
  - 4,410,000 tonnes of lithium carbonate (“Li<sub>2</sub>CO<sub>3</sub>”) equivalent (LCE) in the Measured and Indicated Resource categories, an increase of 253% over the 2017 estimate of 1,248,000 tonnes of Indicated Resource
  - 49,700,000 tonnes of potash (“KCl”) equivalent in the Measured and Indicated Resource categories
  - an additional 786,000 tonnes of Li<sub>2</sub>CO<sub>3</sub> and 9,260,000 tonnes KCl in the Inferred Resource category

The weight of contained lithium within the Measured and Indicated Resources represents a 253% increase over the 2017 Mineral Resource estimate, and the contained lithium within the Inferred Resources represents a 32% increase over the 2017 figures.

- On February 4, 2020, the Company completed a non-brokered private placement of secured convertible debentures in the principal amount of \$1,027,500. The debentures will mature on September 30, 2020 and bear interest at a rate of 12% per annum, payable quarterly. The debenture holders will have the right to redeem the debentures on March 31, 2020. The debenture holder may convert at any time, all or a portion of the convertible debenture principal into common shares of the Company at a price of \$0.05 per common share. The convertible debentures are secured by a general security agreement against the Company’s assets. Directors and officers of the Company participated in the Private Placement. Certain 2018 Series 2 Convertible debentures in the aggregate principal amount of \$205,000 with maturity date of September 30, 2019, promissory notes and convertible debenture accrued interest of \$283,275, and accrued fees of \$274,225 were settled to participate in the private placement.

- On February 4, 2020, the Company completed a non-brokered private placement of convertible debenture in the principal amount of GBP 254,000 with a related party. The debenture will mature on September 30, 2020 and bears interest at the rate of 12% per annum, payable quarterly. The debenture holders will have the right to redeem the debentures on March 31, 2020. The debenture holder may convert at any time, all or a portion of the convertible debenture principal into common shares of the Company at a price of \$0.05 per common share. The convertible debentures are secured by a general security agreement against the Company's assets. The 2019 Series Convertible debenture in the principal amount of GBP 246,016 and accrued interest of GBP 7,984 were settled to participate in the private placement.

## Exploration Summary

### *Avalonia Project – Ireland*

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

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

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

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

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

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

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

**Table of significant lithium values from the 2016 Avalonia drilling program**

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

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

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

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

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

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

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

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

#### *Mariana Project – Salta, Argentina*

The Mariana property is comprised of 13 mining licenses, covering approximately 22,133 hectares' land over Salar de Llullaillaco, located in Salta Province, Argentina. ILC owns 12.557% of Litio Minera Argentina S.A. ("Litio") which holds title to the Property. A subsidiary of Jiangxi Ganfeng Lithium Co., Ltd. ("GFL") holds the remainder of Litio.

Under the terms of an Option Agreement dated May 19, 2011 entered into between the Company, the Company's then wholly-owned subsidiary, Litio, and the Company's then parent company, TNR Gold Corp ("TNR"), Litio acquired the Mariana property, and the Company, with Litio as co-signatory, agreed to pay TNR a Net Smelter Return Royalty ("NSR") of 2% of gross revenues received from sale by payer of all concentrate, metal and products derived from the Mariana property less appropriate costs, which can be reduced to 1% at the Company's option on payment to TNR of \$1 million within 240 days of the commencement of commercial production.

The Mariana project, a lithium-potash salar covering an expansive 160 km<sup>2</sup> project area, strategically encompasses the entire salar and a significant portion of the surrounding area to provide prospective land for a potential future processing plant

facility. Salars, or salt lakes, host some of the largest known lithium resources in the world and the Mariana basin is one of the more prominent salars in the renowned lithium belt of South America that provides more than 70% of global production.

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

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

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

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

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

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

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

During 2018, a Preliminary Economic Assessment (“PEA”) was produced, showing an estimated value for the project of USD \$192 million, based on assumptions of a mine life of 25 years, and annual production of 10,000 tonnes of Lithium Carbonate equivalent and 80,000 tonnes equivalent of Sulphate of Potash. The results of the PEA will be used to determine the course of action for pre-feasibility studies expected to be conducted throughout the remainder of 2019.

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

## PEA Highlights:

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

### Cautionary Note:

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

During 2019 an updated resource estimate was completed for the Mariana Joint Venture with a Technical Report delivered on February 3, 2020. The resource estimate contained in the technical report, detailed in the table below, includes:

- 4,410,000 tonnes of lithium carbonate (“Li<sub>2</sub>CO<sub>3</sub>”) equivalent (LCE) in the Measured and Indicated Resource categories, an increase of 253% over the 2017 estimate of 1,248,000 tonnes of Indicated Resource
- 49,700,000 tonnes of potash (“KCl”) equivalent in the Measured and Indicated Resource categories
- an additional 786,000 tonnes of Li<sub>2</sub>CO<sub>3</sub> and 9,260,000 tonnes KCl in the Inferred Resource category

The weight of contained lithium within the Measured and Indicated Resources represents a 253% increase over the 2017 Mineral Resource estimate, and the contained lithium within the Inferred Resources represents a 32% increase over the 2017 figures.

The Technical Report, entitled “Update of Lithium Brine Mineral Resources; Mariana Project, Salar de Llullaillaco, Argentina” and dated January 12, 2020, is available on the Company’s website and under the Company’s profile at [www.SEDAR.com](http://www.SEDAR.com). The effective date for the resource estimate is August 23, 2019, which represents the date of the most recent data that supports the brine estimate in the Technical Report.

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

| Resource Category           | Brine Volume (GL) | Li (mg/L)  | K (mg/L)     | Li (kt)    | LCE (kt)     | K (kt)        | KCl (kt)      |
|-----------------------------|-------------------|------------|--------------|------------|--------------|---------------|---------------|
| Measured                    | 1,680             | 314        | 9,710        | 528        | 2,810        | 16,300        | 31,200        |
| Indicated                   | 960               | 316        | 10,100       | 303        | 1,600        | 9,730         | 18,500        |
| Inferred                    | 470               | 328        | 10,340       | 154        | 786          | 4,860         | 9,260         |
| <b>Measured + Indicated</b> | <b>2,640</b>      | <b>315</b> | <b>9,860</b> | <b>831</b> | <b>4,410</b> | <b>26,030</b> | <b>49,700</b> |

### Notes:

- A cut-off grade of 230 mg/L Li has been applied for comparative purposes with other operations in Argentina where lithium recovery from brine is undertaken by evaporative processes.
- The Measured Resource stated as 1,680GL grading 314 mg/L lithium equates to 528,000 tonnes of contained lithium or 2.8Mt of lithium carbonate (Li<sub>2</sub>CO<sub>3</sub>), using the conversion factor of 5.324. Using a process recovery estimate of 86%, an estimate of recovery from processing is 2.4Mt of Li<sub>2</sub>CO<sub>3</sub> from the Measured Resource.



- The Indicated Brine Resource grades 316 mg/L lithium. The potential recoverable brine volume from this Indicated Resource, based on the same criteria as for the Measured Resource, is estimated at 960GL. This equates to 303,000 tonnes of contained lithium or 1.4Mt of lithium carbonate (Li<sub>2</sub>CO<sub>3</sub>).
- Brine resources are tabulated and reported for average specific yield (SY) of 15% and a cut-off value of 230 mg/L Li.

The report states that aquifer volume is still open at depth in the majority of the salar and that there is potential to extend and define additional aquifer volume proximal to the salar margins and throughout the salar at depth below the current resource drilling level.

Brine deposits are unlike the majority of mineral deposits in that they are fluid. Fluids within a brine deposit can move and can mix with adjacent fluids when exploitation of a brine deposit begins. Evaluation of such deposits therefore requires special considerations that are not, in general, applied to other style of mineral deposits.

In preparing these resource estimates, Geos considered and applied processes to be appropriate for brine style deposits, using the principles set out in National Instrument 43-101 (“NI 43-101”), Joint Ore Resources Code JORC (2012) for mineral projects, and CIM Best Practice Guidelines for Resource and Reserve Estimation for Lithium Brines.

Mineral resources are not mineral reserves as defined by the Canadian Institute of Mining and Metallurgy, and the Company cannot guarantee that the resources reported here will be converted to mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The Company has decided to temporarily cease to make contributions to the Mariana Joint Venture in order to focus on other strategic projects.

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

The Mavis Lake - Fairservice Project (“Mavis Lake Lithium Project”) is owned 49% by the Company and 51% by Pioneer Resources Limited (“Pioneer”) (ASX:PIO). It consists of a package of nineteen adjacent mineral claims which include thirteen unpatented mining claims (the Mavis Lake claims) and six patented mining leases (the Fairservice property). This package covers the lithium-tantalum core of the Mavis Lake Pegmatite Group adjacent to Mavis Lake near Dryden, Ontario, Canada.

#### Mavis Lake Option Agreement

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

Key terms of the Option Agreement include:

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

During the year ended December 31, 2016, the Company received \$37,500 in cash from Pioneer, a first installment of Pioneer common shares valued at \$29,316, and recoveries totalling \$108,093. During the year ended December 31, 2017, the Company received \$75,000 for option payments from Pioneer comprised of \$37,500 in cash, a second installment of 2,073,075 common shares valued at \$37,500, and recoveries totalling \$15,654. During the year ended December 31, 2018, the Company received \$100,000 for option payments from Pioneer, comprised of \$51,145 in cash and a third installment of 2,173,913 common shares valued at \$48,855.

On August 29, 2018, the Company entered into an amended agreement with Pioneer with the effect that Pioneer is deemed to have achieved the conditions for the first earn-in under the Mavis Lake joint venture agreement by issuing 2,500,000 Pioneer

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. The Company received the 2,500,000 shares in Pioneer during the year ended December 31, 2018.

#### Mavis Lake Exploration

On February 8, 2017, the Company announced that the first drill hole of the 2017 drill program at the Mavis Lake Lithium Project intersected a spodumene-bearing pegmatite. The first drill hole, MF-17-39, intersected 18m\* of spodumene-bearing pegmatite between 79.9m and 97.9m down-hole. The spodumene zone is described as exhibiting broken crystals with the largest observed spodumene crystal oriented parallel to the core axis and measuring approximately 45cm in length.

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

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

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

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

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

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

Other intersections\* of spodumene-bearing pegmatites returned:

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

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

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

The Company’s wholly-owned Raleigh Lake project (“Raleigh Lake”) is situated 7 kilometres south of the Trans-Canada Highway, 60 kilometres southeast from the Company’s Mavis Lake Lithium Project, 80 kilometres southeast from the town of Dryden, Ontario and approximately 240 kilometres northwest of Thunder Bay. Four unpatented mining claims totalling 368 hectares were recently staked increasing the Project area to 3,027 hectares. The expanded claim boundaries now cover an extensive zone exhibiting multiple intensely anomalous bands known to host high-grade lithium pegmatites.

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

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

## **Magnetic Survey Highlights**

On October 1, 2019 the Company announced the receipt of the final results from an unmanned aerial vehicle magnetometer (“UAV-MAG”) survey conducted earlier in 2019. The survey was designed to collect high-resolution magnetic field data over the Raleigh Lake project area. The resulting magnetic images confirm that a geologic body with elevated magnetic response, previously interpreted to be a gabbroic intrusive hosting the lithium bearing pegmatites, continues onto the adjacent group of claims acquired by ILC in 2018. The survey covered a total of just under 500 line-kilometres using a 40-metre line spacing. The resultant data were merged with an earlier UAV-MAG survey conducted in 2016 resulting in almost 700 line-kilometres of continuously profiled magnetic data over the project area.

The magnetic body interpreted to be the gabbroic host to the pegmatites is clearly visible in the data. It measures approximately 3 kilometres by 1 kilometre which is comparable in size to the gabbroic rocks hosting the mineralized pegmatites at the Tanco mine.

The Two-mica granite that is thought to be the parental magma source for the spodumene bearing pegmatites at Raleigh Lake is coarsely mapped by the magnetic data at the south-western extent of the survey area. It is located between four and six kilometres from the gabbro indicating that the gabbro is the optimal distance from the magmatic source body for fractionation to favor the crystallization of spodumene, a lithium rich mineral.

Several regional structures can be interpreted from the magnetic data emanating from the Two-mica granite to the Raleigh Lake gabbro. The structures cut the gabbro at its northern terminus, in the vicinity of the historic drilling, and in the central (thickest) portion of the body. No drill holes have tested the main gabbro body and all the historic drill holes at the terminus have intersected spodumene bearing pegmatites that dip gently southeasterly and flatten as they intrude the edge of the gabbro. There is a striking resemblance to the emplacement style of mineralized pegmatites at Tanco making the Raleigh Lake gabbro a highly prospective target. The Company is planning to investigate these interpretations with a proposed 2,000-metre drill program, focusing on stepping out from the known mineralization both along strike to the southwest (toward the Two-mica granite) and down dip into the gabbroic body.

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

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

During the year ended December 31, 2018, the Company entered into a sale and royalty agreement with Ultra (TSXV: ULI). Under the terms of the agreement, Ultra may earn a 100% interest in the 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 a 1.5% NSR on future production from the Forgan Lake property and from an adjoining property owned by Ultra. 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.

During the year ended December 31, 2019, the Company entered into an Amendment Agreement with Ultra for Forgan Lake property. In accordance with the amended terms, Ultra may earn a 100% interest in the Forgan Lake property by spending \$500,000 on exploration expenditures and paying the Company a total of \$191,000, divided in cash and shares, over the period of three years from the date of underlying sale and royalty agreement. During the year ended December 31, 2019, the Company received \$66,000 in cash from Ultra.

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

## Mineral Properties and Commitments

A detailed listing and narrative of the Company's properties is provided in the condensed interim consolidated financial statements for the period ended March 31, 2020, including the capitalized exploration and evaluation costs presented on a property-by-property basis.

Detailed exploration and evaluation expenditures (including acquisition costs) for the period ended March 31, 2020 are as follows:

| <b>March 31, 2020</b>                                      | Mavis Lake<br>Fairservice,<br>Ontario | Raleigh Lake,<br>Ontario | Total               |
|--|---------------------------------------|--------------------------|---------------------|
| Exploration and evaluation costs, beginning of the period  | \$ 1,199,505                          | \$ 148,140               | \$ 1,347,645        |
| Additions during the period:                               |                                       |                          |                     |
| Acquisition cost   | -                                     | -                        | -                   |
| Exploration costs  | -                                     | -                        | -                   |
| Recoveries and option payments                             | -                                     | -                        | -                   |
| <b>Exploration and evaluation costs, end of the period</b> | <b>\$ 1,199,505</b>                   | <b>\$ 148,140</b>        | <b>\$ 1,347,645</b> |

## Outlook

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

## Summary of Quarterly Results

|                                   | <b>For the Quarters Ended</b> |                      |                       |                  |
|-----------------------------------|-------------------------------|----------------------|-----------------------|------------------|
|                                   | March 31,<br>2020             | December 31,<br>2019 | September 30,<br>2019 | June 30,<br>2019 |
| Total assets                      | \$ 8,963,271                  | \$ 8,897,824         | \$ 8,823,933          | \$ 8,731,584     |
| Investment                        | 5,760,937                     | 5,760,937            | 5,760,937             | 5,760,937        |
| Exploration and evaluation assets | 1,347,645                     | 1,347,645            | 1,340,568             | 1,340,568        |
| Working capital (deficiency)      | (4,934,773)                   | (4,567,247)          | (4,131,053)           | (3,768,215)      |
| Long-term debt                    | 4,072,596                     | 3,663,642            | 3,668,813             | 3,566,966        |
| Shareholders' (deficit) equity    | (108,818)                     | 559,429              | 975,564               | 1,275,799        |
| Loss and comprehensive loss       | (726,505)                     | (521,348)            | (503,420)             | (471,154)        |
| Basic and diluted loss per share  | (0.01)                        | (0.00)               | (0.00)                | (0.00)           |

**For the Quarters Ended**

|                                   | March 31,<br>2019 | December 31,<br>2018 | September 30,<br>2018 | June 30,<br>2018 |
|-----------------------------------|-------------------|----------------------|-----------------------|------------------|
| Total assets                      | \$ 8,774,028      | \$ 8,962,873         | \$ 8,543,295          | \$ 8,797,726     |
| Investment                        | 5,760,937         | 5,760,937            | 5,556,006             | 5,263,157        |
| Exploration and evaluation assets | 1,260,318         | 1,260,318            | 1,257,818             | 1,348,860        |
| Working capital (deficiency)      | (1,063,372)       | (4,076,970)          | (3,899,446)           | (3,345,521)      |
| Long-term debt                    | 5,933,054         | 3,575,282            | 3,327,356             | 3,318,294        |
| Shareholders' equity              | 1,552,500         | 966,339              | 961,417               | 1,356,370        |
| Loss and comprehensive loss       | (548,160)         | (820,051)            | (474,931)             | (710,512)        |
| Basic and diluted loss per share  | (0.00)            | (0.01)               | (0.01)                | (0.01)           |

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

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

## Results of Operations

### *Three months ended March 31, 2020*

The Company incurred a comprehensive loss of \$726,505 (2019 - \$548,160) during the three months ended March 31, 2020.

Significant changes are as follows:

- Consulting fees decreased to \$95,655 (2019 - \$99,500) with decrease in consultant engagement.
- Foreign exchange resulted in a loss of \$353,702 relative to a gain of \$63,063 in corresponding period 2019. The Company is exposed to foreign exchange movements on liabilities denominated and settled in foreign currencies including the Exploration Loan and convertible debentures.
- Interest and bank charges of \$299,188 (2019 - \$250,418) relates to interest accruing on the Company's exploration loan with GFL, convertible debentures, promissory notes and additional financing costs. The increase was significantly due to accretion expense of the convertible debentures with embedded derivatives.
- The Company realized other income of \$98,475 from change in fair value of the embedded derivatives.
- Depreciation expense increased to \$14,471 (2019 - \$289) due to adoption of IFRS 16 Leases.
- Office and miscellaneous expense decreased to \$13,440 (2019 - \$29,086) due to adoption of IFRS 16 Leases.
- Professional fees decreased to \$22,708 (2019 - \$33,390) due to decrease in legal fees.
- Shareholder communications of \$41,999 (2019 - \$50,455) in relation to investor relations activities.
- Share-based payments of \$37,989 (2019 - \$26,958) relates to the stock options vesting in the period.

## Liquidity and Capital Resources

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

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

The following table provides information regarding the Company's working capital and accumulated deficit as at March 31, 2020 and December 31, 2019.

|                            | March 31,<br>2020 | December 31,<br>2019 |
|----------------------------|-------------------|----------------------|
| Working capital deficiency | \$ (4,934,773)    | \$ (4,567,247)       |
| Deficit                    | \$ (13,905,371)   | \$ (13,067,469)      |

At March 31, 2020 the Company had \$772 (December 31, 2019 - \$22,543) in cash. The Company works to invest in its mineral properties in a difficult economic environment.

Net cash used by operating activities during the period ended March 31, 2020 was \$144,001 (2019 – \$155,636). The cash used in operating activities for the period consists of the operating loss net of non-cash items and changes in non-cash working capital.

Financing activities provided net cash receipts of \$122,230 during the period ended March 31, 2020 (2019 – \$67,629). The Company received \$nil, net of issuance costs, for shares issued (2019 - \$550,000), received \$65,000, net of issuance cost, from convertible debentures issued (2019 – \$405,173), received promissory notes proceeds of \$75,000 (2019 - \$nil), repaid convertible debentures totalling \$nil (2019 - \$700,000), and paid interest of \$nil (2019 - \$190,334) with respect to the convertible debentures and promissory notes.

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

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

## Related Party Transactions

The Company entered into the following transactions with related parties:

| Transaction                                  | Relationship   | March 31,<br>2020 | March 31,<br>2019 |
|--|--|-------------------|-------------------|
| Exploration expenditures and consulting fees | Anthony Kovacs, Director and COO, and Blacksmith Metals Exploration Ltd. | 36,000            | 36,000            |
| IT Support Services                          | CONVENDIA Ltd., John Wisbey, Director and CEO                            | 7,142             | 6,775             |
| Consulting fees                              | John Wisbey, Director and CEO  | 30,000            | 30,000            |
| Consulting fees                              | Maurice Brooks, Director and CFO   | 22,500            | 22,500            |
| Consulting fees                              | Nancy La Couvee, Corporate Secretary                                     | 7,155             | 5,640             |
| Directors' fees                              | John Wisbey  | 15,000            | 15,000            |
|  | Maurice Brooks   | 7,500             | 7,500             |
|  | Ross Thompson  | 7,500             | 7,500             |
|  | Nicholas Davies  | 7,500             | 7,500             |

At March 31, 2020, due to related parties consisted of \$208,405 (December 31, 2019 - \$379,453) to various directors, officers and related companies for services detailed above and is included in accounts payable and accrued liabilities.

At March 31, 2020, \$10,246 (December 31, 2019 - \$10,246) was receivable from a former significant shareholder, TNR Gold Corp.

At March 31, 2020, convertible debentures with a face value of \$2,664,993 and GBP 254,000 (December 31, 2019 - \$1,907,493 and GBP 246,016) were due to five directors of the Company or their related parties (December 31, 2019 – three directors of the Company or their related parties), convertible debenture subscriptions of \$nil (December 31, 2019 - \$200,000) from an officer and director of the Company, and a promissory note in the amount of \$603,525 was due to an officer and director of the Company (December 31, 2019 - \$519,808). (See Notes 11 and 12 of the condensed interim consolidated financial statements)

During the year ended December 31, 2018, the Company received a total of \$515,857 from an officer and director of the Company under a promissory note. Of the total proceeds, \$333,964 was forwarded to Litio as cash contribution directly and \$21,893 were payments 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. The promissory note is secured by a general security agreement against the Company's assets. During the year ended December 31, 2019, the Company received further advances of \$84,000 under the promissory note and settled \$80,049 of the promissory note principal and \$34,017 of the accumulated interest. During the three months ended March 31, 2020, the Company received further advances of \$75,000, recorded interest expense of \$19,600 (2019 - \$18,207), and settled \$53,604 of the accumulated interest.

During the year ended December 31, 2019, the Company granted 4,070,000 options to the directors and officers pursuant to the Company's stock option plan. The options have an exercise price of \$0.065 per share and an expiry date of May 31, 2024. A total of 695,000 options vested immediately and a total of 3,375,000 vest one year from the date of grant subject to a vesting condition of the Company's share price closing above \$0.10 for 20 consecutive days. The fair value of these options calculated using the Black-Scholes option-pricing model was \$181,734, of which \$37,989 were recognized as share-based payments during the period ended March 31, 2020 (\$86,830 during the year ended December 31, 2019).

On February 4, 2020, the Company completed a non-brokered private placement of convertible debentures, known as 2020 Series 1 Convertibles, in the principal amount of GBP 254,000 with a related party. The debenture will mature on September 30, 2020 and bears interest at the rate of 12% per annum, payable quarterly. The debenture holders will have the right to redeem the debentures on March 31, 2020. The debenture holder may convert at any time, all or a portion of the convertible debenture principal into common shares of the Company at a price of \$0.05 per common share. The convertible debentures are secured by a general security agreement against the Company's assets. The 2019 Series Convertible debenture in the principal amount of GBP 246,016 and accrued interest of GBP 7,984 were settled to participate in the private placement.

On February 4, 2020, the Company completed a non-brokered private placement of secured convertible debentures, known as 2020 Series 2 Convertibles, in the principal amount of \$1,027,500. The debentures will mature on September 30, 2020 and bear interest at a rate of 12% per annum, payable quarterly. The debenture holders will have the right to redeem the debentures

on March 31, 2020. The debenture holder may convert at any time, all or a portion of the convertible debenture principal into common shares of the Company at a price of \$0.05 per common share. The convertible debentures are secured by a general security agreement against the Company's assets. Directors and officers of the Company participated in the Private Placement. Certain 2018 Series 2 Convertible debentures in the aggregate principal amount of \$205,000 with maturity date of September 30, 2019, promissory notes and convertible debenture accrued interest of \$283,275, and accrued fees of \$274,225 were settled to participate in the private placement.

On February 6, 2019, March 29, 2019 and April 15, 2019, the Company completed tranches of a non-brokered private placement for a total of 37,600,001 units at \$0.05 per unit for total gross proceeds of \$1,880,000. Each unit comprised of one common share and a half share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.10 per share for two years from issue. Four of the Company's directors and officers participated in the private placement. The 2018 Convertible Debentures principal of \$358,000 and interest payable of \$56,885, and the promissory notes principal of \$80,049 and interest of \$18,807 were settled to participate in the share private placement.

On February 13, 2019, the Company completed a non-brokered private placement of convertible debentures, known as 2019 Series Convertibles, in the principal amount of GBP 240,000 with a related party. The original terms were for the debentures to mature on May 31, 2019 and bear interest at the rate of 15% per annum. The debenture shareholder may convert at any time, all or a portion of the convertible loan principal into common shares of the Company at a price of \$0.07 per common share. The convertible debentures are secured by a general security agreement against the Company's assets. On May 31, 2019, the Company entered into Amending Agreements pursuant to which the debentures will mature on September 15, 2019 and bears interest at the rate of 10% per annum. All other terms remained the same. During the period ended March 31, 2020, the 2019 Series Convertible debenture in the principal amount of GBP 246,016 and accrued interest of GBP 7,984 were settled to participate in the 2020 Series Convertible Debenture private placement.

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 the 2018 Series 2 Convertibles to raise proceeds of \$1,800,000. The Debentures had a maturity date of June 30, 2019 and interest rate of 15% per annum, payable quarterly. The debenture holders who subscribed to the \$1,007,750 tranche may convert at any time, all or a portion of the convertible loan principal into common shares of the Company at a price of \$0.085 per common share in the first year and \$0.10 per common share thereafter until maturity. The debenture holders who subscribed to the \$792,250 tranche may convert at any time, all or a portion of the convertible loan principal into common shares of the Company at a price of \$0.085 per common share until the maturity date. The Debentures are secured by a general security agreement against the Company's assets. Directors and officers of the Company participated in the Private Placement. On March 25, 2019 and June 28, 2019, the Company entered into an Amending Agreement with certain 2018 Series 2 Convertible Debentures holders. Pursuant to the Amending Agreement, the debentures in the aggregate amount of \$1,184,993 will now mature on June 30, 2020 and the debentures in the aggregate amount of \$265,000 will mature on September 30, 2019 (\$205,000 matured on September 30, 2019). 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. An accrued interest of \$22,993 was converted into principal. All other terms remained the same. During the period ended March 31, 2020, certain 2018 Series 2 Convertible debentures in the aggregate principal amount of \$205,000 with maturity date of September 30, 2019 were settled to participate in the 2020 Series Convertible Debenture private placement.

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 Debentures had a maturity date of June 30, 2019 (revised to June 30, 2020 as per the Amending Agreement dated March 25, 2019) and bears 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 conversion price was revised to \$0.065 per common share until maturity as per the Amending Agreement dated March 25, 2019. The Company has the right to repay the convertible loan on notice. The convertible debentures are secured by a general security agreement against the Company's assets.

The Company repaid a convertible debenture in the amount of \$700,000 at its maturity on January 31, 2019 due to a former significant shareholder, TNR Gold Corp.

#### *Contingency*

On March 14, 2018 the Board removed Kirill Klip from his executive positions 'for cause', which would not place any obligation or liability on the Company to pay Kirill Klip any termination amount. However, the Company has received notice from Kirill Klip that he intends to claim for unfair dismissal, although at the date of these financial statements he has not quantified his claim.



## **Financial Instruments and Other Instruments**

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

Please refer to Note 19 of the condensed interim consolidated financial statements for the period ended March 31, 2020, for further details.

## **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements as at the date of this report.

## **Critical Accounting Policies**

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

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

The most significant estimates relate to the calculation of share-based payments, the valuation of deferred income tax amounts, impairment testing and investment in Lito Minera Argentina S.A.

### *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 16 of the consolidated financial statements.

### *Impairment testing*

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

### *Deferred income tax amounts*

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

### *Valuation of investment*

The Company held a 12.791% interest in Lito as at March 31, 2020 (December 31, 2019 - 13.753%). 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.

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

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

## Outstanding Share Data

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

|   | <b>Number of shares<br/>issued or issuable</b> |
|---|--|
| Common shares   | 132,595,903                                    |
| Convertible debentures (GBP 254,000 and \$1,027,500 at \$0.05 and \$2,364,993 at \$0.065) | 65,621,311                                     |
| Stock options   | 10,705,000                                     |
| Warrants  | 18,800,000                                     |
| <b>Total if all converted or exercised</b>  | <b>227,722,214</b>                             |

## Management's Responsibility for Financial Statements

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

## Business Risks

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

- Liquidity risk, in particular funding risk, is seen by the Board as the key issue or risk in 2020. The Company, as an exploration company, has no or insignificant income, and has expenditure to develop its properties as well as normal operating costs and debt service costs. Consequently, it has required and will require additional financing to continue in business and this is likely to continue for some time. In March 2018, the Company was within days of suffering an incurable default on the Mariana project which would permanently have decreased its shareholding in Lito. Following the change in management in March 2018, considerable focus is being placed on funding the Company ahead of its needs.

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

To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. For example, for the Company's Mariana property if a cash call is missed and the default is not cured, there is a loss of shareholding in Lito. If three cash calls are missed and the default is not cured, the Company's equity interest in

Litio can, under a 2014 agreement, be converted by its partner into a NSR, with considerable potential loss of value to the Company. There are no defaults outstanding on Mariana or other properties at the time of this MD&A.

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

For information on additional risks, please refer to the Company's condensed interim consolidated financial statements for the period ended March 31, 2020.

## **Internal Control Over Financial Reporting**

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

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