

LITHIUM CHILE INC.

DECEMBER 31, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) for Lithium Chile Inc. (“LITH” or the “Corporation”) is a review of how the Corporation performed during the period covered by the consolidated financial statements (“Audited Statements”), and of the Corporation’s financial condition and future prospects. The MD&A complements and supplements the consolidated financial statements of the Corporation and should be read in conjunction with the Corporation’s Audited Statements and the related notes for the years ended December 31, 2019 and 2018. The consolidated financial statements have been prepared in Canadian dollars in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), which are also generally accepted accounting principles (“GAAP”) for publicly accountable enterprises in Canada.

The Corporation’s Board of Directors has reviewed and approved the Audited Statements and MD&A, both of which are effective April 29, 2020.

Certain information presented in the MD&A constitutes forward looking information that is subject to substantial risks and uncertainties. Words such as “may”, “will”, “should”, “could”, “anticipate”, “believe”, “expect”, “intend”, “plan”, “potential”, “continue” and similar expressions have been used to describe these forward-looking statements. By their nature, forward-looking statements necessarily involve risks associated with the provision of services such as loss of market, lack of qualified personnel, impact of the regulatory environment, and competition from other companies providing similar services. Readers are cautioned that the assumptions used in the preparation of forward-looking information and statements, although considered reasonable at the time may prove to be imprecise. As such, undue reliance should not be placed on forward-looking statements. A number of factors, many of which are beyond the control of Lithium, may affect the actual performance of Lithium and actual results may differ from those expressed or implied by such forward looking information. Accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will occur, or if they do occur, what benefit Lithium will derive from them. Readers are cautioned not to place undue reliance on these forward-looking statements.

DESCRIPTION OF BUSINESS

Lithium Chile Inc. was incorporated pursuant to the provisions of the Business Corporations Act (*Alberta*) on October 18, 2010. The Corporation’s principal business is the acquisition and development of lithium properties in Chile and its common shares trade on the TSX Venture Exchange under the symbol “LITH” and on the OTC-QB under the symbol “LTMCF”.

At December 31, 2019, the Corporation had a working capital balance of \$6,185 (December 31, 2018 - \$2,608,044). Due to the nature of the mining industry, it is expected that additional financing will be required in due course. Management will seek additional forms of financing through the issuance of new equity or debt instruments to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. If the Company is unable to raise funds to pay its liabilities as they become due and successfully finance its current and future exploration projects, it may not be able to realize its assets and discharge its liabilities in the normal course of operations.

OUTLOOK

During the last quarter of 2019 and the first of 2020, discussions were initiated with a number of interested parties on potential joint venture arrangements and discussions remain ongoing. It is LITH’s intention to continue to seek joint venture partners to advance any or all of the mineral prospects.

Subsequent to year end (March 5, 2020) LITH announced the retransfer of certain of the mineral properties which were transferred to Kairos Metals Corp. (“Kairos”) in 2018 (the “Retransfer Transaction”). In association with closing of the Retransfer Transaction, one promissory note granted by Kairos was satisfied by the retransfer of properties and the other was restructured.

As a result of the Retransfer Transaction, LITH has gained exposure to a portfolio of properties that are prospective for gold/silver/copper accumulations (See also: Subsequent Event Note).

Subsequent to year end (April 8, 2020) LITH announced that it had entered into an option agreement to further exploration efforts on the Apolo/Sancarron properties that were reacquired as part of the Retransfer Transaction (see also: Subsequent Event Note).

OUTLOOK – “COVID-19”

The novel coronavirus (“COVID-19”) outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown.

Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. The full extent of the impact on the Company’s future financial results is uncertain given the length and severity of these developments cannot be reliably estimated.

SELECTED FINANCIAL INFORMATION

The following summarizes information derived from the Company’s consolidated financial statements as at and for the year ended December 31:

	Year ended and as at December 31,		
	2019	2018	2017
Net loss and comprehensive loss	\$ 3,080,952	\$ 3,366,255	\$ 1,023,662
Basic and diluted loss per share	\$ 0.03	\$ 0.03	\$ 0.013
Total assets	\$ 7,723,478	\$ 10,198,030	\$ 10,045,346
Long-term liabilities	\$ -	\$ -	\$ -
Share capital	\$ 13,060,338	\$ 13,029,962	\$ 10,061,056
Number of common shares outstanding	101,941,835	101,875,168	96,740,250

CORPORATE REORGANIZATION

On January 15, 2018, the Corporation incorporated a wholly-owned subsidiary, Kairos Metals Corp. (“Kairos Metals”) pursuant to the provisions of the *Business Corporations Act* (Alberta).

At a meeting of the shareholders of the Corporation on April 27, 2018, the Lithium Shareholders approved a proposed plan of arrangement (the “Arrangement”) under Section 193 of the *Business Corporations Act* (Alberta) involving, among other things, the distribution of common shares (the “Kairos Metals Shares”) of Kairos Metals, to the Lithium shareholders on the basis of one (1) Kairos Metals Share for every (4) Lithium Shares.

On May 8, 2018, the Arrangement was approved by the Court of Queen’s Bench and on May 15, 2018 the Arrangement was accepted by the TSX Venture Exchange.

In addition, the following transactions have occurred and are part of a series of transactions related to the Arrangement:

- Kairos Metals acquired 100% of the outstanding interest in Compañía Minera San Lorenzo Limitada (“San Lorenzo”) from Compañía Minera Kairos Chile Limitada (“Minera Kairos”), a wholly-owned subsidiary of the Corporation for the sum of \$1.00. San Lorenzo owned no assets, including no mineral claims, on the date of ownership transfer nor had San Lorenzo carried on any business activities prior to the date of the ownership transfer.
- Mineras Kairos transferred its interests in its copper, gold and silver properties (“CGS claims”) in Chile to San Lorenzo at their carrying cost of US\$1.6 million (CAD\$2,217,216) in exchange for a Promissory Note as described below.
- Lithium loaned Kairos Metals US\$1.1 million cash. In exchange Kairos Metals issued a promissory note to Lithium in the amount of US \$1,150,000 (CAD\$1,564,000) to reflect the US\$1.1 million loan proceeds and costs of the Arrangement in the agreed amount of US\$50,000 as provided for in the Arrangement Agreement.
- The promissory notes issued to Mineras Kairos for the transfer of the CGS claims and to Lithium for the loan proceeds bears interest at 2.0% per annum and will mature two years from the date of issuance.

- Pursuant to the terms of the Plan of Arrangement, the Corporation issued immediately prior to the Effective Time of the Arrangement Kairos Metals Shares such that the number issued and outstanding at the Effective Time is equal to one-quarter (¼) of the number of the then issued and outstanding Lithium Shares such that Lithium Shareholders received exactly one (1) Kairos Share for every four (4) Lithium Shares held by such Lithium Shareholder at the Effective Time.

Subsequent to the year ended December 31, 2019, an agreement was entered into with the respective parties that will result in certain properties being transferred to the Corporation (the “Re-transfer Agreement”). As a result of the negotiated Re-transfer Agreement, the values and terms of the notes receivable were adjusted as follows (Subsequent event note):

- The Kairos Metal note receivable was written down to CAD\$1,000,000 with the repayment term extended from May 16, 2020 to November 30, 2021 are unsecured.
- The San Lorenzo note receivable was adjusted to the net estimated recoverable amount of CAD\$1,057,638, being the carrying value of the properties to be re-transferred.

OPERATIONAL REVIEW

During the year, the Corporation completed the initial sampling program on all of its 15 properties. This resulted in the selection of the following 6 salars for advanced exploration: Salars de: Atacama, Helados, Coipasa, Ollague, Turi and Talar. These 6 specific properties yielded the highest lithium grades from sampling, are the largest in size and have the best accessibility and nearby infrastructure.

An extensive geophysical program was undertaken on the first 5 of the properties mentioned above involving an initial gravity survey designed to evaluate the salar basins on the property. Interpretation of this follow up data to identify three priority properties and locations for a reconnaissance drill program.

The Ollague drilling results were encouraging as they proved the existence of lithium bearing brines and validated the geophysical data collected from the geophysical program.

During 2019, the Corporation continued to move both the Turi and Coipasa exploration projects forward.

During 2019, permission for a transient electromagnetic method (“TEM”) survey and a 3 hole follow-up drilling program to be conducted on the Turi property was received from the local community. On October 18, 2019 Lithium Chile received the environmental permit for the Turi project and drilling commenced in December. However, lithium grades obtained from the first hole were deemed to be non-commercial. The decision to drill a second hole at the Turi prospect remains under review.

The Corporation is now actively involved with negotiations to initiate reconnaissance drill programs on both Salar de Coipasa and the Salar de Helados/Laguna Blanca properties. Negotiations have advanced on Coipasa to where terms have been accepted by the community. Discussions with community representatives to identify drill locations are ongoing.

An access application, made with the support of the Coipasa community membership, was made in the mineral claims court of Pozzo Amonte. A formal court approved Access Order is in the final stage of approval. Upon receipt, Lithium Chile will be able to file a Notice of Work to commence the community approved exploration drilling program.

An additional 4600 hectares of land were staked in the region around Lithium Chile’s Helados prospect in the Salar de Laguna Blanca. The reconnaissance sampling program produced encouraging results and a TEM geophysical survey was also completed. Negotiations with the local community for access to the property for a surface sampling program, to be followed up by an exploration drill program, were commenced during the year. Subsequent to year end, results were announced on the sampling program at Laguna Blanca. The sampling program returned high values in salt samples taken at and within 1.5m of surface for not only lithium, but also for cesium (Press Release February 4, 2020). Further exploration work on Salar de Laguna Blanca is planned for 2020.

Net Income and Cash Flow from Operations

A comprehensive loss of \$3,080,952 resulted for the year ended December 31, 2019, respectively as compared to a comprehensive loss of \$3,366,255 for the comparable period in 2018. The loss in 2019 is largely related to the impairment of notes receivable of \$1,516,424 and the foreign exchange translation adjustment of \$806,565.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

General and Administrative

General and administrative expenses are as follows:

	Year ended December 31,	
	2019	2018
Wages and employee benefits	\$ 232,579	\$ 186,464
Professional fees	61,236	138,410
Consulting fees	217,650	190,602
Rent	48,904	49,533
Office	137,517	280,632
Travel and entertainment	234,257	363,665
Business development	149,946	1,657,155
	\$ 1,082,089	\$ 2,866,461

Wages and employee benefits have increased \$46,115 for the year ended December 31, 2019 as compared to the same period in 2018. The increase reflects wage adjustments and directors' remuneration.

For the year ended December 31, 2019, professional fees decreased \$77,174 compared to the same period in 2018. In 2018, the Corporate Reorganization incurred additional legal and accounting professional fees.

Consulting fees increased by \$27,048 for the year ended December 31, 2019 as compared to the same periods in 2018. This increase reflects the additional personnel required for the testing and evaluation of the properties.

Travel and entertainment costs decreased by \$129,408 in the year ended December 31, 2019 as compared to the same period in 2018 due to less travel overall and particularly to Asia and Chile.

Business development costs decreased significantly by \$1,507,209 in 2019 as compared to the same period in 2018. Generally business development costs were higher in 2018 as the Corporation incurred a number of one-time costs to increase awareness of the Corporation and of lithium.

Additional Information

Capitalized exploration and evaluation expenditures for the year ended December 31, 2019 were \$1,336,159 (2018 - \$3,097,075).

Financial Resources and Liquidity

At December 31, 2019, the Corporation had a working capital balance of \$6,185 (December 31, 2018 - \$2,608,044). The Corporation has no capital commitments for 2019.

Lithium Chile will require additional funding to complete any further exploration programs. The Corporation is currently exploring financing alternatives.

The Corporation believes it has sufficient funds for general and administrative expenses over the next twelve months. However, due to the nature of the mining industry, it is expected that additional financing will be required in due course. Management will seek additional forms of financing through the issuance of new equity or debt instruments to continue its operations.

Notes and other receivables

Notes and other receivables are comprised of the following:

	December 31, 2019	December 31, 2018
Note receivable from an officer (a)	\$ 88,244	\$ 93,200
Note receivable from Kairos Metals (b)	1,000,000	1,250,323
Note receivable from San Lorenzo (b)	1,057,638	1,778,024
Interest receivable	1,812	50,840
Advances to San Lorenzo (c)	-	30,906
Balance, end of year	\$ 2,147,694	\$ 3,203,293

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The notes receivable are allocated as follows:

	December 31, 2019	December 31, 2018
Current	\$ 1,057,637	\$ -
Long-term	1,090,056	3,203,293
Total	\$ 2,147,693	\$ 3,203,293

a) Note receivable from an officer

Pursuant to an employment agreement entered into during 2017, the Corporation loaned an officer \$93,200 to purchase 233,000 shares of the Corporation. The note bears interest at 2% per annum is repayable in annual instalments of 5% of the principal sum each January 1st commencing January 1, 2019 plus interest and is due in full October 30, 2022.

The shares are held as security for the note receivable and shall be released on a proportionate basis following each annual loan repayment.

b) Notes receivable

The face value of the original notes receivable from Kairos Metals of \$1,490,400 (US\$1,150,000) and San Lorenzo \$2,073,600 (US\$1,600,000) were due two years from the date of issuance, May 16 and May 8, 2018 respectively.

Subsequent to the year ended December 31, 2019, an agreement was entered into with the respective parties that will result in certain properties being transferred to the Corporation (the "Retransfer Agreement"). As a result of the negotiated Retransfer Agreement, the values and terms of the notes receivable were adjusted as follows (note 15):

- The Kairos Metal note receivable was written down to CAD\$1,000,000 with the repayment term extended from May 16, 2020 to November 30, 2021 are unsecured.
- The San Lorenzo note receivable was adjusted to the net estimated recoverable amount of CAD\$1,057,638, being the carrying value of the properties to be re-transferred.
The Retransfer agreement is subject to regulatory approval.

	Kairos Metals	San Lorenzo
Face value of note receivable issued (note 11)	\$ 1,564,000	\$ 2,217,216
Fair value adjustment at time of issuance	(441,048)	(625,255)
Accretion	127,371	186,063
Interest accrued	20,038	29,726
Non-interest bearing loan	-	30,096
Balance December 31, 2018	1,270,361	1,837,846
Accretion	233,000	325,178
Interest accrued	29,808	44,337
Foreign exchange effect	(73,600)	(121,543)
Adjustment for costs incurred to sold properties	-	28,675
Impairment	(459,569)	(1,056,855)
Balance, December 31, 2019	\$ 1,000,000	\$ 1,057,638

In 2018 a fair value adjustment was recorded, to be accreted over the term of the notes, for the difference between the interest rate of 2% per the note receivable agreements and the estimated market interest rate of 20% for corporations with similar credit profiles.

The fair value adjustment and related accretion of the Kairos Metals note receivable was charged to operations in the consolidated Statements of Loss and Comprehensive Loss. The San Lorenzo note receivable was issued on the transfer of the properties (see note 4) and is considered a common control transaction and as such, the fair value adjustment was charged to contributed surplus.

c) Advances to San Lorenzo

The advances to San Lorenzo are unsecured, non-interest bearing and due on demand. The advances are not expected to be repaid in the next year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Mineral Properties - Exploration and Evaluation Expenditures

Costs related to undeveloped mineral properties consist of the following:

Balance, January 1, 2018	\$ 3,130,321
Additions to copper/gold/silver claims	118,385
Additions to lithium claims	3,097,075
Transfer of copper/gold/silver claims (see section on <i>Corporate Reorganization</i>)	(2,278,682)
Balance, December 31, 2018	\$ 4,067,099
Additions to lithium claims	1,336,159
Foreign exchanged effect	(549,451)
Balance, December 31, 2019	\$ 5,014,228

Mineral Property Description

The Corporation currently holds 100% title interest in 110,280 hectares in its lithium property portfolio in Chile comprised of 17 discrete properties with exploration potential to discover commercial deposits of lithium, potassium and boron.

Mineral Property Expenditure Commitments

The Mineral Properties do not require any minimum work or expenditure commitments. The Corporation is obligated to make annual tax payments of US\$1.50/hectare to the Chilean government in relation to exploration concessions.

SHARE CAPITAL

(a) Issued

	#	\$
Balance, January 1, 2018	96,740,250	10,061,056
Shares issued for cash	3,666,200	3,666,200
Shares issued on exercise of warrants	968,718	444,913
Share issued on exercise of stock options	500,000	65,000
Reclass on exercise of warrants	-	226,474
Reclass on exercise of options	-	10,000
Fair value of unit warrants	-	(993,843)
Distribution of investment in Kairos Metals	-	(1,045)
Share issue costs:		
Expenditures	-	(309,981)
Fair value of broker's warrants		(138,812)
Balance, December 31, 2018	101,875,168	13,029,962
Shares issued on exercise of stock option	66,667	16,667
Reclass on exercise of stock options		13,709
Balance, December 31, 2019	101,941,835	13,060,338

During the first quarter of 2019, 66,667 common shares were issued on the exercise stock options for proceeds of \$16,667.

(b) Warrants

The details of the broker warrants are as follows at December 31, 2019:

Date of Issuance	March, 2017	September, 2017	November, 2017	March, 2018	Total
Exercise price of broker warrants	\$ 0.25	\$ 0.40	\$ 0.46	\$ 1.00	
# of broker warrants issued	282,750	677,565	513,891	249,634	1,723,840
# of broker warrants exercised	(282,750)	(677,565)	(112,651)	-	(1,072,966)
Balance, December 31, 2018	-	-	401,240	249,634	650,874
# of broker warrants expired	-	-	(401,240)	(249,634)	(650,874)
Balance, December 31, 2019	-	-	-	-	-

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

At December 31, 2018 the Unit warrants outstanding are as follows and have an average remaining term to expiry of 16 months:

Date of Issuance	November, 2017	March, 2018	Total
Exercise price of Unit warrants	\$ 0.69	\$ 1.50	
# of Unit warrants issued	2,536,671	1,833,100	4,369,771
# of Unit warrants exercised	(176,002)	-	(176,002)
Balance, December 31, 2018	2,360,669	1,833,100	4,193,769
# of Unit warrants expired	(2,360,669)	-	(2,360,669)
Balance, December 31, 2019	-	1,833,100	1,833,100

The Unit warrants expire two years from the date of issuance.

(c) Stock Options

A summary of the stock option plan and changes during the periods then ended is as follows:

	December 31, 2019		December 31, 2018	
	# of Stock Options	Weighted Average Price	# of Stock Options	Weighted Average Price
Balance, beginning of year	4,450,000	\$ 0.33	4,150,000	\$ 0.24
Granted	700,000	\$ 0.52	900,000	\$ 1.05
Expired	-	-	(100,000)	\$ 0.10
Exercised	(66,667)	\$ 0.25	(500,000)	\$ 0.18
Balance, end of period	5,083,333	\$ 0.36	4,450,000	\$ 0.33

A summary of the stock options outstanding is as follows:

As at December 31, 2019					
Options		Weighted Average Remaining Contractual		Exercisable	
Outstanding	Exercise Price	Life (years)		Options	Expiry Date
525,000	\$0.10	1.1		525,000	February 18, 2021
2,358,333	\$0.25	2.1		2,008,334	February 17, 2022
600,000	\$0.45	2.6		600,000	August 22, 2022
900,000	\$1.05	3.1		600,000	February 20, 2023
700,000	\$0.52	4.1		350,000	January 7, 2024
5,083,333		2.5		4,083,334	

On January 7, 2019 the Corporation issued 700,000 stock options, at an exercise price of \$0.52 to a director and a consultant, of which 350,000 stock options vest on the date of the grant and the remainder vest one year from the date of grant. The stock options expire on January 7, 2024 and had a fair value of \$329,000 on the date of issuance.

The fair value of stock options issued in the year has been estimated at the date of grant using the Black-Scholes option pricing model using the following assumptions:

	January 7, 2019	February 20, 2018
Dividend yield	0%	0%
Expected volatility	149%	133%
Risk-free interest rate	1.83%	1.94%
Forfeiture rate	nil	nil
Term	5 years	5 years
Share price - issuance	\$ 0.52	\$ 0.95
Fair value per option	\$ 0.47	\$ 0.82

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Related Party Transactions

- (a) During the year ended December 31, 2019 and 2018, the Corporation incurred expenses included in the Consolidated Statements of Loss and Comprehensive Loss, as follows:

	2019	2018
Administrative and accounting services provided by officers	\$ 97,650	\$ 84,500
Fees paid to directors or a firm controlled by a director	65,000	60,000
Rent and office expenses charged by a company with common directors and officers	18,220	13,175
Promissory note interest earned from a company related by a common director	44,337	28,377
Loan interest earned from a company related by a common director	\$ 29,808	\$ 20,084

The above transactions were in the normal course of operations and were recorded at fair value.

- (b) The related party amounts included in the Consolidated Statements of Financial Position, are as follows:

As at December 31, 2019	2019	2018
Due to officers for administrative and accounting services (included in trade and other payables)	\$ 5,650	\$ 4,000
Consulting services provided by an officer (included in Mineral Properties on the consolidated statements of financial position)	186,807	218,869
Due to an officer for consulting services (included in trade and other payables)	11,677	31,053
Due from an officer including accrued interest (included in notes receivable)	\$ 90,056	\$ 95,085

SELECTED QUARTERLY INFORMATION

Fiscal Quarter Ended	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Revenue	\$ 4,334	\$ 37,197	\$ 22,843	\$ 26,132
Comprehensive loss	\$ 1,841,492	\$ 132,001	\$ 416,807	\$ 693,652
Net loss per share	\$ (0.02)	\$ (0.00)	\$ (0.00)	\$ (0.01)

Fiscal Quarter Ended	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Revenue	\$ 56,730	\$ 2,177	17,086	\$ 22,387
Comprehensive loss	\$ 838,810	\$ 712,177	1,133,836	\$ 681,432
Net loss per share	\$ (0.01)	\$ (0.01)	(0.01)	\$ (0.01)

CASH FLOW

For the year ended December 31, 2019 the Corporation's cash decreased \$2,427,874. The decrease in cash results from cash used in operations of \$946,793, cash used in investing activities of \$1,469,074 and financing activities of \$12,008.

The cash spent on investing activities is related to the exploration program on the lithium properties.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

Lithium is not a party to any industry contracts or obligations and there are no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

There are no critical or material accounting estimates.

SUBSEQUENT EVENTS

Subsequent Events

Subsequent to the year ended December 31, 2019, the following events occurred:

- a) An agreement was entered into between the Corporation, Kairos Metals, Minera Kairos and San Lorenzo to transfer certain gold/silver/copper properties (the “Retransferred Mineral Claims”) from San Lorenzo back to the Corporation (the “Retransfer Agreement”) such that the values and terms of the notes receivable were adjusted as follows:
 - In conjunction with the Retransfer Agreement, the San Lorenzo note receivable was adjusted from the original face value of US\$1,600,000 down to the estimated recoverable amount of CAD\$1,175,153, being the carrying value of the properties to be re-transferred. Upon approval and closing of the Retransfer Agreement, the adjusted note receivable in the amount of CAD\$1,175,153 will have been satisfied in exchange for the Retransferred Mineral Claims.
 - The Kairos Metal note receivable was written down from US\$1,115,000, plus interest, to CAD\$1,000,000 with the repayment term extended from May 16, 2020 to November 30, 2021, and is unsecured.

The Retransfer Agreement received regulatory approval on April 17, 2020 and as a result the Retransfer Agreement also closed.

- b) The Corporation entered into an option agreement (the “Option Agreement”) with Inform Resources Corp. (“Inform”) whereby Inform can earn up to 65% in Lithium’s Apolo/Sancarron mineral prospect, part of the Retransferred Mineral Claims, by paying up to \$600,000 to Lithium and investing a minimum of \$3,000,000 into the properties over a three (3) year period. As a result of the closing of the Retransfer Agreement, the Option Agreement on the Apolo/Sancarron properties can now proceed.
- c) The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks as well as the impact on the Corporation.

ACCOUNTING STANDARDS ADOPTED

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard was adopted by the Corporation on January 1, 2019 using a modified retrospective approach. The Corporation applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 “Leases” and IFRIC 4 “Determining Whether an Arrangement contains a lease” were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019. This standard has not had a significant effect on the consolidated financial statements as the Corporation does not have any leases.

BUSINESS RISKS

Mining Industry Risks

The exploration for and development of mineral deposits involves a high degree of risk that even a combination of careful evaluation, experience, knowledge and sufficient financial resources may not eliminate. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit such as size, grade and proximity to infrastructure; commodity prices which are inherently cyclical and cannot be predicted with certainty; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The effect of these factors cannot be accurately predicted and the combination of these factors may result in not receiving an adequate return on invested capital.

Properties without Known Mineable Reserves

The Corporation’s activities will continue to be directed towards the search for, evaluation of, and development of mineral deposits. There is no assurance that expenditures associated with those activities will result in securing commercial mineral deposits and actual expenditures may be higher than currently anticipated.

Uncertainty as to Calculations of Mineral Deposit Estimates

There is a significant degree of uncertainty attributable to the calculation of mineral deposit estimates. Until the mineral is actually mined and processed, mineral deposit estimates, grades and recovery rates must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit estimates or grade information will prove accurate. In addition, the value of mineral deposits may vary depending on mineral prices and other factors. Any material change in grades, stripping ratios or other mining and processing factors may affect the economic viability of projects. Furthermore, mineral deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects.

Uninsurable Risks

The Corporation may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce the funds available for development and mining activities. Payment of liabilities for which the Corporation does not carry insurance may have a material adverse effect on the Corporation's financial position.

Currency

Currency fluctuations may materially affect the financial position and results of Lithium. Lithium does not intend to engage in currency hedging to offset currency fluctuations risks.

Governmental Regulation of the Mining Industry

The mineral development or exploration activities of Lithium are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to protection of the environment. Although the Corporation believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of Lithium or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Corporation.

Exploration and Development Risks

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover deposits but also from finding deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of resources or reserves acquired or discovered by the Corporation may be affected by numerous factors which are beyond the control of Lithium and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of facilities, commodity markets, processing equipment availability and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in Lithium not receiving an adequate return of investment capital.

There is no assurance that Lithium's mineral exploration and development activities will result in any discoveries or acquisitions of commercial bodies of minerals. The long-term profitability of Lithium operations will in part be directly related to the costs and success of its development efforts which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery or acquisition of a deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

If Lithium loses or abandons its interest in its properties, there is no assurance that it will be able to acquire another mineral property of merit or that such an acquisition would be approved by the Exchange. There is also no guarantee that the Exchange will approve the acquisition of any additional properties by Lithium, whether by way of option or otherwise, should Lithium wish to acquire any additional properties.

The business of exploration and development of minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines and there is no guarantee Lithium's new projects will become producing mines.

Insurance

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and Lithium may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of Lithium.

Permits and Licenses

The future operations of Lithium may require permits from various governmental authorities and will be governed by laws and regulations governing prospecting, development, mining, production, export, taxes, labour standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters. There can be no guarantee that Lithium will be able to obtain all necessary permits and approvals that may be required to undertake development activity or commence construction or operation of mine facilities on Lithium's properties.

Environmental Legislation

Environmental laws and regulations may affect the operations of Lithium. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or non-compliance with environmental laws or regulations.

In all major developments, Lithium generally relies on recognized designers and development contractors, from which Lithium will, in the first instance, seek indemnities. Lithium intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions hereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including Lithium may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Lithium and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Title to Properties

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although Lithium believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of Lithium's interests.

Market Prices

If Lithium seeks to bring a property to production, the profitability of its operations will be dependent in part upon the market price of the minerals. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of Lithium. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities, and exchange rate stability can all cause significant price fluctuations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on Lithium's business, financial condition and results of operations.

Competition

The mining industry is intensely competitive in all of its phases and Lithium will compete with many companies possessing greater financial and technical resources than itself. Competition in the mining industry is primarily for: mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and, the capital for the purpose of funding such properties. Many competitors not only explore for and mine minerals, but conduct refining and marketing operations on a world-wide basis. Such competition may result in Lithium being unable to acquire desired properties (due to the auction process involved in property acquisition), to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect Lithium's prospects for mineral exploration and success in the future.

Additional Financing

The exploration and development of Lithium's properties, including continuing exploration and development projects, and the construction of mining facilities and the commencement of mining operations, will require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration development or production on any or all of Lithium's properties or even a loss of a property interest. Sources of funds now available to Lithium are limited and may include the sale of equity capital, properties, royalty interests, the entering into of future joint ventures and the exercise of outstanding options and warrants. Additional financing may not be available when needed or, even, if available, the terms of such financing might not be favourable to Lithium and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on Lithium's business, financial condition and results of operations.

Competition for Key Personnel

Lithium will be dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on Lithium. Lithium's ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals. Lithium faces intense competition for qualified personnel and there can be no assurance that Lithium will be able to attract and retain such personnel.

Possible Volatility of Stock Price

The market price of Lithium Shares will be subject to wide fluctuations in response to factors such as actual or anticipated variations in Lithium's consolidated results of operations, changes in financial estimates by securities analysts, general market consolidated and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the Lithium Shares. Factors such as the price of minerals, announcements by competitors, and changes in stock market analyst recommendations regarding Lithium, and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the Lithium Shares. Moreover, it is likely that during future quarterly periods, Lithium's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the Lithium Shares could be materially adversely affected.

In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. Such litigation, if brought against Lithium, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on Lithium's business, financial condition and results of operations.

Ability to Manage Growth

The size of Lithium's business and assets is expected to grow in the coming years. In order to effectively deploy its capital and manage its growth, Lithium will need to retain additional personnel and augment, improve or replace existing systems and controls. As a result, there can be no assurances that Lithium will be able to effectively manage its growth and, if it is unable to do so, its business, financial conditions and results could be adversely affected.

Ability to Sell Securities

Securities of Lithium may be subject to resale restrictions under applicable securities legislation. Accordingly, there may be a long time period between the date of purchase of securities and the date that a shareholder is able to sell these securities. In this time, the market price of Lithium's securities will vary. Additionally, there may be limited liquidity in the market for such securities. As such, there is no assurance that the market price at which a shareholder is able to sell any will equal or exceed the price at which the securities were originally issued by Lithium.

Acquisition Risk

As part of Lithium's business strategy, it may seek to grow by acquiring businesses that it believes will complement its current business. Lithium may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel into its business. Lithium cannot guarantee that it can complete any acquisition it pursues on favourable terms, or that any completed acquisitions will ultimately benefit its business and the results of operations of Lithium.

The risks inherent with acquisitions include the risks associated with the integration of acquired operations, diversion of management's attention and potential loss of key employees. Lithium may not be able to successfully integrate products, technologies or personnel of a business acquired in the future. Failure could have a Material Adverse Effect on the business, financial condition and results of operations of Lithium.

Dividends

To date, Lithium has not paid any dividends on their outstanding shares and does not expect to do so in the foreseeable future. Any decision to pay dividends on Lithium's Shares will be made by the Board of Directors of Lithium on the basis of Lithium's earnings, financial requirements and other conditions.

Conflicts of Interest

Certain of the directors and officers of Lithium will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of Lithium may become subject to conflicts of interest. The Business Corporations Act (Alberta) ("ABCA") provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

Other Risks

Lithium also faces a number of risk factors that are outside of its control, generally, including, without limitation, natural disasters, general economic and other conditions.

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