



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

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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The following discussion and analysis, prepared as of March 4, 2016, should be read together with the consolidated financial statements for the years ended December 31, 2015 and 2014 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available for view on the Company's website at [www.internationallithium.com](http://www.internationallithium.com) and SEDAR at [www.sedar.com](http://www.sedar.com).

## Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These forward-looking statements include statements regarding the future price of gold, the timing and amount of estimated future production, costs of production, capital expenditures, the success of exploration activities, permitting time lines, currency fluctuations, the requirements of future capital, drill results and the estimation of mineral resources and reserves. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of commodities;
- the availability of financing for the Company's development of projects on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; and
- the ability to attract and retain skilled staff.

These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity and, particularly, lithium and potash prices, access to skilled mining development personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Additional risk factors are described in more detail hereinafter. **Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.**

## Description of Business

International Lithium Corp. (the "Company") was incorporated under the laws of the Province of British Columbia on March 26, 2009 and is in the process of exploring its resource properties. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Litio Minera Argentina S.A. in Argentina and International Lithium (US) LLC in the United States. All inter-company transactions and accounts have been eliminated upon consolidation.

The Company is in the process of exploring and developing its 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 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.

The Company currently requires additional financing to continue in business. There can be no assurance that such financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change and investors may suffer additional dilution. To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company.

## Overall Performance

The Company incurred a comprehensive loss of \$708,554 (2014 - \$783,886) during the year ended December 31, 2015.

### *Significant Events and Transactions*

During the three month period ended December 31, 2015 and to the date of this MD&A, the Company:

- Announced together with strategic partner GFL International Co. Ltd. ("GFL") a preliminary budget of US\$4,000,000 for exploration and development work during 2016 on the Mariana and Avalonia joint venture projects. A budget of approximately 750,000 Euros (approximately US \$810,000) has been allocated to the 2016 Avalonia exploration season in Ireland. The remainder, US \$3,190,000, will be dedicated to the Mariana Lithium project in Argentina.
- In Argentina, the funds are being used to conduct bench scale evaporation tests at the Universidad Técnica de Oruro ("UTO") in Bolivia. The Company has contracted Door To Design, Inc. to oversee the test work conducted at UTO. The goal of the tests is to study the evaporation path of lithium-potassium-boron brine from Salar de Llullaillaco where the Mariana joint venture owns 100% of the mineral rights.

Understanding the natural evaporation path and how to effectively control it is paramount in the development of a process to 1) selectively precipitate key potassium and boron ore minerals and 2) remove impurities, leaving a by-product of lithium concentrate brine that can be further processed to produce other lithium products.

Universidad Técnica de Oruro was chosen for these tests because it is located in the Altiplano plateau, which is the Bolivian extension of the Puna in northwestern Argentina where Salar de Llullaillaco is located.

- In Ireland, magnetic susceptibility studies were conducted on drill core from the Avalonia project and ground magnetometer surveys were completed over 6 target areas in preparation for an exploration-drilling program later this year.
- Settled loans outstanding in the amount of \$1,168,841 with strategic partner GFL. The settlement was executed through the sale of an additional 4% interest to GFL valued at \$126,000. The balance was converted to a drawdown on an exploration loan facility ("Exploration Loan") with GFL. The Exploration Loan carries an interest rate of 10% per annum and is repayable from the Company's share of proceeds or net smelter royalty payments realized on the Mariana Project Joint Venture. In the event no such proceeds are realized, the Exploration Loan will be due and payable by March 14, 2024.

- Granted 1,400,000 options at an exercise price of \$0.06 per common share. The options are exercisable for a period of 5 years.

Additionally, the Company repriced 3,025,000 and 3,150,000 options with original exercise prices of \$0.25 and \$0.10 respectively. These options have a revised exercise price of \$0.06 per common share and retain original expiry dates. The repricing is subject to the approval of the Company's disinterested shareholders.

## Exploration Summary

### *Avalonia Project – Ireland*

Exploration in Ireland resumed early this year with a geophysical survey to continue the mapping, prospecting and regional geochemical survey begun in September 2014 and extending along the entire 30km belt. A total of 23 geochemical targets were identified by the survey of which, thirteen (13) are not associated with previously known prospects and are considered new targets. Only 7 of the 23 targets have had any drill testing with three showing significant spodumene intersections and lithium values.

During April and May 2015 a small 680 metre drill program of fifteen (15) holes was conducted over two target areas that are located more than three kilometres away from each other. Each area had a line of short holes drilled across the target. At the first target several pegmatite bodies were intersected but none with significant spodumene. At the second target area spodumene bearing pegmatite grading 1.29% Li<sub>2</sub>O over 1.60 metres was intersected at shallow depth. In addition, part of the second target area successfully tested below a lithium soil anomaly for a blind bedrock source. MON15-14 intersected pegmatite grading 2.24% Li<sub>2</sub>O over 0.71 metres. All widths are reported in core length and do not reflect true width. Both tests confirm the viability of using geochemical exploration methods to discover lithium bearing pegmatites that are essential blind targets.

The goal for future exploration programs will be to 1) identify the contact zone between the pegmatites and the country rocks with greater accuracy using detailed magnetic surveys and if warranted other geophysical methods, 2) continue detailed geochemical surveys and trenching to refine drill targets, 3) drill test new targets for bedrock sources and 4) conduct delineation drilling on established lithium pegmatites.

Work reports, as required by the Energy and Mines Division, Republic of Ireland, were submitted during 2015 for the eight prospecting licenses.

### *Mariana Project – Salta, Argentina*

Early this year two weather stations and an evaporation measurement system were installed on Salar de Llullaillaco to acquire climate data for environment baseline studies and also for designing natural evaporation ponds for lithium brine concentration.

During 2015 the Company completed a work program, which included construction of a temporary camp at the Mariana project to support the field activities, consisting of drilling a core recovery hole, conducting a pump test program and the collection of a bulk sample of the Mariana brine.

A 171-metre core recovery drill hole ("DHMA15-09PW") was completed near the centre of Salar de Llullaillaco approximately 20 metres from drill hole DHMA12-07, a reverse circulation ("RC") drill hole. Drill hole DHMA15-09PW confirmed the presence of two aquifers. One aquifer is from surface to 30 metres while the other is from 53 to 119 metres.

Analytical results from the 2015 drill hole are similar to those from the 2012 drill program, for example the interval from 6.3 to 111.5 metres averages 318 mg/L lithium, 9,255 mg/L potassium and 605 mg/L boron.

Analytical results taken during the pump tests remained consistent even after long periods of pumping further supporting the concept that metal concentrations within Salar de Llullaillaco may be homogenous over a large area.

A series of three pumping tests were carried out on the well battery centred on DHMA15-09. These tests consisted of:

1. An initial two-hour constant rate test at the maximum pumping capacity of 9.5 L/sec to test equipment function, ensure proper well development and test the aquifers.
2. Step tests at 4.4, 5.9, 7.2 and 8 L/sec to test flow rate and brine level draw down as well as efficiency of the pumping well.
3. 24 hour constant rate test at 8 L/sec followed by a 12-hour recovery test to test aquifer storability and transmissivity.

The results of the pumping tests report:

- Well design performs at a high level of efficiency, 88%.
- Well can support a very high pumping rate up to 350m<sup>3</sup>/hr (97 L/sec).
- Brine level achieves a steady state within minutes of the cessation of pumping indicating that the aquifer transmits brine rapidly and does not rely on storage capacity.
- Both aquifers show evidence of having a high transmissivity warranting further tests with higher pumping rates.

The results continue to confirm that Salar de Llullaillaco (a halite dominant, mature salar) bears a significant stratigraphic and hydrogeological resemblance to prominent salars in the region including Atacama, Rincon and Uyuni.

Following completion of the pump tests, approximately 17,000 litres (20 tonnes) of brine was collected from four depth horizons and shipped to strategic partner Ganfeng Lithium for metallurgical analysis and tests at their facilities in China.

*John Harrop, PGeo, FGS, a Qualified Person under the meaning of Canadian National Instrument 43-101 and an officer of the Company, is responsible for the technical content of this Management's Discussion and Analysis.*

## Mineral Properties and Commitments

A detailed listing and narrative of the Company's properties is included in the consolidated financial statements for the year ended December 31, 2015. The financial statements include the capitalized exploration and development costs presented on a property-by-property basis.

Detailed exploration and evaluation expenditures for the period ended December 31, 2015 are as follows:

| <b>December 31, 2015</b>                                       | <b>Mariana,<br/>Argentina</b> | <b>Mavis Lake<br/>Fairservice,<br/>Ontario</b> | <b>Total</b>       |
|----------------------------------------------------------------|-------------------------------|------------------------------------------------|--------------------|
| Deferred exploration costs, beginning of the year              | \$ -                          | \$ 1,260,003                                   | \$ 1,260,003       |
| Additions during the year:                                     |                               |                                                |                    |
| Administrative                                                 | 13,850                        | 90                                             | 13,940             |
| Assays                                                         | 14,565                        | -                                              | 14,565             |
| Borrowing costs                                                | 30,440                        | -                                              | 30,440             |
| Demobilization                                                 | 20,679                        | -                                              | 20,679             |
| Drilling                                                       | 222,346                       | -                                              | 222,346            |
| Environmental studies                                          | 13,245                        | -                                              | 13,245             |
| Field expenditures                                             | 299,277                       | 3,300                                          | 302,577            |
| Field personnel                                                | 63,127                        | -                                              | 63,127             |
| Geological consulting                                          | 231,402                       | -                                              | 231,402            |
| Maintenance                                                    | 29,765                        | -                                              | 29,765             |
| Miscellaneous                                                  | 1,525                         | -                                              | 1,525              |
| Mobilization                                                   | 2,861                         | -                                              | 2,861              |
| Property leases and taxes                                      | 56,549                        | -                                              | 56,549             |
| Telecommunications                                             | 5,949                         | -                                              | 5,949              |
| Travel                                                         | 41,261                        | -                                              | 41,261             |
|                                                                | <u>1,046,841</u>              | <u>3,390</u>                                   | <u>1,050,231</u>   |
| Recoveries from GFL on exploration expenditures <sup>(1)</sup> | <u>(1,046,841)</u>            | <u>-</u>                                       | <u>(1,046,841)</u> |
| Deferred exploration costs, end of the year                    | \$ -                          | \$ 1,263,393                                   | \$ 1,263,393       |

<sup>(1)</sup>Recoveries from GFL have been applied to deferred exploration costs first. The balance of the recoveries have been applied to acquisition costs for the Mariana property.

| December 31, 2014                                             | Mariana,<br>Argentina | Blackstairs,<br>Ireland | Mavis Lake<br>Fairservice,<br>Ontario | Total        |
|---------------------------------------------------------------|-----------------------|-------------------------|---------------------------------------|--------------|
| Deferred exploration costs, beginning of the year             | \$ 2,766,984          | \$ -                    | \$ 1,254,558                          | \$ 4,021,542 |
| Additions during the year:                                    |                       |                         |                                       |              |
| Administrative                                                | 4,672                 | 20,651                  | 179                                   | 25,502       |
| Borrowing costs                                               | 27,008                | -                       | -                                     | 27,008       |
| Demobilization                                                | 2,072                 | -                       | -                                     | 2,072        |
| Field expenditures                                            | 20,803                | -                       | 4,500                                 | 25,303       |
| Geological consulting                                         | 172,357               | -                       | -                                     | 172,357      |
| Maintenance                                                   | 11,162                | -                       | -                                     | 11,162       |
| Miscellaneous                                                 | 1,287                 | -                       | 766                                   | 2,053        |
| Mobilization                                                  | 2,795                 | -                       | -                                     | 2,795        |
| Property leases and taxes                                     | 8,062                 | -                       | -                                     | 8,062        |
| Travel                                                        | 12,572                | -                       | -                                     | 12,572       |
|                                                               | 262,790               | 20,651                  | 5,445                                 | 288,886      |
| Recoveries from GFL on exploration expenditures               | -                     | (20,651)                | -                                     | (20,651)     |
| Conversion of loans and option payments by GFL <sup>(2)</sup> | (3,029,774)           | -                       | -                                     | (3,029,774)  |
| Deferred exploration costs, end of the year                   | \$ -                  | \$ -                    | \$ 1,260,003                          | \$ 1,260,003 |

<sup>(2)</sup>Loan conversion has been applied to deferred exploration costs first. The balance of the loan conversions and option payments has been applied to acquisition costs for the Mariana property.

## Outlook

The Company's primary focus for the foreseeable future will be following up on positive results, advancing exploration through drilling and geochemical surveys, on its Mariana lithium-potash brine (Argentina), and Avalonia Lithium (Ireland) rare metals pegmatite projects. The Company continues to work with strategic partner GFL to advance exploration programs on these projects. The Company is also actively seeking partners for its Canadian lithium properties and seeking out new project opportunities globally.

## Selected Annual Information

|                                    | 2015      | 2014      | 2013      |
|------------------------------------|-----------|-----------|-----------|
| Net sales                          | \$ Nil    | \$ Nil    | \$ Nil    |
| Net loss                           | 769,386   | 772,689   | 1,110,090 |
| Loss per share – basic and diluted | 0.01      | 0.01      | 0.01      |
| Total assets                       | 4,860,987 | 3,984,809 | 6,438,760 |
| Total long-term liabilities        | 1,626,063 | 35,543    | 1,282,210 |
| Cash dividends declared per-share  | Nil       | Nil       | Nil       |

## Summary of Quarterly Results

| For the Quarters Ended            |                      |                       |                  |                   |
|-----------------------------------|----------------------|-----------------------|------------------|-------------------|
|                                   | December 31,<br>2015 | September 30,<br>2015 | June 30,<br>2015 | March 31,<br>2015 |
| Total assets                      | \$ 4,680,987         | \$ 4,181,741          | \$ 4,589,460     | \$ 4,674,411      |
| Exploration and evaluation assets | 3,391,754            | 3,442,309             | 3,610,990        | 3,447,102         |
| Working capital (deficiency)      | (170,716)            | (238,272)             | (1,372,164)      | (1,196,927)       |
| Long-term debt                    | 1,626,063            | 1,399,254             | 291,230          | 177,946           |
| Shareholders' equity              | 2,542,157            | 2,396,311             | 2,554,958        | 2,696,057         |
| Loss and comprehensive loss       | (247,359)            | (158,647)             | (136,292)        | (166,256)         |
| Basic and diluted loss per share  | (0.00)               | (0.00)                | (0.00)           | (0.00)            |

| For the Quarters Ended            |                      |                       |                  |                   |
|-----------------------------------|----------------------|-----------------------|------------------|-------------------|
|                                   | December 31,<br>2014 | September 30,<br>2014 | June 30,<br>2014 | March 31,<br>2014 |
| Total assets                      | \$ 3,984,809         | \$ 3,627,339          | \$ 3,610,420     | \$ 5,083,594      |
| Exploration and evaluation assets | 3,417,023            | 3,465,492             | 3,457,260        | 4,963,458         |
| Working capital (deficiency)      | (1,183,372)          | (187,243)             | (51,713)         | (1,367,439)       |
| Long-term debt                    | 35,543               | 973,258               | 967,307          | 961,420           |
| Shareholders' equity              | 2,495,548            | 2,304,991             | 2,438,240        | 2,634,599         |
| Loss and comprehensive loss       | (168,451)            | (133,249)             | (196,358)        | (285,827)         |
| Basic and diluted loss per share  | (0.00)               | (0.00)                | (0.00)           | (0.00)            |

Significant changes in key financial data over the periods presented can be attributed to the Company exploring mineral properties in Argentina, Canada, United States and Ireland:

- Loan conversions on the GFL Mariana Loan and GFL Loan as well as an additional option payment decreased the carrying value of the Mariana property and improved the working capital position of the Company for the three months ended June 30, 2014.
- In the three months ended September 30, 2015, there was a significant improvement to working capital and corresponding increase to long-term debt as the Company settled outstanding short-term loans of \$1,000,000 plus accrued interest of \$168,841 by converting most of the balance to a draw down on the Exploration Loan with GFL.

The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance growth of its business.

## Results of Operations

### *Year Ended December 31, 2015 and 2014*

The Company incurred a comprehensive loss of \$708,554 (2014 - \$783,886) during the year ended December 31, 2015.

Significant changes are as follows:

- Decrease in interest and bank charges to \$138,003 (2014 - \$193,246) as the Company incurred interest at a rate of 10% on its short and long-term debt. The decrease in interest relates to the conversion of principal into an interest in the Mariana property.
- Foreign exchange expense increased to \$116,281 (2014 - \$58,826) due to the increased balance of liabilities denominated and settled in US dollars including the exploration advance and exploration loan.
- Office expenses increased to \$90,292 (2014 - \$37,168) and professional fees increased to \$153,158 (2014 - \$127,059) due to increased activity in Argentina on the Mariana project and work with GFL to move projects forward.
- Share-based payments expense of \$65,117 (2014 - \$Nil) for options granted in the period.
- The Company recognized a loss from equity investment of \$20,248 (2014 - \$17,741) for its interest in Blackstairs Lithium Limited's loss for the quarter relative to activity on the Avalonia project.
- Operator income of \$122,678 (2014 - \$56,620) relates to the Company's management of the Avalonia project and Mariana project in accordance with the joint venture agreements.
- The gain on change in equity investment of \$74,645 has been recognized pursuant to the sale of a 4% interest to GFL in the Company's investment in Blackstairs Lithium Limited.

Overall, the Company has been working with GFL to secure an effective long-term plan for the development of the Company's assets.

### *Three Months Ended December 31, 2015 and 2014*

The Company incurred a comprehensive loss of \$247,359 (2014 - \$168,451) during the three months ended December 31, 2015.

Significant changes are as follows:

- Foreign exchange exposure has increased in the three months ended December 31, 2015 to \$305,574 (2014 – recovery of \$4,069) due to the increased balance of the Exploration Loan from GFL denominated in US dollars.
- Office expenses increased to \$41,422 (2014 - \$18,287) due to increased activity in Argentina on the Mariana project.
- Share-based payments expense of \$65,117 (2014 - \$Nil) for options granted in the period.
- Operator income of \$Nil (2014 - \$39,590) relates to the Company's management of the Avalonia project and Mariana project in accordance with the joint venture agreements.

## Liquidity and Capital Resources

To date, the Company has not yet realized profitable operations. The Company currently requires additional financing to continue in business and there can be no assurances that such financing will be available or if available, will be on reasonable terms.

The consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

|                            | 2015         | 2014           |
|----------------------------|--------------|----------------|
| Working capital deficiency | \$ (170,716) | \$ (1,183,372) |
| Deficit                    | (5,952,673)  | (5,986,333)    |

At December 31, 2015, the Company had \$479,663 (2014 - \$64,403) in cash. The Company works to invest in its mineral properties in a difficult economic environment.

Net cash used in operating activities during the year ended December 31, 2015 was \$245,295 (2014 - \$604,289). The cash used in operating activities for the period consists primarily of the operating loss and a change in non-cash working capital.

Net cash provided by investing activities during the year ended December 31, 2015 was \$301,164 (2014 – used \$643,059). During the period the Company expended \$1,075,017 (2014 - \$1,342,669) on its exploration and evaluation assets and recovered \$1,346,649 (2014 - \$171,979) from strategic partner GFL. The Company earned operator income of \$29,532 (2014 - \$32,630) from its associate Blackstairs Lithium Limited which commenced operations in late 2014. Expenditures in the prior year were offset by an option payment received from GFL of \$495,000 (US\$450,000).

Financing activities provided cash of \$359,391 (2014 - \$1,223,201) during the year ended December 31, 2015. During the current year, the Company received \$359,391 (2014 - \$33,466) from GFL pursuant to the exploration loan granted in conjunction with the Mariana property joint venture. In the comparative year, the Company received proceeds from a loan of \$1,189,735 from GFL which was immediately converted to an interest in the Mariana property.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of lithium and rare earth metals or interests related thereto. The economics of developing and producing properties are affected by many factors including the cost of operations and the market price of the mineral resource. Depending on the market price of mineral resources, the Company may determine that it is impractical to continue commercial production.

The Company currently requires additional financing to continue in business. The Company's primary focus for the foreseeable future will be following up on positive results, advancing exploration through drilling, on its Mariana lithium-potash brine (Argentina), Mavis Lake / Fairservice (Ontario) and Avalonia Lithium (Ireland) rare metals pegmatite projects. The Company will aggressively seek adequate debt and/or equity financing to improve its financial position.

## Related Party Transactions

The Company entered into the following transactions with related parties:

| Transaction                     | Relationship                                                             | 2015      | 2014      |
|---------------------------------|--------------------------------------------------------------------------|-----------|-----------|
| Management fees                 | 0819315 BC Ltd., Gary Schellenberg, CEO and Director                     | \$ 90,000 | \$ 90,000 |
| Administration fees             | Heather Schellenberg, Spouse of Director                                 | 12,000    | 12,000    |
| Administration fees (Argentina) | Roberto Lara, Officer of Compania Litio                                  | 18,000    | 18,000    |
| Exploration expenditures        | Coast Mountain Geological Ltd,<br>Gary Schellenberg, CEO and Director    | 158,387   | 73,369    |
| Exploration expenditures        | Anthony Kovacs, COO and<br>Blacksmith Metals Exploration Ltd.            | 30,900    | 20,022    |
| Rent                            | Coast Mountain Geological Ltd.,<br>Gary Schellenberg, CEO and Director   | 21,450    | 18,000    |
| Consulting fees                 | 619517 BC Ltd., Jerry Bella, CFO                                         | 60,000    | 60,000    |
| Consulting fees                 | Blacksmith Metals Exploration Ltd,<br>Anthony Kovacs, COO                | -         | 23,400    |
| Consulting fees                 | Kirill Klip, President and Director                                      | 90,000    | 90,000    |
| Investor relations              | Blacksmith Metals Exploration Ltd,<br>Anthony Kovacs, COO                | -         | 24,402    |
| Exploration expenditures        | Petra Gold Servicios Mineros, Roberto Lara,<br>Officer of Compania Litio | 211,102   | -         |

At December 31, 2015, due to related parties consisted of \$335,582 (2014 - \$244,479) to various directors, officers and related companies for services detailed above and is included in accounts payable and accrued liabilities. At December 31, 2015, \$7,560 (December 31, 2014 - \$Nil) was receivable from TNR Gold Corp, a significant shareholder.

During the period ended December 31, 2014, the Company received a short-term loan of \$200,000 from TNR Gold Corp. 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 four officers, Jerry Bella, Anthony Kovacs, Kirill Klip and Gary Schellenberg, of the Company for the provision of consulting services at a current cost of \$60,000, \$72,000, \$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.

## Financial Instruments and Other Instruments

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include credit risk, currency risk, interest rate risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Please refer to Note 14 of the accompanying financial statements for further details.

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at December 31, 2015.

## Proposed Transactions

The Company does not have any proposed transactions as at December 31, 2015 other than as disclosed elsewhere in this document.

## Adoption of New Accounting Policies

### 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.

## Critical Accounting Policies

The preparation of the 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 of the consolidated financial statements. 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, functional currency of the Company and its subsidiaries, 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.

## Outstanding Share Data

The following table summarizes the outstanding share capital as of the date of the MD & A:

|               | Number of shares<br>issued or issuable |
|---------------|----------------------------------------|
| Common shares | 77,133,046                             |
| Stock options | 7,375,000                              |

## Management's Responsibility for Financial Statements

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## Business Risks

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Financial risks include commodity prices, interest rates and the Canadian dollar, United States dollar, Argentinean Peso and the Euro exchange rate, all of which are beyond the Company's control.
- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

The Company currently requires additional financing to continue in business. There can be no assurance that future financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change and investors may suffer additional dilution. To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company.

## Internal Controls Over Financial Reporting

### *Changes in Internal Control over Financial Reporting ("ICFR")*

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.