

**SOUTHERN LITHIUM CORP.**  
**(FORMERLY KNOWN AS SIGNAL EXPLORATION INC.)**  
Interim Financial Statements  
September 30, 2016  
(Unaudited)

## **NOTICE TO READER**

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

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor. (The accompanying notes are an integral part of these financial statements).

**SOUTHERN LITHIUM CORP.**  
**(formerly known as Signal Exploration Inc.)**  
Interim Statements of Financial Position  
(Unaudited)

	September 30, 2016 \$	December 31, 2015 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash	53,538	3,117
Amount receivable	3,885	3,220
<b>Total Current Assets</b>	<b>57,423</b>	<b>6,337</b>
<b>Non-Current Assets</b>		
Exploration and evaluation assets	403,676	337,516
<b>Total Non-Current Assets</b>	<b>403,676</b>	<b>337,516</b>
<b>Total Assets</b>	<b>461,099</b>	<b>343,853</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	28,160	--
Note payable	56,805	-
Due to related parties	-	45,880
<b>Total Current Liabilities</b>	<b>84,965</b>	<b>45,880</b>
<b>Total Liabilities</b>	<b>84,965</b>	<b>45,880</b>
<b>Shareholders' Equity</b>		
Share capital	1,119,223	775,026
Share-based payment reserve	186,595	147,831
Deficit	(929,684)	(624,884)
<b>Total Shareholders' Equity</b>	<b>376,134</b>	<b>297,973</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>461,099</b>	<b>343,853</b>

Nature and operations and continuance of business (Note 1)

See notes to unaudited interim financial statements

/s/ "Larry Segerstrom"  
Larry Segerstrom, Director

/s/Brent Hahn  
Brent Hahn, Director

**SOUTHERN LITHIUM CORP.**  
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Interim Statements of Comprehensive Loss  
(Unaudited)

	<b>Quarter ended September 30, 2016 \$</b>	<b>Quarter ended September 30, 2015 \$</b>	<b>Nine months ended September 30, 2016 \$</b>	<b>Nine months ended September 30, 2015 \$</b>
<b>Expenses</b>				
Stock based compensation	142,961	-	142,961	-
General and administrative	95,109	12,944	161,839	51,563
<b>Total expenses</b>	<u>237,070</u>	<u>12,944</u>	<u>304,800</u>	<u>51,563</u>
<b>Net and comprehensive loss</b>	<u>(237,070)</u>	<u>(12,944)</u>	<u>(304,800)</u>	<u>(51,563)</u>
<b>Basic and diluted loss per share</b>	<u>(0.01)</u>	<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.00)</u>
<b>Weighted average shares outstanding</b>	<u>29,097,826</u>	<u>20,700,000</u>	<u>23,602,555</u>	<u>20,700,000</u>

See notes to unaudited interim financial statements

**SOUTHERN LITHIUM CORP.**  
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Interim Statements of Changes in Equity  
(Unaudited)

	Share capital		Share Based payment reserve	Deficit	Share-Holders' Equity	Total
	Number	Amount \$				
Balance, December 31, 2014	20,700,000	775,026	147,831	(558,818)	364,039	
Net loss for the nine-month period ended September 30, 2015	--	--	--	(51,563)	(51,563)	
<b>Balance, September 30, 2015</b>	<b>20,700,000</b>	<b>775,026</b>	<b>147,831</b>	<b>(610,381)</b>	<b>312,476</b>	
Balance, December 31, 2015	20,700,000	775,026	147,831	(624,884)	297,973	
Private placement	6,400,000	170,000	--	--	170,000	
Share purchase options	1,800,000	90,000	--	--	90,000	
Finders fees	400,000	(20,000)	--	--	(20,000)	
Stock based reserves – stock options exercised--	--	112,407	(112,407)	--	--	
Stock based reserves – new stock option issued	--	--	142,961	--	142,961	
Stock based reserves – expired share purchase warrants	--	35,424	(35,424)	--	--	
Stock based reserves- new share purchase warrants issued	--	(43,634)	43,634	--	--	
Net loss for the nine-month period ended September 30, 2016	--	--	--	(304,800)	(304,800)	
<b>Balance, September 30, 2016</b>	<b>29,300,000</b>	<b>1,119,223</b>	<b>186,595</b>	<b>(929,684)</b>	<b>376,134</b>	

See notes to unaudited interim financial statements

**SOUTHERN LITHIUM CORP.**  
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Interim Statements of Cash Flows  
(Unaudited)

	Nine months ended September 30, 2016 \$	Nine months ended September 30, 2015 \$
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the period	(304,800)	(51,563)
Share based compensation	142,961	--
Changes in non-cash working capital items:		
Amounts receivable	(665)	976
Accounts payable and accrued liabilities	28,160	(775)
Due to related parties	(45,880)	13,636
<b>Net cash provided by (used in) operating activities</b>	<b>(180,224)</b>	<b>(37,726)</b>
<b>Investment activities</b>		
Investment in mineral property	(66,160)	--
<b>Net cash provided by (used in) investment activities</b>	<b>(66,160)</b>	<b>--</b>
<b>Financial activities</b>		
Notes payable	56,805	--
Proceeds from private placement and stock options, net of finders' fees	240,000	--
<b>Net cash provided by (used in) financial activities</b>	<b>296,805</b>	<b>--</b>
<b>Increase (decrease) in Cash</b>	<b>50,421</b>	<b>(37,726)</b>
Cash, beginning of period	3,117	44,632
<b>Cash, end of period</b>	<b>53,538</b>	<b>6,906</b>

See notes to unaudited interim financial statements

**SOUTHERN LITHIUM CORP.**  
**(formerly known as Signal Exploration Inc.)**

Notes to the Unaudited Interim Financial Statements  
September 30, 2016

**1. Nature and continuance of operations**

Southern Lithium Corp. (formerly known as Signal Exploration Inc.) (the "Company") was incorporated in the province of British Columbia on March 9, 2010. The Company is a resource exploration company that is acquiring and exploring mineral properties. The Company's shares are listed on the TSX-Venture Exchange under the symbol "SLN".

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2016, the Company has not generated any revenue and has incurred losses since inception. The Company's continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

**2. Significant accounting policies**

***(a) Basis of preparation***

These Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS 34"), Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2015. Accounting policies applied in the preparation of these unaudited interim financial statements are the same as those applied in the preparation of Company's annual financial statements for the year ended December 31, 2015. The unaudited interim financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which are stated at fair value.

New or amended accounting standards that have been issued by the IASB but are not yet effective, and have not been applied by the Company, are as outlined in Note 2 of the 2015 annual financial statements. These unaudited interim financial statements were authorized for issue by the Board of Directors on November 29, 2016.

***(b) Use of estimates and judgments***

The preparation of the Company's financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant areas requiring the use of estimates include the recoverability of exploration and evaluation assets, fair value of stock-based compensation, and deferred income tax asset valuation allowances.

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Notes to the Unaudited Interim Financial Statements  
September 30, 2016

**3. Exploration and evaluation asset**

	December 31, 2015 \$	Expenditures \$	September 30, 2016 \$
<i>East Fault Project, Clayton Valley, Nevada (1)</i>			
Acquisition costs	--	66,010	66,010
Exploration costs	--	--	--
<b>Total Costs – East Fault</b>	<b>--</b>	<b>66,010</b>	<b>66,010</b>
<i>Scotch Creek Property (2)</i>			
Acquisition costs	12,000	--	12,000
Exploration costs	325,516	150	325,666
<b>Total Costs – Scotch Creek</b>	<b>337,516</b>	<b>150</b>	<b>337,666</b>
<b>Total Costs - Total</b>	<b>337,516</b>	<b>66,160</b>	<b>403,676</b>

(1). The Company has an option to acquire 100% interest in the 2,100 acre East Fault Property located in Clayton Valley, Nevada. The Company has paid US\$50,000 down and must pay within 5 days of approval of the TSX Venture Exchange (the "Close") an additional US\$75,000 and issue 1,300,000. At that time title will pass to the Company. In addition, the Company must pay an additional 1,000,000 shares after 12 months of Close and an additional 1,000,000 shares after 24 months of Close. The property is subject to a 2.5% net smelter royalty.

(2) The Company has a 100% interest in the Scotch Creek Property located in British Columbia.

**4. Related party transactions**

During the nine months ended September 30, 2016 the Company incurred management fees of \$30,390 (2015: \$36,000) to companies controlled by directors of the Company. At September 30, 2016 \$14,514 (December 31, 2015 \$33,280) was due to companies controlled by directors of the Company. At September 30, 2016 \$95,307 (2015 \$nil) of stock based compensation was allocated to management of the Company.



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**5. Share capital**

*Common shares*

Authorized: Unlimited common shares without par value.

*Issued:* 29,350,000 shares. On October 17, 2016, the Company completed a forward split on its issued stock. All previous share issues have been adjusted for the two to one forward split. On June 28, 2016, the Company issued 6,800,000 units at \$0.025 per unit. Each unit consisted on one share and one share purchase warrant entitling the holder to acquire one additional share for \$0.035 until June 27, 2017 (the "Warrants"). Pursuant to this private placement, the Company paid finders' fees consisting of a \$10,000 cash payment and the payment of 400,000 units.

*Stock options*

Pursuant to the Company's stock option plan dated June 30, 2011, the Company may grant stock options to directors, senior officers, employees and consultants. The maximum aggregate number of common shares which may be reserved for issuance as optioned shares at any time is 10% of the issued common shares. The exercise price of any stock options granted under the plan shall be determined by the Board, but may not be less than the market price of the common shares on the TSX-V on the date of grant (less any discount permissible under TSX-V rules), subject to a minimum exercise price of \$0.10 per share. The term of any stock options granted under the plan shall be determined by the Board at the time of grant but may not exceed five years. The plan contains no vesting requirements, but permits the Board to specify a vesting schedule at its discretion.

The following table summarizes the continuity of the Company's stock options

	:	Weighted average
	Number of	exercise price
	options	\$
Outstanding, December 31, 2015	1,600,000	0.05 *
Exercised July, 2016	(1,600,000)	
Issued, September 6, 2016**	1,200,000	0.105
Outstanding, September 30, 2016	1,200,000	0.105

\* effective exercise price after forward split

\*\*expiry date September 6, 2021.

*Share Purchase Warrants*

Pursuant to the Company's private placement completed June 28, 2016, the Company issued 6,800,000 share purchase warrants the right to acquire one additional share of the Company for \$0.035 per share. The warrants expire June 27, 2017.

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**6. Subsequent events**

On October 17, 2016, the Company forward split its issued shares on a two to one basis.

On October 19, 2016, the Company announced the appointment of Larry Segerstrom, a senior mining professional with over 30 years of mining and mineral exploration experience.

On November 1, 2016, the Company entered into a formal option agreement with respect to the East Fault property, located in Esmeralda county, Nevada.

On November 1, 2016 (updated November 3, 2016), the Company announce a \$2 million private placement by way of 8 million units at \$0.25 per unit. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire an additional share of the Company for \$0.35 for a period of 18 months.

On November 3, 2016, the company entered into a Letter of Intent (“LOI”) with Millennial Lithium to acquire the Cruz Property in Argentina. Under the terms of the LOI the Company paid a non-refundable deposit of US\$150,000. Upon closing of the definitive agreement, the Company will earn a 70% ownership interest by (1) issuing 100,000 common shares at the same price as November 1, 2016.; (2) upon the earlier of November 18, 2016 and the closing of the first tranche of the November 1, 2016 announced private placement, the Company will place in a joint exploration account the sum of US\$500,000, (this has been deferred to November 30, 2016); (3). on October 1, 2017, the Company must make US\$500,000 of exploration expenditures, and pay to Millennial Lithium US\$1,000,000; and (4) pay to Millennial Lithium US\$1,000,000 on or before October 2, 2018. The Company can earn an additional 10% (total 80%) in the Property by completing a bankable feasibility study on the Property within 6 months after the third anniversary of the Definitive Agreement.

On November 20, 2016, the Company issued an additional 500,000 stock option at \$0.45 per share.