# LITHIUM CHILE INC.
**MARCH 31, 2020**

## MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") for Lithium Chile Inc. ("Lithium Chile"' or the "Corporation") is a review of how the Corporation performed during the period covered by the condensed interim consolidated financial statements (the "Interim Statements") and of the Corporation's financial condition and future prospects. The MD&A complements and supplements the Interim Statements of the Corporation and should be read in conjunction with the Interim Statements and the related notes for the three months ended March 31, 2020 as well as the audited consolidated financial statements for the year ended December 31, 2019 and 2018 and the related notes. The Interim 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 Interim Statements and MD&A, both of which are effective May 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 Chile, may affect the actual performance of Lithium Chile 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 Chile 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 March 31, 2020, the Corporation had a working capital deficit of $508,090 (December 31, 2019 – working capital balance $6,185). 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.

### SELECTED FINANCIAL INFORMATION

The following summarizes information derived from the Company's consolidated financial statements as at and for the three months ended March 31:

| | Three Months ended and as at March 31, | | | |
|---|---|---|---|---|
| | | **2019** | | **2018** |
| Comprehensive loss | **$** | **43,464** | $ | 693,652 |
| Basic and diluted loss per share | **$** | **0.00** | $ | 0.01 |
| Total assets | **$** | **9,910,395** | $ | 9,910,395 |
| Share capital | **$** | **13,060,338** | $ | 13,060,338 |
| Number of common shares outstanding | | **101,941,835** | | 101,941,835 |

## OUTLOOK

During the first quarter of 2020, discussions were initiated with a number of interested parties on potential joint venture arrangements and discussions remain ongoing. It is Lithium Chile'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) Lithium Chile 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, Lithium Chile 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) Lithium Chile 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).

Based on the ability to raise capital (see Subsequent Events below), the Corporation intends to use the proceeds to advance exploration activities on the Corporation's Salar de Coipasa, Salar de Helados, Salar de Laguna Blanca and Salar de Turi lithium properties and continue exploration of the Corporation's reacquired Carmona and La Fortuna gold properties;

## 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.

## 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).

On April 27, 2018, the Lithium Chile Shareholders approved a proposed plan of arrangement (the "Arrangement") involving, among other things, the distribution of common shares (the "Kairos Metals Shares") of Kairos Metals, to the Lithium Chile shareholders on the basis of one (1) Kairos Metals Share for every (4) Lithium Chile 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 in exchange for a Promissory Note as described below.
- Lithium Chile loaned Kairos Metals US$1.1 million cash. In exchange Kairos Metals issued a promissory note to Lithium Chile in the amount of US $1,150,000 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 Chile 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 Chile Shares such that Lithium Chile Shareholders received exactly one (1) Kairos Share for every four (4) Lithium Chile Shares held by such Lithium Chile Shareholder at the Effective Time.

## OPERATIONAL REVIEW

### Net Income and Cash Flow from Operations

A comprehensive loss of $43,464 ($0.00 loss per share) resulted for the three months ended March 31, 2020 as compared to a comprehensive loss of $693,652 ($0.01 loss per share) for the three months ended March 31, 2020. The decrease in the 2020 loss results from decreased business activity and the associated decrease in general and administrative costs.

### General and Administrative

General and administrative expenses ("G&A") are as follows:

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| | | **2020** | | 2019 |
| Wages and employee benefits | **$** | **21,090** | $ | 48,667 |
| Professional fees | | **4,089** | | 7,900 |
| Consulting fees | | **3,600** | | 170,172 |
| Rent | | **7,671** | | 9,921 |
| Office | | **23,097** | | 79,231 |
| Travel and entertainment | | **589** | | 25,427 |
| Business development | | **-** | | 182,135 |
| | **$** | **60,136** | $ | 523,453 |

In the first quarter of 2020, consulting fees decreased $166,572 from the same period in 2019. Activities in the quarter were scaled back significantly while the Corporation proceeded to raise additional capital.

Travel and entertainment costs were reduced in Q1 2020 by $24,838 as compared to Q1 2019 and business development costs were reduced in Q1 2020 by $182,135, as outlined for the consulting fees above.

### Additional Information

Capitalized exploration and evaluation expenditures for the three months ended March 31, 2020 were $505,108 (2019 - $326,867).

### Financial Resources and Liquidity

At March 31, 2020, the Corporation had a working capital deficit of $508,090 (December 31, 2019 – working capital balance $6,185). The Corporation has no capital commitments for 2020 other then the annual tax payments on our mineral properties of approximately US$165,420, (US$1.50/hectare), but is undertaking an exploration program on its lithium properties.

Lithium Chile will require additional funding to complete any further exploration programs. The Corporation is currently exploring financing alternatives and subsequent to the period announced plans to complete a non-brokered private placement of up to 15,000,000 units of the Corporation for aggregate gross proceeds of up to $1,500,000.

The Corporation believes it will then have sufficient funds to operate 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:

| | | March 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| Note receivable from an officer (a) | $ | 88,244 | $ | 88,244 |
| Note receivable from Kairos Metals (b) | | 1,000,000 | | 1,000,000 |
| Note receivable from San Lorenzo (b) | | 1,057,638 | | 1,057,638 |
| Interest receivable | | 2,261 | | 1,812 |
| Balance, end of year | $ | 2,148,143 | $ | 2,147,694 |

(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 payment required at January 1, 2020 has not been paid.

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 quarter ended March 31, 2020, an agreement was entered into with the respective parties that resulted 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 13):

- 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 and 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 |
|---|---|---|---|---|
| **Balance December 31, 2018** | **$** | **1,270,361** | $ | **1,270,361** |
| 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 and March 31, 2020** | **$** | **1,000,000** | **$** | **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.

## MINERAL PROPERTIES - EXPLORATION AND EVALUATION EXPENDITURES

Costs related to undeveloped mineral properties consist of the following:

| | | |
|---|---|---|
| Balance, December 31, 2018 | **$** | 4,067,099 |
| Additions to lithium claims | | 1,496,580 |
| Foreign exchange effect | | (549,451) |
| **Balance, December 31, 2019** | **$** | **5,014,228** |
| Additions to lithium claims | | 505,108 |
| **Balance, March 31, 2020** | **$** | **5,519,335** |

*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, 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 and March 31, 2020** | **101,941,835** | **13,060,338** |

There was no change to share capital during the three months ended March 31, 2020. During the three months ended March 31, 2019, 66,667 common shares were issued on the exercise stock options for proceeds of $16,667.

(b) Warrants

At March 31, 2020 all the broker warrants have expired.

During the three months ended March 31, 2020, the remaining Unit warrants expired.

| Date of Issuance | March, 2018 | Total |
|---|---|---|
| Exercise price of Unit warrants | $ 1.50 | |
| Balance, December 31, 2019 | **1,833,100** | **1,833,100** |
| # of Unit warrants expired | **(1,833,100)** | **(1,833,100)** |
| **Balance March 31, 2020** | **-** | **-** |

(c) Stock Options

During the period ended March 31, 2020, 700,000 options were forfeited and none were granted or were exercised.

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

| | March 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | # of Stock Options | | Weighted Average Price | # of Stock Options | | Weighted Average Price |
| Balance, beginning of year | 5,083,333 | $ | 0.36 | 4,450,000 | $ | 0.33 |
| Granted | - | $ | - | 700,000 | $ | 0.52 |
| Forfeited | (700,000) | $ | 0.88 | - | $ | - |
| Exercised | - | $ | - | (66,667) | $ | 0.25 |
| Balance, end of period | 4,383,333 | $ | 0.32 | 5,083,333 | $ | 0.36 |

A summary of the stock options outstanding is as follows:

| As at March 31, 2020 | | | | |
|---|---|---|---|---|
| Options Outstanding | Exercise Price | Weighted Average Remaining Contractual Life (years) | Exercisable Options | Expiry Date |
| 525,000 | $0.10 | 0.9 | 525,000 | February 18, 2021 |
| 2,208,333 | $0.25 | 1.9 | 2,208,333 | February 17, 2022 |
| 600,000 | $0.45 | 2.3 | 600,000 | August 22, 2022 |
| 350,000 | $1.05 | 2.9 | 350,000 | February 20, 2023 |
| 700,000 | $0.52 | 3.8 | 700,000 | January 7, 2024 |
| **4,383,333** | **$0.32** | **2.2** | **4,383,333** | |

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:

| | | |
|---|---|---|
| Dividend yield | | 0% |
| Expected volatility | | 149% |
| Risk-free interest rate | | 1.83% |
| Forfeiture rate | | nil |
| Term | | 5 years |
| Share price - issuance | $ | 0.52 |
| Fair value per option | $ | 0.47 |

**Related Party Transactions**

(a) During the three months ended March 31, 2020 and 2019, the Corporation incurred expenses included in the Consolidated Statements of Loss and Comprehensive Loss, as follows:

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Administrative and accounting services provided by officers | **$** | **3,600** | $ | 25,500 |
| Fees paid to directors or a firm controlled by a director | | **-** | | 15,000 |
| Rent and office expenses charged by a company with common directors and officers | **$** | **-** | $ | 2,250 |

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 March 31,** | | **2020** | | **2019** |
|---|---|---|---|---|
| Due officers for administrative and accounting services (included in trade and other payables) | **$** | **3,600** | $ | 8,925 |
| Consulting services provided by an officer (included in Mineral Properties on the consolidated statements of financial position) | | **45,630** | | 36,214 |
| Due to an officer for consulting services (included in trade and other payables) | | **41,037** | | - |
| Due from an officer including accrued interest (included in notes receivable) | **$** | **90,505** | $ | 95,554 |

**SELECTED QUARTERLY INFORMATION**

| **Fiscal Quarter Ended** | | **March 31, 2020** | | **December 31, 2019** | | **September 30, 2019** | | **June 30, 2019** |
|---|---|---|---|---|---|---|---|---|
| Revenue | $ | 449 | $ | 4,334 | $ | 37,197 | $ | 22,843 |
| Comprehensive loss | $ | 43,464 | $ | 1,841,492 | $ | 132,001 | $ | 416,807 |
| Net loss per share | $ | (0.00) | $ | (0.02) | $ | (0.00) | $ | (0.00) |

| **Fiscal Quarter Ended** | | **March 31, 2019** | | **December 31, 2018** | | **September 30, 2018** | | **June 30, 2019** |
|---|---|---|---|---|---|---|---|---|
| Revenue | $ | 26,132 | $ | 56,730 | $ | 2,177 | $ | 26,132 |
| Comprehensive loss | $ | 693,652 | $ | 838,810 | $ | 712,177 | $ | 693,652 |
| Net loss per share | $ | (0.01) | $ | (0.01) | $ | (0.01) | $ | (0.01) |

**CASH FLOW**

For the three months ended March 31, 2020 the Corporation’s cash decreased $121,869. The decrease in cash results from cash used in operations of $29,948 and cash used in investing activities of $91,921.

The change in investing activities was related to the exploration program on the lithium properties including additions to properties of $505,106 as well as an increase to working capital of $413,185.

**CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS**

Lithium Chile 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.

## 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 Chile. Lithium Chile 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 Chile 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 Chile 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 Chile 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 Chile not receiving an adequate return of investment capital.

There is no assurance that Lithium Chile's mineral exploration and development activities will result in any discoveries or acquisitions of commercial bodies of minerals. The long-term profitability of Lithium Chile 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 Chile 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 Chile, whether by way of option or otherwise, should Lithium Chile 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 Chile'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 Chile 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 Chile.

**Permits and Licenses**

The future operations of Lithium Chile 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 Chile 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 Chile's properties.

**Environmental Legislation**

Environmental laws and regulations may affect the operations of Lithium Chile. 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 Chile generally relies on recognized designers and development contractors, from which Lithium Chile will, in the first instance, seek indemnities. Lithium Chile 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 Chile 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 Chile 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 Chile 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 Chile's interests.

**Market Prices**

If Lithium Chile 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 Chile. 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 Chile's business, financial condition and results of operations.

**Competition**

The mining industry is intensely competitive in all of its phases and Lithium Chile 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 Chile 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 Chile's prospects for mineral exploration and success in the future.

**Additional Financing**

The exploration and development of Lithium Chile'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 Chile's properties or even a loss of a property interest. Sources of funds now available to Lithium Chile 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 Chile and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on Lithium Chile's business, financial condition and results of operations.

**Competition for Key Personnel**

Lithium Chile 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 Chile. Lithium Chile'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 Chile faces intense competition for qualified personnel and there can be no assurance that Lithium Chile will be able to attract and retain such personnel.

**Possible Volatility of Stock Price**

The market price of Lithium Chile Shares will be subject to wide fluctuations in response to factors such as actual or anticipated variations in Lithium Chile'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 Chile Shares. Factors such as the price of minerals, announcements by competitors, and changes in stock market analyst recommendations regarding Lithium Chile, and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the Lithium Chile Shares. Moreover, it is likely that during future quarterly periods, Lithium Chile'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 Chile 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 Chile, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on Lithium Chile's business, financial condition and results of operations.

**Ability to Manage Growth**

The size of Lithium Chile's business and assets is expected to grow in the coming years. In order to effectively deploy its capital and manage its growth, Lithium Chile 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 Chile 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 Chile 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 Chile'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 Chile.

**Acquisition Risk**

As part of Lithium Chile's business strategy, it may seek to grow by acquiring businesses that it believes will complement its current business. Lithium Chile may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel into its business. Lithium Chile 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 Chile.

The risks inherit with acquisitions include the risks associated with the integration of acquired operations, diversion of management's attention and potential loss of key employees. Lithium Chile 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 Chile.

**Dividends**

To date, Lithium Chile 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 Chile's Shares will be made by the Board of Directors of Lithium Chile on the basis of Lithium Chile's earnings, financial requirements and other conditions.

**Conflicts of Interest**

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

## CORPORATE INFORMATION

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