# LE MARE GOLD CORP.

(formerly Southern Lithium Corp.)

Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

SATURNAGROUP
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# INDEPENDENT AUDITORS' REPORT

**To the Shareholders of Le Mare Gold Corp. (formerly Southern Lithium Corp.)**

We have audited the accompanying financial statements of Le Mare Gold Corp. (formerly Southern Lithium Corp.) which comprise the statements of financial position as at December 31, 2017 and 2016 and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, these financial statements present fairly, in all material respects, the financial position of Le Mare Gold Corp. (formerly Southern Lithium Corp.) as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

**Emphasis of Matter**
Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Le Mare Gold Corp. (formerly Southern Lithium Corp.) to continue as a going concern.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

May 2, 2018

**LE MARE GOLD CORP.**
(formerly Southern Lithium Corp.)
Statements of Financial Position
(Expressed in Canadian dollars)

| | December 31, 2017 $ | December 31, 2016 $ |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash | 54,857 | 780,711 |
| GST receivable | 75,126 | 11,787 |
| Prepaid expenses | 112,441 | 52,876 |
| Total current assets | 242,424 | 845,374 |
| Non-current assets | | |
| Exploration and evaluation assets (Note 3) | – | 336,360 |
| Total assets | 242,424 | 1,181,734 |
| Liabilities and shareholders' equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | 119,867 | 59,817 |
| Loans payable (Note 4) | 185,000 | 340,805 |
| Total current liabilities | 304,867 | 400,622 |
| Shareholders' equity (deficit) | | |
| Share capital | 5,402,750 | 1,732,712 |
| Share-based payment reserve | 588,320 | 122,671 |
| Warrants reserve | 1,310,162 | 428,335 |
| Shares issuable (Note 6) | – | 112,000 |
| Share subscriptions receivable (Note 6) | – | (67,000) |
| Deficit | (7,363,675) | (1,547,606) |
| Total shareholders' equity (deficit) | (62,443) | 781,112 |
| Total liabilities and shareholders' equity (deficit) | 242,424 | 1,181,734 |

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

Approved and authorized for issuance by the Board of Directors on May 2, 2018:

| | |
|---|---|
| */s/ "Yari Nieken"* | */s/ "David Alexander"* |
| Yari Nieken, Director | David Alexander, Director |

(The accompanying notes are an integral part of these financial statements)

**LE MARE GOLD CORP.**
(formerly Southern Lithium Corp.)
Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

| | Year ended December 31, 2017 $ | Year ended December 31, 2016 $ |
|---|---|---|
| Expenses | | |
| Consulting fees (Note 5) | 827,268 | 46,159 |
| Exploration expenditures | – | 13,295 |
| General and administrative | 29,561 | 11,879 |
| Investor relations | 1,118,535 | 86,947 |
| Impairment of exploration and evaluation assets (Note 3) | 2,251,379 | 337,666 |
| Management fees (Note 5) | 222,445 | 63,483 |
| Professional fees | 109,774 | 43,042 |
| Rent | 100,500 | 12,000 |
| Share-based compensation (Note 7) | 935,334 | 163,561 |
| Transfer agent and filing fees | 25,812 | 37,186 |
| Travel | 166,166 | 91,189 |
| Total expenses | 5,786,774 | 906,407 |
| Loss before other income (expense) | (5,786,774) | (906,407) |
| Other income (expense) | | |
| Foreign exchange gain (loss) | (28,105) | 7,685 |
| Interest expense | (1,190) | (24,000) |
| Total other income (expense) | (29,295) | (16,315) |
| Net loss and comprehensive loss | (5,816,069) | (922,722) |
| Basic and diluted loss per share | (1.19) | (0.30) |
| Weighted average shares outstanding | 4,881,462 | 3,020,649 |

(The accompanying notes are an integral part of these financial statements)

**LE MARE GOLD CORP.**
(formerly Southern Lithium Corp.)
Statements of Changes in Equity
(Expressed in Canadian dollars)

| | Share capital | | Share-based payment reserve | Warrants reserve | Shares issuable | Share subscriptions receivable | Deficit | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| | Number | Amount $ | $ | $ | $ | $ | $ | $ |
| Balance, December 31, 2015 | 2,070,000 | 775,026 | 112,407 | 35,424 | – | – | (624,884) | 297,973 |
| Shares issued for private placements | 977,000 | 631,656 | – | 370,844 | – | (22,000) | – | 980,500 |
| Share issuance costs | – | (69,200) | – | – | – | – | – | (69,200) |
| Shares issued as finder's fee | 40,000 | 10,000 | – | – | – | – | – | 10,000 |
| Warrants issued as finder's fee | – | (32,040) | – | 32,040 | – | – | – | – |
| Shares issued for stock options exercised | 240,000 | 351,297 | (153,297) | – | – | (45,000) | – | 153,000 |
| Fair value of stock options granted | – | – | 163,561 | – | – | – | – | 163,561 |
| Shares issued for warrants exercised | 160,000 | 65,973 | – | (9,973) | – | – | – | 56,000 |
| Shares issuable for warrants exercised | – | – | – | – | 112,000 | – | – | 112,000 |
| Net loss for the year | – | – | – | – | – | – | (922,722) | (922,722) |
| Balance, December 31, 2016 | 3,487,000 | 1,732,712 | 122,671 | 428,335 | 112,000 | (67,000) | (1,547,606) | 781,112 |
| Share subscriptions received | – | – | – | – | – | 67,000 | – | 67,000 |
| Shares issued for private placements | 882,400 | 1,344,366 | – | 861,634 | – | – | – | 2,206,000 |
| Share issuance costs | – | (101,720) | – | – | – | – | – | (101,720) |
| Warrants issued as finder's fee | – | (52,603) | – | 52,603 | – | – | – | – |
| Shares issued for warrants exercised | 520,000 | 214,410 | – | (32,410) | (112,000) | – | – | 70,000 |
| Shares issued for mineral properties | 354,000 | 890,400 | – | – | – | – | – | 890,400 |
| Fair value of stock options granted | – | – | 935,334 | – | – | – | – | 935,334 |
| Shares issued for stock options exercised | 620,000 | 1,375,185 | (469,685) | – | – | – | – | 905,500 |
| Net loss for the year | – | – | – | – | – | – | (5,816,069) | (5,816,069) |
| Balance, December 31, 2017 | 5,863,400 | 5,402,750 | 588,320 | 1,310,162 | – | – | (7,363,675) | (62,443) |

(The accompanying notes are an integral part of these financial statements)

**LE MARE GOLD CORP.**
(formerly Southern Lithium Corp.)
Statements of Cash Flows
(Expressed in Canadian dollars)

| | Year ended December 31, 2017 $ | Year ended December 31, 2016 $ |
|---|---|---|
| Operating activities | | |
| Net loss | (5,816,069) | (922,722) |
| Items not involving cash: | | |
| Impairment of exploration and evaluation assets | 2,251,379 | 337,666 |
| Interest on loan payable | – | 24,000 |
| Share-based compensation | 935,334 | 163,561 |
| Changes in non-cash working capital items: | | |
| GST receivable | (63,339) | (8,567) |
| Prepaid expenses | (59,565) | (52,876) |
| Accounts payable and accrued liabilities | 260,050 | 59,817 |
| Net cash used in operating activities | (2,492,210) | (399,121) |
| Investing activities | | |
| Exploration and evaluation asset expenditures | (1,024,619) | (336,510) |
| Net cash used in investing activities | (1,024,619) | (336,510) |
| Financing activities | | |
| Proceeds from loans payable | 195,000 | 370,925 |
| Repayment of loans payable | (350,805) | (100,000) |
| Proceeds from issuance of common shares | 2,273,000 | 980,500 |
| Proceeds from exercise of stock options | 705,500 | 153,000 |
| Proceeds from exercise of warrants | 70,000 | 168,000 |
| Share issuance costs | (101,720) | (59,200) |
| Net cash provided by financing activities | 2,790,975 | 1,513,225 |
| Increase (decrease) in cash | (725,854) | 777,594 |
| Cash, beginning of year | 780,711 | 3,117 |
| Cash, end of year | 54,857 | 780,711 |
| Non-cash investing and financing activities: | | |
| Fair value of stock options reallocated to share capital from share-based payment reserve upon exercise | 469,685 | 153,297 |
| Fair value of warrants reallocated to share capital from warrants reserve upon exercise | 32,410 | 9,973 |
| Fair value of warrants issued as finder's fee | 52,603 | 32,040 |
| Options exercised to settle accounts payable | 200,000 | – |
| Shares issued pursuant to mineral property option agreements | 890,400 | – |

(The accompanying notes are an integral part of these financial statements)

1. Nature and Continuance of Operations

Le Mare Gold Corp. (formerly Southern Lithium Corp.) (the "Company") was incorporated in the province of British Columbia on March 9, 2010. The Company is a resource exploration company that is in the business of acquiring and exploring mineral properties. The Company's registered address is Unit #1, 550 Browning Place, North Vancouver, BC, V7H 3A9.

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 December 31, 2017, the Company has not generated any revenue from operations, has a working capital deficit of $62,443, and has an accumulated deficit of $7,363,675. 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 factors indicate existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. 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

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of the Company's financial statements in conformity with 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 share-based compensation, and unrecognized deferred income tax assets.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period when the new information becomes available.

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments (continued)

The application of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of operations.

(e) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are charged to operations.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

*Farm outs*

The Company does not record any expenditures made by the farmee in its accounts. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized.

2. Significant Accounting Policies (continued)

(f) Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged in the statement of operations over the economic life of the related asset, through amortization using either the unit of production or the straight-line method. The obligation is increased for the accretion and the corresponding amount is recognized in the statement of operations.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in the statement of operations.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

As at December 31, 2017 and 2016, the Company has no material restoration, rehabilitation, and environmental obligations.

(g) Income Taxes

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Significant Accounting Policies (continued)

(g) Income Taxes

*Deferred income tax*

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(h) Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. When expenditures are renounced to flow through share investors, the deferred income tax liability associated with the renounced tax deductions is recognized through the statement of operations with a pro-rata portion of the deferred premium.

(i) Reclassifications

Certain of the prior period amounts have been reclassified to conform to the current period's presentation.

(j) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2. Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

*Financial assets at fair value through profit or loss*

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Cash is classified as fair value through profit or loss.

*Held-to-maturity investments*

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the statement of operations. The Company does not have any assets classified as available-for-sale.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of GST receivable.

2. Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

*Impairment of financial assets*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the statement of operations are not reversed through the statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

2. Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(ii) Non-derivative financial liabilities (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and loans payable.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(k) Loss Per Share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. As at December 31, 2017, the Company had 1,732,268 (2016 – 736,680) potentially dilutive shares outstanding.

(l) Share-based Payments

The Company grants share-based awards to employees, directors and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of comprehensive loss with a corresponding entry within equity, against contributed surplus. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payments arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(m) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations. The Company does not have items representing comprehensive income or loss.

(n) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017 and have not been applied in preparing these financial statements.

New standard IFRS 9, "Financial Instruments"
Amendments to IFRS 2, "Share-based Payments"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company's financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Exploration and Evaluation Assets

| | Scotch Creek Property $ | East Fault Property $ | Cruz Property $ | Total $ |
|---|---|---|---|---|
| Acquisition costs: | | | | |
| Balance, December 31, 2015 | 12,000 | – | – | 12,000 |
| Additions | 150 | 66,010 | 270,350 | 336,510 |
| Impairment | (12,150) | – | – | (12,150) |
| Balance, December 31, 2016 | – | 66,010 | 270,350 | 336,360 |
| Additions | – | 750,000 | 140,400 | 890,400 |
| Impairment | – | (816,010) | (410,750) | (1,226,760) |
| Balance, December 31, 2017 | – | – | – | – |
| Exploration costs: | | | | |
| Balance, December 31, 2015 | 325,516 | – | – | 325,516 |
| Impairment | (325,516) | – | – | (325,516) |
| Balance, December 31, 2016 | – | – | – | – |
| Additions | – | – | 1,024,619 | 1,024,619 |
| Impairment | – | – | (1,024,619) | (1,024,619) |
| Balance, December 31, 2017 | – | – | – | – |
| Carrying amounts: | | | | |
| Balance, December 31, 2016 | – | 66,010 | 270,350 | 336,360 |
| Balance, December 31, 2017 | – | – | – | – |

3. Exploration and Evaluation Assets (continued)

*East Fault Property*

On July 8, 2016, the Company entered into a letter of intent to acquire a 100% interest in the 2,100 acre East Fault Property located in Clayton Valley, Nevada, USA. On January 16, 2017 (the "Closing Date"), the Company entered into a definitive agreement where, the Company may earn 100% interest in the property as follows:

- pay US$50,000 to the optionor (paid);
- issue 30,000 common shares to the property owner on or before 30 days of the Closing Date (issued);
- issue 270,000 common shares to the optionor on or before 30 days of the Closing Date (issued); and
- the property is subject to a 2.5% net smelter royalty.

During the year ended December 31, 2017, the Company declined to pay the lease costs on the property. As a result, the Company recorded an impairment loss of $816,010 on the East Fault Property, which has been reflected on the statement of operations for the year ended December 31, 2017.

*Cruz Property*

On November 10, 2016, the Company entered into a Definitive Agreement with Proyecto Pastos Grandes S.A. (“PPG SA”), a wholly owned subsidiary of Millennial Lithium (TSX-V: ML), to be granted an option to acquire an 80% interest in PPG SA’s Cruz property in the Pocitos salar basin in Salta Province, Argentina. Under the terms of the Definitive Agreement, the Company may earn a 70% interest in the property as follows:

- pay $150,000 prior to the execution of the agreement (paid);
- pay $50,000 upon execution of the agreement (paid);
- issue 54,000 shares to PPG SA or Millennial (issued);
- deposit $500,000 in exploration funds to a Joint Account upon the date that is earlier of: (i) the day after the closing of the first tranche of the Company's private placement financing announced on November 1, 2016; or (ii) November 30, 2016 (deposited);
- incur a minimum of $500,000 in exploration expenditures on or before October 1, 2017 (incurred);
- pay the optionor $1,000,000 on or before October 1, 2017; and
- pay the optionor $1,000,000 on or before October 1, 2018.

An additional 10% interest in the property may be earned if the Company completes a bankable feasibility study on or before six months after November 10, 2019.

During the year ended December 31, 2017, the Company decided not to pursue further exploration on the mineral property due to the lack of commercial viability. As a result, the Company recorded an impairment loss of $1,435,369 on the Cruz Property, which has been reflected on the statement of operations for the year ended December 31, 2017.

4. Loans Payable

(a) As at December 31, 2017, the Company owed $nil (2016 - $100,000) to a non-related party which is unsecured, non-interest bearing, and due on demand.

(b) As at December 31, 2017, the Company owed $nil (2016 - $184,000) to a non-related party which is unsecured, non-interest bearing, and due on demand.

(c) As at December 31, 2017, the Company owed $nil (2016 - $56,805) to a non-related party which is unsecured, non-interest bearing, and due on demand.

(d) As at December 31, 2017, the Company owed $185,000 (2016 - $nil) to a non-related party which is unsecured, non-interest bearing, and due on demand.

5. Related Party Transactions

(a) As at December 31, 2017, the amount of $16,321 (2016 - $3,010) is owed to a company controlled by the Chief Financial Officer of the Company, which is unsecured, non-interest bearing, and due on demand. The amount is included in accounts payable and accrued liabilities. During the year ended December 31, 2017, the Company incurred management fees of $120,000 (2016 - $63,483) to a company controlled by the Chief Financial Officer of the Company.

(b) As at December 31, 2017, the amount of $15,750 (2016 - $nil) is owed to a former director of the Company, which is unsecured, non-interest bearing, and due on demand. The amount is included in accounts payable and accrued liabilities. During the year ended December 31, 2017, the Company incurred management fees of $78,200 (2016 - $nil) to this former director.

(c) As at December 31, 2017, the amount of $nil (2016 -$9,641 (US$7,096)) is owed to a company controlled by the President of the Company, which is unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2017, the Company incurred management fees of $11,745 (2016 - $1,980) to a company controlled by the President of the Company.

(d) During the year ended December 31, 2017, the Company incurred management fees of $12,500 (2016 - $nil) and consulting fees of $12,500 (2016 - $nil) to a director of the Company.

(e) During the year ended December 31, 2017, the Company granted 220,000 (2016 – 160,000) stock options with a fair value of $269,512 (2016 - $109,040) to officers and directors of the Company.

6. Share Capital

*Common shares*

Authorized: Unlimited common shares without par value

Share transactions for the year ended December 31, 2017:

(a) During the year ended December 31, 2017, the Company received share subscription proceeds of $67,000 which was receivable as at December 31, 2016.

(b) On February 6, 2017, the Company issued 300,000 common shares with a fair value of $750,000 pursuant to the terms of the mineral option agreement for the East Fault Property.

(c) On February 27, 2017, the Company issued 54,000 common shares with a fair value of $140,400 pursuant to the terms of the mineral option agreement for the Cruz Property.

6. Share Capital (continued)

Share transactions for the year ended December 31, 2017 (continued):

(d) On May 23, 2017, the Company issued 413,800 units at $2.50 per unit for proceeds of $1,034,500. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire an additional common share at $3.50 per share expiring on November 23, 2018. The fair value of the share purchase warrants issued of $447,889 was allocated to warrants reserve. Pursuant to the issuance, the Company incurred $24,400 and issued 9,760 finders' warrants with a fair value of $17,140 as share issuance costs. The finders' warrants are exercisable at $3.50 per common share and expire on November 23, 2018.

(e) On August 18, 2017, the Company issued 468,600 units at $2.50 per unit for proceeds of $1,171,500. Each unit consist of one common share and one share purchase warrant entitling the holder to acquire an additional common share at $3.50 for a period expiring on February 18, 2019. The fair value of the share purchase warrants issued of $416,283 was allocated to warrants reserve. Pursuant to the issuance, the Company incurred $77,320 and issued 30,928 finders' warrants with a fair value of $35,463 as share issuance costs. The finders' warrants are exercisable at $3.50 per common share and expire on February 18, 2019.

(f) During the year ended December 31, 2017, the Company issued 540,000 common shares for proceeds of $705,500 and 80,000 common shares for settlement of accounts payable of $200,000 pursuant to the exercise of stock options. The fair value of the stock options exercised of $469,685 was reallocated from share-based payment reserve to share capital.

(g) During the year ended December 31, 2017, the Company issued 520,000 common shares for proceeds of $182,000 pursuant to the exercise of share purchase warrants, of which $112,000 had been received as at December 31, 2016. The fair value of the share purchase warrants exercised of $32,410 was reallocated from warrants reserve to share capital.

(h) On December 11, 2017, the Company consolidated its common shares on the basis of 1 new share for every 10 existing shares. All share and per share numbers have been retroactively restated for all periods presented.

Share transactions for the year ended December 31, 2016:

(i) On June 27, 2016, the Company issued 640,000 units at $0.25 per unit for proceeds of $160,000. Each unit consisted of one common share and one non-transferable share purchase warrant entitling the holder to purchase an additional common share at $0.40 per share expiring on June 27, 2018. Pursuant to the issuance, the Company issued 40,000 units with a fair value of $10,000 and paid $10,000 as share issuance costs. The fair value of the share purchase warrants issued of $42,382 was allocated to warrants reserve.

(j) On July 11, 2016, the Company issued 180,000 common shares to current and former directors of the Company for proceeds $135,000 pursuant to the exercise of stock options, of which $45,000 was receivable as at December 31, 2016. The fair value of the stock options exercised of $112,407 was reallocated from share-based payment reserve to share capital.

(k) On September 22, 2016, the Company effected a two-for-one forward split of its common shares. All share and per share numbers have been retroactively restated for all periods presented.

(l) In November 2016, the Company issued 60,000 common shares for proceeds of $63,000 pursuant to the exercise of stock options. The fair value of the stock options exercised of $40,890 was reallocated from share-based payment reserve to share capital.

(m) In December 2016, the Company issued 160,000 common shares for proceeds of $56,000 pursuant to the exercise of share purchase warrants. The fair value of the share purchase warrants exercised of $9,973 was reallocated from warrants reserve to share capital.

(Expressed in Canadian dollars)

6. Share Capital (continued)

Share transactions for the year ended December 31, 2016 (continued):

(n) In December 2016, the Company issued 337,000 units at $2.50 per unit for proceeds of $842,500, of which $22,000 was receivable as at December 31, 2016. Each unit consisted of one common share and one non-transferable share purchase warrant entitling the holder to purchase an additional common share at $3.50 per share, expiring 18 months from the issuance date. The fair value of the share purchase warrants issued of $328,461 was allocated to warrants reserve. Pursuant to the issuance, the Company paid cash of $49,200 and issued 19,680 finders' warrants with a fair value of $32,040 as share issuance costs. The finders' warrants are exercisable at $3.50 per common share and expire 18 months from the issuance date.

(o) As at December 31, 2016, the Company had $112,000 in shares issuable pursuant to the exercise of 320,000 share purchase warrants.

*Reserves*

The Company has adopted the relative fair value method with respect to the measurement of common shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair value of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from reserve for warrants to share capital.

7. 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:

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| Outstanding, December 31, 2015 | 180,000 | 0.80 |
| Granted | 240,000 | 1.10 |
| Exercised | (240,000) | 0.80 |
| Outstanding, December 31, 2016 | 180,000 | 1.10 |
| Granted | 952,500 | 1.77 |
| Exercised | (620,000) | 1.46 |
| Cancelled | (60,000) | 2.41 |
| Outstanding, December 31, 2017 | 452,500 | 0.18 |

(Expressed in Canadian dollars)

7. Stock Options (continued)

Additional information regarding stock options outstanding as at December 31, 2017, is as follows:

| | Outstanding and exercisable | | |
|---|---|---|---|
| Exercise prices $ | Number of options | Weighted average remaining contractual life (years) | Weighted average exercise price $ |
| 1.20 | 250,000 | 0.7 | 1.20 |
| 2.50 | 132,500 | 0.6 | 2.50 |
| 2.80 | 70,000 | 0.0 | 2.80 |
| | 452,500 | 0.5 | 1.83 |

During the year ended December 31, 2017, the Company recorded share-based compensation of $935,334 (2016 - $163,561). The weighted average grant date fair value of stock options granted during the year ended December 31, 2017 was $0.98 (2016 - $0.07) per option.

The fair values for stock options granted have been estimated using the Black-Scholes option-pricing model assuming no expected dividends, no forfeitures, and the following weighted average assumptions:

| | 2017 | 2016 |
|---|---|---|
| Risk-free interest rate | 1.17% | 0.66% |
| Expected volatility | 145% | 135% |
| Expected option life (in years) | 1 | 5 |

8. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

| | Number of warrants | Weighted average exercise price $ |
|---|---|---|
| Balance, December 31, 2015 | – | – |
| Issued | 1,036,680 | 1.40 |
| Exercised | (160,000) | 0.35 |
| Balance, December 31, 2016 | 876,680 | 2.20 |
| Issued | 923,088 | 3.50 |
| Exercised | (520,000) | 3.50 |
| Balance, December 31, 2017 | 1,279,768 | 3.50 |

8. Share Purchase Warrants (continued)

As at December 31, 2017, the following share purchase warrants were outstanding:

| Number of warrants outstanding | Exercise price $ | Expiry date |
|---|---|---|
| 351,496 | 3.50 | June 9, 2018 |
| 5,184 | 3.50 | June 21, 2018 |
| 423,560 | 3.50 | November 23, 2018 |
| 499,528 | 3.50 | February 18, 2019 |
| 1,279,768 | | |

9. Financial Instruments and Risks

(a) Fair Values

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at December 31, 2017 and 2016, the fair value of financial instruments, measured on a recurring basis includes cash determined based on Level 1 inputs, consisting of quoted prices in active markets for identical assets. The fair values of other financial instruments, which consist of GST receivable, accounts payable and accrued liabilities, and loans payable, approximate their carrying values due to the short-term to maturities of these financial instruments.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and GST receivable. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. GST receivable consists of GST refunds due from the Government of Canada.

(d) Foreign Exchange Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. A portion of the Company's cash and accounts payable and accrued liabilities is denominated in US dollars. The Company has not entered into foreign exchange rate contracts to mitigate this risk. As at December 31, 2017, the Company is not exposed to any significant foreign exchange rate risk.

(Expressed in Canadian dollars)

9. Financial Instruments and Risks (continued)

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. In addition, the Company needs to raise equity financing to carry out its exploration programs. There is no assurance that financing will be available or, if available, that such financings will be on terms acceptable to the Company.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

10. Capital Management

The Company's capital structure consists of cash and equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has interests are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire interests in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

11. Income Taxes

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the loss before income taxes. The components of these differences are as follows:

| | 2017 | 2016<br>$ |
|---|---|---|
| Canadian statutory income tax rate | 26% | 26% |
| Income tax recovery at statutory rate | (1,512,178) | (239,908) |
| Tax effect of: | | |
| Permanent differences and other | 210,428 | 42,526 |
| Change in enacted tax rates | (67,205) | – |
| Change in unrecognized deferred tax assets | 1,368,955 | 197,382 |
| Income tax provision | – | – |

(Expressed in Canadian dollars)

11. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Deferred income tax assets: | | |
| Non-capital losses carried forward | 967,363 | 238,939 |
| Exploration and evaluation assets | 625,942 | 7,382 |
| Share issuance costs | 21,971 | – |
| Unrecognized deferred income tax assets | (1,615,276) | (246,321) |
| Net deferred income tax asset | – | – |

As at December 31, 2017, the Company has non-capital losses carried forward of $3,582,826 which are available to offset future years' taxable income. These losses expire as follows:

| | $ |
|---|---|
| 2030 | 50,623 |
| 2031 | 149,010 |
| 2032 | 77,340 |
| 2033 | 84,194 |
| 2034 | 81,988 |
| 2035 | 77,376 |
| 2036 | 435,335 |
| 2037 | 2,626,960 |
| | 3,582,826 |

12. Subsequent Events

(a) On February 4, 2018, the Company granted 100,000 stock options to a consultant exercisable at a price of $0.22 per share expiring on February 4, 2019.

(b) On February 16, 2018, the Company granted 300,000 stock options to consultants exercisable at a price of $0.225 per common share expiring on February 15, 2019.

(c) On March 11, 2018, the Company entered into a mineral property option agreement to acquire a 100% interest in 12 mineral claims located in the Nanaimo Mining Division. Under the terms of the agreement, the Company will issue 5,000,000 common shares and pay $50,000 to the optionor. In addition, the Company agreed to pay an additional $200,000 and incur at least $100,000 in exploration expenditures on the property on or before March 11, 2021. The optionor retains a 3% net smelter return ("NSR") royalty on the property. The Company may purchase one-half of the NSR royalty by paying the optionor $1,500,000.

(d) Subsequent to December 31, 2017, the Company issued 400,000 common shares for proceeds of $89,500 pursuant to the exercise of stock options.