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

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
International Lithium Corp.

We have audited the accompanying consolidated financial statements of International Lithium Corp., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of International Lithium Corp. as at December 31, 2014 and 2013 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 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about International Lithium Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

March 4, 2015

INTERNATIONAL LITHIUM CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT DECEMBER 31

	2014	2013
ASSETS		
Current		
Cash	$ 64,403	$ 88,551
Receivables (Note 4)	199,260	64,841
Prepaids	6,683	2,683
	270,346	156,075
Investment in associate (Note 5)	297,440	-
Exploration and evaluation assets (Note 6)	3,417,023	6,282,685
	$ 3,984,809	$ 6,438,760
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 474,508	$ 347,338
Loans payable (Note 8)	979,210	1,888,786
	1,453,718	2,236,124
Exploration loan (Note 6)	35,543	-
Loans payable (Note 8)	-	1,282,210
	1,489,261	3,518,334
Shareholders' Equity		
Share capital (Note 10)	7,433,057	7,433,057
Equity reserves (Note 10)	947,021	947,021
Equity component of convertible loan (Note 8)	113,000	113,000
Accumulated other comprehensive income (Note 5)	(11,197)	-
Deficit	(5,986,333)	(5,572,652)
	2,495,548	2,920,426
	$ 3,984,809	$ 6,438,760

Nature and continuance of operations (Note 1)
Commitments (Note 9)

Approved and authorized by the Board on March 4, 2015.

"Michael Sieb"	Director	*"Gary Schellenberg"*	Director
Michael Sieb		Gary Schellenberg	

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL LITHIUM CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31

	2014	2013
OPERATING EXPENSES		
Administration fees	$ 12,000	$ 12,000
Argentina administration	18,000	16,375
Consulting fees	193,155	208,685
Foreign exchange loss	58,826	46,075
Interest and bank charges	193,246	345,207
Loss on equity investment	17,741	-
Management fees	90,000	90,350
Office and miscellaneous	37,168	52,737
Professional fees	127,059	146,994
Rent	18,000	18,000
Shareholder communications	37,760	54,608
Share-based payments (Note 10)	-	69,025
Transfer agent and filing fees	17,286	19,305
Travel and promotion	9,068	40,635
Total operating expenses	(829,309)	(1,119,996)
Interest income	-	887
Operator income (Notes 5 and 6)	56,620	39,601
Recoveries in excess of carrying value (Note 5)	-	308,049
Write-off of exploration and evaluation assets (Note 6)	-	(338,631)
	56,620	9,906
Net loss for the year	(772,689)	(1,110,090)
Equity results – foreign currency translation (Note 5)	(11,197)	-
Comprehensive loss for the year	$ (783,886)	$ (1,110,090)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	77,133,046	77,129,347

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL LITHIUM CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31

	2014	2013
CASH FROM OPERATING ACTIVITIES		
Loss for the year	$ (772,689)	$ (1,110,090)
Items not affecting cash:		
Accretion of finance fees	42,203	118,186
Accrued interest expense	119,726	200,000
Foreign exchange	41,987	47,817
Loss on equity investment	17,741	-
Share-based payments	-	69,025
Recoveries in excess of carrying value	-	(308,049)
Write-off of exploration and evaluation assets	-	338,631
Changes in non-cash working capital items:		
Receivables	(141,835)	65,210
Prepaids	(4,000)	8,991
Accounts payable and accrued liabilities	92,578	78,929
Net change from operating activities	(604,289)	(491,350)
CASH FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(1,342,669)	(2,012,699)
Recoveries on mineral property expenditures	171,979	342,262
Operator income from associate	32,630	-
Option payment received	495,000	475,000
Net change from investing activities	(643,059)	(1,195,437)
CASH FROM FINANCING ACTIVITIES		
Proceeds from loans	1,189,735	1,235,090
Interest paid	-	(205,096)
Exploration loan	33,466	-
Net change from financing activities	1,223,201	1,029,994
Change in cash for the year	(24,148)	(656,793)
Cash, beginning of year	88,551	745,344
Cash, end of year	$ 64,403	$ 88,551

Supplemental disclosure with respect to cash flows (Note 12)

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL LITHIUM CORP.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share capital						
	Number	**Amount**	**Equity reserves**	**Equity component of convertible loan**	**Accumulated other comprehensive income**	**Deficit**	**Total**
Balance at December 31, 2012	76,983,046	$ 7,425,557	$ 877,996	$ 113,000	$ -	$ (4,462,562)	$ 3,953,991
Mineral property payment	150,000	7,500	-	-	-	-	7,500
Share-based payments	-	-	69,025	-	-	-	69,025
Loss for the year	-	-	-	-	-	(1,110,090)	(1,110,090)
Balance at December 31, 2013	77,133,046	7,433,057	947,021	113,000	-	(5,572,652)	2,920,426
Equity gain on carried interest	-	-	-	-	-	359,008	359,008
Loss for the year	-	-	-	-	(11,197)	(772,689)	(783,886)
Balance at December 31, 2014	77,133,046	$ 7,433,057	$ 947,021	$ 113,000	$ (11,197)	$ (5,986,333)	$ 2,495,548

The accompanying notes are an integral part of these consolidated financial statements.

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

International Lithium Corp. (the "Company") was incorporated under the Business Corporations Act, British Columbia on March 26, 2009 and is considered to be in the exploration stage with respect to its mineral properties. The Company's head office address is 620-650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N9. The registered and records office address is Suite 700 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1S8.

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

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses and expects to incur further losses in the development of its business. These circumstances comprise a material uncertainty which may cast substantial doubt on the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	2014	2013
Working capital deficiency	$ (1,183,372)	$ (2,080,049)
Deficit	(5,986,333)	(5,572,652)

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Consolidation and Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries: Litio Minera Argentina S.A., an Argentinean company, and its wholly owned inactive subsidiary, International Lithium (US) LLC, a US company. All significant intercompany transactions and balances have been eliminated.

2. BASIS OF PREPARATION (cont'd…)

Basis of Consolidation and Presentation (cont'd…)

The financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company and its subsidiaries.

Significant accounting judgments and estimates

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

The most significant estimates relate to the valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. Share-based payments, as measured with respect to stock options granted, are estimated by reference to the Black-Scholes pricing model; a detailed discussion of management's estimates with respect to the pricing model is found in Note 10. The Company has reviewed its exploration and evaluation assets for indications of impairment and determined that there is no such indication. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

The most significant judgments relate to the recoverability of the investment in associate, the recoverability of capitalized amounts of exploration and evaluation assets, recognition of deferred tax assets and liabilities and the determination of the economic viability of a project. The initial valuations on the investment in associate required judgments and estimates to be made upon transfer of non-monetary assets to the associate.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency of the Company's associate is the Euro. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd...)

Financial assets (cont'd…)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

The Company has classified its cash as fair value through profit or loss and receivables as loans and receivables.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company classified its accounts payable and accrued liabilities, loans payable and exploration loan as other financial liabilities.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd...)

Impairment of financial assets

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 negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

With the exception of Available-For-Sale ("AFS") financial assets, 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 profit or loss to the extent of the original carrying amount. In respect of AFS financial assets, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Investment in associate

The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associates.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

Mineral properties – exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties – exploration and evaluation assets (cont'd…)

The carrying values of capitalized amounts are reviewed annually or when indicators of impairment are present. In the case of undeveloped properties these may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the intentions for the development of such a property.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company does not have any significant rehabilitation obligations.

Borrowing costs

Interest and other financing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based payments

The Company accounts for stock options granted to directors, officers, employees and non-employees at fair value. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share-based compensation is accrued and charged to operations, with an offsetting credit to share-based payment reserve, over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants and convertible loan, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and the convertible loans were converted and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being renounced and incurred, the Company derecognizes the liability and the premium is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered the deferred tax asset is not set up.

New standards, interpretations and amendments adopted

As of January 1, 2014, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its financial statements.

- IAS 32 (Amendment) — New standard that clarifies requirements for offsetting financial assets and financial liabilities.
- IAS 36 (Amendment) — This amendment addresses the disclosure of information regarding the recoverable amount of impairment assets as the amount is based on fair value less costs of disposal.
- IFRIC 21 — This is an interpretation of IAS 37, *Provisions, contingent liabilities and contingent assets*. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event, known as an obligating event. The interpretation clarifies that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

New standard not yet adopted

IFRS 9 *Financial Instruments (Revised)* was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 *Financial instruments: recognition and measurement*. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

(Expressed in Canadian Dollars)

4. RECEIVABLES

		2014		2013
Input tax credits	$	12,714	$	5,723
Receivable from associate		126,016		-
Receivable from joint venture partner		60,530		59,118
Total	$	199,260	$	64,841

5. INVESTMENT IN ASSOCIATE

Avalonia Lithium Project (Ireland)

The Company was granted eight licenses in the Carlow and Wicklow counties, which cover the Leinster pegmatite belt in southeast Ireland.

During the year ended December 31, 2012, the Company entered into an option agreement, as amended in February and July 2013, with GFL International Co. Ltd. ("GFL") to grant GFL an option to earn up to a 75% interest in the Avalonia Lithium Project (previously the Blackstairs Project).

During the year ended December 31, 2013, the Company incurred exploration expenditures of $396,006 on behalf of GFL and recovered $39,601 as operator income. The Company also received option payments of $475,000 on the property which was applied against the capitalized exploration expenditures and resulted in a recovery in excess of carrying value of $308,049 for the year ended December 31, 2013 (Note 6).

Under the terms of the agreement, GFL has earned a 51% interest ("First Option") by incurring $300,000 (incurred) in exploration expenditures and paying $25,000 in cash on the effective date of the agreement (received). The Company also received option payments of $475,000 with the transfer of the exploration rights for the Avalonia Lithium Project to a newly incorporated subsidiary, Blackstairs Lithium Limited.

Avalonia Lithium Joint Venture

Blackstairs Lithium Limited ("BLL") is recognized as an equity investment of the Company. During the year ended December 31, 2014, the Company transferred its interest in the Avalonia licenses in accordance with the terms of the formal joint venture agreement signed with GFL. The management committee of the joint venture will be initially comprised of one representative of each party. Voting is proportionate to each party's participating interest which, upon inception, is 51% to GFL and 49% to the Company.

In order to earn an additional 24% interest in the Avalonia Lithium Project, GFL must incur $10,000,000 in exploration expenditures or produce a bankable feasibility study within 10 years of the effective date of the agreement. The Company will have a carried interest through to the completion of these exploration expenditures.

Once GFL has expended a total of $10,000,000 in exploration expenditures, or once a positive feasibility study has been produced, the Company's participating interest will be amended to 25% without incurring additional costs. A participating interest that is subsequently diluted to less than 10% will be converted to a 1% NSR. The Company will initially be the manager of the Avalonia Lithium Joint Venture and will receive a management fee of up to 10% on exploration expenditures. During the year ended December 31, 2014, the Company recorded $33,965 in operator income with respect to the Avalonia management.

The Company accounts for its interest in BLL on an equity basis. As at December 31, 2014, the Company holds a 49% interest in BLL. The functional currency of BLL is the Euro. Supplementary financial information regarding the Company's investment in BLL is presented below, after adjustments to align to accounting policies with those of the Company and translation to Canadian dollars in accordance with the Company's accounting policies.

(Expressed in Canadian Dollars)

5. INVESTMENT IN ASSOCIATE (cont'd…)

	December 31, 2014
Current assets	$ 250,609
Non-current assets	505,440
Current liabilities	(149,029)
Net assets	607,020
The Company's share of the net assets – 49%	$ 297,440
Net loss	$ (36,207)
Other comprehensive loss – foreign currency translation	(22,851)
Total comprehensive loss	(59,058)
The Company's share of comprehensive loss – 49%	$ (28,938)

	December 31, 2014
Initial investment	$ -
Equity gain on carried interest	326,378
Equity results	(17,741)
Equity – other comprehensive income	(11,197)
Ending balance, Investment in associate	$ 297,440

6. EXPLORATION AND EVALUATION ASSETS

December 31, 2014	December 31, 2013	Acquisition Additions	Total Acquisition Costs	Exploration Costs	Recoveries and Option Payments	Property Total December 31, 2014
Argentina						
Mariana	$ 2,067,643	$ 1,101,172	$ 3,168,815	$ 3,029,774	$ (4,235,069)	$ 1,963,520
Ireland						
Avalonia Lithium	-	-	-	20,651	(20,651)	-
Canada						
Mavis Lake / Fairservice (Ontario)	193,500	-	193,500	1,260,003	-	1,453,503
	$ 2,261,143	$ 1,101,172	$ 3,362,315	$ 4,310,428	$ (4,255,720)	$ 3,417,023

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

December 31, 2013	December 31, 2012	Acquisition Additions	Total Acquisition Costs	Exploration Costs	Recoveries and Option Payments	Write-off	Property Total December 31, 2013
Argentina							
Mariana	$ 934,533	$ 1,133,110	$ 2,067,643	$ 2,766,984	$ -	$ -	$ 4,834,627
Ireland							
Avalonia Lithium	-	-	-	562,956	(562,956)	-	-
Canada							
Mavis Lake / Fairservice (Ontario)	141,000	52,500	193,500	1,254,558	-	-	1,448,058
Forgan Lake (Ontario)	-	-	-	101,258	-	(101,258)	-
Niemi Lake (Ontario)	-	-	-	50,178	-	(50,178)	-
Moose Project (NWT)	-	-	-	187,195	-	(187,195)	-
	141,000	52,500	193,500	1,593,189	-	(338,631)	1,448,058
	$ 1,075,533	$ 1,185,610	$ 2,261,143	$ 4,923,129	$ (562,956)	$ (338,631)	$ 6,282,685

Title to mineral property interests

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Mariana (Argentina)

On May 19, 2011, the Company signed an option agreement to acquire 100% of the Mariana property located in the Salta province, Argentina with TNR Gold Corp. ("TNR"). Pursuant to the option agreement, the Company earned a 100% interest by reimbursing TNR for all the costs incurred in acquiring, maintaining and exploring the Mariana property for which the Company issued 7,000,000 shares and 7,000,000 warrants (expired) and paid $770,000. The Company must maintain the Underlying Agreement in good standing by making the following outstanding payments and incurring the exploration expenditures as they become due as follows:

(i) Incur exploration expenditures of US$250,000 (incurred) on or before May 21, 2010;
(ii) Pay US$250,000 (paid) and incur additional exploration expenditures of US$500,000 (incurred) on or before May 21, 2011;
(iii) Pay US$250,000 (paid) and incur additional exploration expenditures of US$750,000 (incurred) on or before May 21, 2012;
(iv) Pay US$1,100,000 (paid) and incur additional exploration expenditures of US$1,000,000 on or before May 21, 2013 (incurred); and
(v) Pay US$1,000,000 on or before May 21, 2014 (paid).

In the year ended December 31, 2014, the Company completed its obligations under the option agreement and secured its 100% ownership over the Mariana property.

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Mariana (Argentina) (cont'd…)

The property is subject to a 2% net smelter royalty ("NSR"). The Company has the option to purchase ½ (1%) of the NSR for $1,000,000 within 240 days of commencement of commercial production.

Interest Granted to Strategic Partner

During the year ended December 31, 2014, GFL exercised a conversion option on the First Advance of the GFL Mariana Loan (Note 8), including accrued interest, to obtain an additional 26% interest in the Mariana property. The Company has recorded a recovery of $1,434,916 against the carrying value of the Mariana property to recognize the conversion. During the year ended December 31, 2014, the Company received the Second Advance on the GFL Mariana Loan which was immediately converted to an additional 25% interest in the Mariana property in accordance with the terms of the GFL Mariana Loan agreement. The Second Advance was recorded as a recovery of $1,189,735 against the carrying value of the Mariana property.

The Company and GFL have entered into an agreement to amend the GFL Loan (Note 8) to convert the non-convertible tranche of $1,000,000, and any unpaid accrued interest from January 1, 2014 to March 14, 2014, into an additional 19% interest in the Mariana property. The conversion was completed in the year ended December 31, 2014 at a total value of $971,506 against the carrying value of the Mariana property.

During the year ended December 31, 2014, the Company received US$450,000 (CAD$495,000) from GFL to earn an additional 10% interest in the Mariana property.

Mariana Property Joint Venture

Having completed the above transactions, GFL and the Company will enter into a joint venture for operation of the Mariana property ("Mariana Property Joint Venture") with GFL having an 80% participating interest and the Company having a 20% participating interest. During the year ended December 31, 2014, a formal joint venture agreement was executed. The Company has been appointed Manager of the joint venture under which capacity the Company may charge administration fees of 7% to 10% on the exploration expenditures incurred in the year.

A participating interest that is diluted to less than 5% will be converted to a 1% net smelter royalty ("NSR").

During the year ended December 31, 2014, the Company recovered $143,912 under the joint venture agreement and charged $22,655 in operator income.

Exploration Loan Facility

In conjunction with the Mariana Property Joint Venture, GFL will make available to the Company a loan of up to US$2,000,000 ("Exploration Loan") to cover a portion of the Company's required contribution to the joint venture. The loan will carry 10% interest per annum. The Company may repay the Exploration Loan and accrued interest from its proportionate share of the proceeds from the Mariana Property Joint Venture, or NSR as applicable. The Company will not receive proceeds from the NSR until the Exploration Loan and accrued interest are repaid to GFL.

During the year ended December 31, 2014, the Company drew down US$30,000 on the Exploration Loan and accrued interest of US$570.

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Back-In Right

At any time and up until 120 days from the completion of a Feasibility Study (as described in National Instrument 43-101 - Standards of Disclosure for Mineral Projects) that demonstrates the feasibility of placing the Mariana Property or part thereof into commercial production, the Company will have the right to elect to "buy back" a 10% participating interest in the Mariana Property (the "Back-in Right") by giving written notice to GFL of the exercise of the Back-in Right.

If the Company exercises the Back-in Right, the Company must pay to GFL 10% of the total exploration costs incurred by GFL from March 14, 2014 to the time of the Company's election to exercise the Back-in Right. In addition to the payment of this fee, the Company must also pay to GFL interest on the fee at a rate of 10% per annum calculated annually on a straight-line basis and calculated for each budget year accordingly. The fee, along with the interest amount, must be paid by the Company to GFL within 15 days of the Company's delivery of written notice to GFL of exercise of the Back-in Right.

Mavis Lake and Fairservice (Ontario)

On January 12, 2010, the Company signed a property option agreement with Rich Resource Investments Ltd. to acquire a 100% interest in six mining leases known as the Fairservice property located in Ontario, Canada. To earn its 100% interest in the property, the Company paid a total of $120,000, issued 500,000 shares valued at $73,500, and incurred $500,000 in exploration expenditures.

The property is subject to a 5% net profits royalty. The Company has the option to purchase the royalty at any time for $1,000,000.

The Company acquired, by staking, the Mavis Lake project contiguous to the Fairservice claims and staked additional claims.

Forgan Lake (Ontario)

On March 4, 2009, the Company acquired, by staking, 16 contiguous claims known as the Forgan Lake property located in the district of Thunder Bay, Ontario, Canada. During the year ended December 31, 2013, the Company decided not to pursue the property and wrote-off exploration and evaluation assets of $101,258.

Niemi Lake (Ontario)

On March 4, 2009, the Company acquired by staking, 4 contiguous claims known as the Niemi Lake property located in the district of Thunder Bay, Ontario, Canada. During the year ended December 31, 2013, the Company decided not to pursue the property and wrote-off exploration and evaluation assets of $50,178.

Moose Project (Northwest Territories)

The Company acquired, by staking, the Moose 2 Project, located in the Northwest Territories.

During the year ended December 31, 2013, the Company decided not to pursue the property and wrote-off exploration and evaluation assets of $187,195.

(Expressed in Canadian Dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	2014	2013
Accounts payable and accrued liabilities	$ 116,517	$ 251,201
Accounts payable for mineral property expenditures	357,991	96,137
Total	$ 474,508	$ 347,338

All payables and accrued liabilities of the Company fall due within the next 12 months.

8. LOANS PAYABLE

GFL Loan

During the year ended December 31, 2012, the Company entered into a loan agreement with GFL to receive a loan of $2,000,000 ("GFL Loan"). GFL advanced the GFL Loan in two $1,000,000 tranches. The first tranche of $1,000,000, or a portion thereof, is convertible into shares of the Company at a price of $0.10 per share at the option of GFL. The GFL Loan is subject to an interest rate of 10% per annum payable quarterly.

The GFL Loan is secured by a general security agreement over all of the present and subsequently acquired assets of the Company. In the event of default, the interest rate will increase to 14% per annum.

In consideration for the advance of the non-convertible tranche of the GFL Loan, the Company issued 2,500,000 common shares to GFL valued at $112,500 and incurred additional transaction costs of $10,872. The conversion feature was valued at the date of issuance as the residual value of the present value of the convertible portion of the GFL Loan. With consideration to the equity features of the GFL Loan, the effective interest rate is 18% which is similar to comparable borrowing arrangements in the marketplace.

During the year ended December 31, 2014, the Company and GFL agreed to extend the maturity of the convertible tranche to December 19, 2015. The Company and GFL executed a conversion of the non-convertible tranche, plus interest accrued from January 1, 2014, to a 19% interest in the Mariana property (Note 6).

During the year ended December 31, 2014, the Company paid $Nil (2013 - $61,096) in interest on the GFL Loan. As at December 31, 2014, $106,000 in accrued interest is included in accounts payable and accrued liabilities. The interest payable is currently overdue. The Company and GFL have mutually agreed the overdue interest must be paid no later than December 19, 2015.

GFL Mariana Loan

During the year ended December 31, 2013, the Company arranged a loan of US$2,289,000 with GFL ("GFL Mariana Loan"). The loan was used to advance the Company's Mariana property in Argentina and to make the cash payment required to secure a 100% interest in the Mariana property. The Company has received US$1,199,000 ("First Advance") and the remaining amount of US$1,090,000 ("Second Advance") was received in the year ended December 31, 2014.

The loan accrues interest at a rate of 10% per annum and is payable quarterly.

The GFL Mariana Loan is secured by a general security agreement over all of the present and subsequently acquired assets of the Company.

(Expressed in Canadian Dollars)

8. LOANS PAYABLE (cont'd…)

GFL Mariana Loan (cont'd…)

GFL may elect to convert the loan into an interest in the Mariana property. During the year ended December 31, 2014, GFL converted the First Advance, plus unpaid interest, into a 26% interest in the Mariana property. The Second Advance was converted into a 25% interest for a total interest of 51% (Note 6).

During the year ended December 31, 2014, the Company converted $104,506 in accrued interest on the First Advance which was included in accounts payable and accrued liabilities. Interest accrued and paid on the GFL Mariana Loan is capitalized to exploration and evaluation assets as borrowing costs.

	GFL Loan	GFL Mariana Loan	Total
Balance, December 31, 2012	$ 1,770,600	$ -	$ 1,770,600
Proceeds on issuance of GFL Mariana Loan - First	-	1,235,090	1,235,090
Accretion	118,186	-	118,186
Foreign exchange adjustment	-	47,120	47,120
Balance, December 31, 2013	1,888,786	1,282,210	3,170,996
Proceeds on issuance of GFL Mariana Loan – Second	-	1,189,735	1,189,735
Accretion	42,203	-	42,203
Foreign exchange adjustment	-	48,200	48,200
Conversion to interest in Mariana property	(951,779)	(2,520,145)	(3,471,924)
Balance, December 31, 2014	$ 979,210	$ -	$ 979,210
Equity component of convertible GFL Loan	$ 113,000	$ -	$ 113,000

9. RELATED PARTY TRANSACTIONS

Management Compensation and other related party transactions

Transaction	Relationship	2014	2013
Management fees	A company controlled by a director	$ 90,000	$ 90,000
Administration fees	Spouse of a director	12,000	12,000
Administration fees	Officer of a subsidiary	18,000	16,375
Exploration expenditures	Private company with common director	73,369	130,188
Exploration expenditures	Private company with common director	20,022	21,972
Rent	Private company with common director	18,000	18,000
Consulting fees	A company controlled by an officer	60,000	60,000
Consulting fees	A company controlled by an officer	23,400	40,685
Consulting fees	Director	90,000	90,000
Investor relations	A company controlled by an officer	-	10,755
Investor relations	Private company with common director	24,402	-
Exploration expenditures	Private company in which an officer has a significant shareholding	-	77,314
Exploration expenditures	Private company in which an officer has a significant shareholding	-	2,535

9. RELATED PARTY TRANSACTIONS (cont'd…)

During the year ended December 31, 2014, the Company issued Nil (2013 – 2,825,000) stock options to key members of management and directors of the Company and recognized a related value of $Nil (2013 - $61,903) as share-based payments expense.

At December 31, 2014, due to related parties consisted of $244,479 (December 31, 2013 - $177,562) to various directors, officers and related companies for services detailed above and is included in accounts payable and accrued liabilities. At December 31, 2014, prepaid expenses included a $2,684 (December 31, 2013 - $2,684) expense advance to a director of the Company.

During the year ended December 31, 2014, the Company received a short-term loan of $200,000 from TNR accruing interest at a rate of 20% per annum. The loan and accrued interest were repaid during the year ended December 31, 2014.

Commitments - Consulting agreements

The Company has entered into consulting agreements with three officers of the Company for the provision of consulting services at a current cost of $60,000, $90,000 and $90,000 per annum respectively. The agreements renew annually at the discretion of the Company's compensation committee. If any of the agreements are terminated without cause, the Company is required to pay a lump sum equal to the greater of (a) one months' fees for each period the consultant has acted on behalf of the Company and (b) twelve months' worth of fees. Should the Company be subject to a change in control and the consultant terminated without cause, the Company must pay an amount equal to three times the prior twelve months gross pay.

10. SHARE CAPITAL AND EQUITY RESERVES

Authorized share capital

As at December 31, 2014, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

Issued share capital

There were no shares issued during the year ended December 31, 2014 or year ended December 31, 2013.

Escrow Agreement

On May 19, 2011, the Company entered into an escrow agreement whereby after giving effect to the plan of arrangement, private placement and Mariana option agreement 27,230,087 shares and 27,230,087 warrants were placed into escrow. These shares and warrants were released from escrow over a period of 36 months. As at December 31, 2014, there are no further securities in escrow. All applicable warrants have expired.

Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors, employees and consultants to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND EQUITY RESERVES (cont'd…)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2012	3,675,000	$ 0.25
Options granted	3,150,000	0.10
Balance outstanding and exercisable, December 31, 2013 and December 31, 2014	6,825,000	$ 0.18

At December 31, 2014, options were outstanding enabling holders to acquire common shares as follows:

Number of Options	Exercise Price	Expiry Date
3,625,000	$ 0.250	November 30, 2016
50,000	0.115	May 7, 2017
3,075,000	0.100	January 8, 2018
75,000	0.100	January 22, 2018

Share-based compensation

During the year ended December 31, 2014, the Company granted Nil (2013 – 3,150,000) stock options with a weighted average fair value of $Nil (2013 - $0.02) per option. The fair value of these options calculated using the Black-Scholes option-pricing model was $Nil (2013 - $69,025).

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the year:

	2014	2013
Risk-free interest rate	-	1.45%
Expected life of options	-	4 years
Expected annualized volatility	-	80.00%
Dividend yield	-	0.00%
Forfeiture rate	-	0.00%

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND EQUITY RESERVES (cont'd…)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2012	68,231,949	$ 0.376
Warrants expired	(68,231,949)	0.376
Balance, December 31, 2013 and December 31, 2014	-	$ -

Pursuant to the terms of the plan of arrangement executed with TNR during the year ended December 31, 2011, each issued and outstanding TNR warrant as at the date of the arrangement has been adjusted to compensate the warrant holder for the assets spun-out to the Company. Upon exercise of a TNR warrant outstanding as of May 19, 2011, the holder will receive one share of TNR and one-quarter of one share of the Company. The exercise price paid will be split between the Company and TNR on the same ratio that the fair market value of the spin-out properties has to the fair market value of all assets of the Company. Accordingly, the Company reserved 1,375,000 shares for issuance with respect to TNR warrants of which 750,000 expired on October 28, 2013 and 625,000 expired on December 17, 2014.

11. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the year ended December 31, is as follows:

	2014	2013
Loss before income taxes	$ (772,689)	$ (1,110,090)
Expected income tax (recovery)	$ (201,000)	$ (286,000)
Permanent difference	695,000	40,000
Change in statutory, foreign tax and foreign exchange rates	(29,000)	(67,000)
Adjustment to prior year provision for statutory tax returns	(173,000)	(32,000)
Change in unrecognized tax attributes and others	(292,000)	345,000
Income tax recovery	$ -	$ -

(Expressed in Canadian Dollars)

11. INCOME TAXES (cont'd…)

The significant components of the Company's deferred tax assets that have not been set up are as follows:

		2014		2013
Deferred income tax assets:				
Share issue costs and other	$	27,000	$	44,000
Investment tax credits		-		5,000
Non-capital loss carry forwards		468,000		763,000
Debt with accretion		-		(29,000)
Exploration and evaluation assets		100,000		116,000
Net deferred income tax assets not recognized	$	595,000	$	899,000

No deferred tax asset has been recognized in respect of the above because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has approximately $635,000 in non-capital losses for Canadian income tax purposes and for Argentinean income tax purposes of approximately $865,000. These losses, if not utilized, will expire for Canada through 2034 and for Argentina through 2019.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transactions during the year ended December 31, 2014 consisted of the Company:

a) Recognizing a recovery of exploration and evaluation expenditures of $2,624,652 against the Mariana property on the conversion of the First and Second Advances of the GFL Mariana Loan (Note 8).

b) Recognizing a recovery of exploration and evaluation expenditures of $971,505 against the Mariana property on the conversion of the non-equity convertible tranche of the GFL Loan (Note 8).

c) Incurring exploration expenditures of $116,517 through accounts payable and accrued liabilities.

d) Accruing financing costs of $27,008 through exploration and evaluation assets.

e) Recording recoveries against exploration expenditures of $46,327 through accounts receivable.

The significant non-cash investing and financing transactions during the year ended December 31, 2013 consisted of the Company:

a) Issuing 150,000 shares valued at $7,500 as an option payment on the Fairservice property.

b) Recognizing a recovery of exploration and evaluation expenditures of $53,743 on the Blackstairs property through receivables.

c) Incurring exploration expenditures of $96,137 through accounts payable and accrued liabilities.

d) Accruing financing costs of $32,670 through exploration and evaluation assets.

13. SEGMENT INFORMATION

The Company operates in one business segment which is the exploration of mineral properties. The geographic distribution of exploration and evaluation assets is disclosed in Note 6.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Financial assets and liabilities measured at fair value are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of receivables, accounts payable and accrued liabilities and loans payable approximates fair value due to the short term nature of the financial instruments. Cash is classified as fair value through profit or loss and is measured using level 1 inputs of the fair value hierarchy. Receivables and accounts payable and accrued liabilities and loans payable are classified as loans and receivables.

Loans and long-term debt are measured at amortized cost. Fair value of the loans is estimated using discounted cash flow analysis based on the borrowing rate for similar borrowing arrangements. The fair value of the Company's long-term loans approximates its carrying value as the effective interest rates achieved on these instruments are comparable to similar borrowing arrangements (Note 8).

Risk management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company considers credit risk with respect to the receivables (Note 4) is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company will raise funds for future use from equity financings and other methods as contemplated by management to satisfy its capital requirements and will continue to depend heavily upon these financing activities. The GFL Loan will mature December 19, 2015. The Company is exposed to risk that it will encounter difficulty in satisfying this obligation on maturity. The loans payable are secured by a general security agreement over all the present and subsequently acquired assets of the Company.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Risk management (cont'd…)

Liquidity risk (cont'd…)

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance on-going exploration of its properties, such capital to be derived from the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's policy is to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value. The loans payable bear a fixed, simple interest rate of 10%.

b) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly lithium. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

c) Foreign currency risk

The Company's operations are in Canada, Argentina, and Ireland. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The Company's operating expenses are incurred primarily in Canadian dollars, its exploration programs are primarily in Argentina and are denominated in either US dollars or Argentinean Pesos, and its liabilities are denominated primarily in Canadian dollars, US dollars, or Argentinean Pesos. The Company is also subject to fluctuations in the Euro in conducting exploration work in Ireland. Consequently, the Company's foreign exploration programs are subject to currency transaction risk and currency translation risk. The fluctuation of the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.