



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

**FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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The following discussion and analysis ("MD&A"), prepared as of May 1, 2017, should be read together with the consolidated financial statements for the years ended December 31, 2016 and 2015 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 and SEDAR at 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" or "ILC") 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. ("Litio") in Argentina and International Lithium (US) LLC in the United States. On July 12, 2016, the Company's interest in Litio was diluted from 100% to 20% resulting in a deconsolidation of Litio. Litio was included in consolidation until July 12, 2016. 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 \$1,098,605 (2015 - \$708,554) during the year ended December 31, 2016.

Significant Events and Transactions

During the three month period ended December 31, 2016 and to the date of this MD&A, the Company:

- Management changes: Kirill Klip, President of ILC, has been appointed Chief Executive Officer of the Company, such that he will act as the CEO, President and Chairman of the Company. Gary Schellenberg has resigned as CEO and a director of the Company. Mike Sieb and Wayne Spilsbury have also resigned as directors of the Company and Jerry Bella has resigned as Chief Financial Officer and Corporate Secretary. To fill the vacancies of the departing directors and officers, and to add an additional director, as permitted by ILC's Articles, David Shen, Maurice Brooks, John Wisbey and Ross Thompson have been appointed as directors of the Company. John Wisbey will also fill the role of Corporate Secretary. Patricia Fong has been appointed as CFO.
- Following execution of the Mavis and Raleigh option agreements, Pioneer is planning \$1,000,000 in exploration expenditures evenly over the two projects. The exploration programs will include litho-geochemical sampling, ground and airborne geophysics and 3,000m of diamond drilling with 1,500m planned at each of the Projects in autumn 2016.

To date a continuous-reading ground magnetic survey has been completed over much of the Mavis Lake Lithium Project and data processing is underway. In addition, mapping and litho-geochemical rock sampling (170 samples submitted for assay) have been completed to refine targets ahead of drilling.

Field crews will undertake similar exploration programs of geophysics, mapping and litho- geochemistry at Raleigh. Magnetic survey options are being investigated to best suit the local terrain with consideration being given to the use of a low-altitude high-resolution aeromagnetic system.

- Granted 3,150,000 stock options to directors, officers and consultants at an exercise price of \$0.155 per common share until February 23, 2022.
- Granted 750,000 stock options to various consultants at an exercise price of \$0.15 per common share until April 21, 2022.

- Announced a non-brokered private placement of convertible securities having a face value of up to \$750,000. The securities will be issued pursuant to a convertible loan bearing interest at the rate of 15% per annum, payable quarterly, with a maturity date of one year from the date of advance. The lenders may convert at any time, all or a portion of the convertible loan principal into common shares of the Company at a price of \$0.14 per common share. The Company has the right to repay the convertible loan, at any time after three months from the date of advance. The convertible loan will be secured by a general security agreement against the Company's assets.

The Company has closed a first tranche of \$100,000. The Company has closed the second tranche of \$425,000.

- In recent meetings of the Management Committees for the Avalonia lithium pegmatite project in Ireland and the Mariana lithium brine project in Argentina, it was decided that Ganfeng Lithium Co. Ltd., will take over the role as Manager of each project and continue to carry out the exploration work pursuant to the respective option and joint venture agreements.

Exploration Summary

Avalonia Project – Ireland

On June 9, 2016, the Company announced it had completed the drill program announced on April 11, 2016 at the Avalonia Lithium Project located in Counties Carlow and Wicklow, Republic of Ireland. A total of 23 diamond drill holes comprising 1,756 metres of NQ sized core were completed in the central part of the Avalonia Project's lithium belt and entirely within County Carlow. Of these, 10 holes focussed on further delineating pegmatites in the Aclare area. Down-dip extension and infill drilling was used to delineate the distribution of lithium and rare metals in the system and identify thickening vectors of the pegmatite body.

Highlights of the drilling include three drill holes which intersected a previously unknown pegmatite 450 metres east of the main Aclare pegmatites. This new pegmatite is hosted in a granite sill parallel and adjacent to the granite sill hosting the main Aclare pegmatites where drill hole ACL13-04 intersected 2.23% Li₂O over a drill width of 23.3 metres, including 3.43% Li₂O over 6 metres (Company news release dated June 25, 2013). All widths reported are drill widths and have not been converted into true widths.

Spodumene bearing pegmatite boulders were discovered in field walls between the new pegmatite and the Aclare mineralization. These boulders contain spodumene crystals that are greater than 40 centimetres in length and some of the largest identified on the property to date.

Drilling Highlights (News release July 21, 2016)

- Most notable pegmatite intersection grading 2.33% Li₂O over 4.62m at southern extent of Aclare pegmatite;
- Aclare pegmatite high-grade mineralization open along trend to the southwest and at depth;
- Improved understanding of mineral zonation to assist future targeting; and
- Plans to extend drill pattern at Aclare and initiate exploration in the vicinity of a high-grade spodumene boulder field at Moylisha in preparation for drilling.

Particularly encouraging results (ACL16-22) are from the southern extent of the drilling and show that mineralization is open to the southwest with significant widths and grades. Holes ACL16-15 and 22 determined that an area previously mapped as a fault controlled break in the pegmatite is in fact a bend in the mineralized zone revealing that the pegmatite zone is continuous and is made up of several closely spaced parallel bodies in this area.

Table of significant lithium values from the 2016 Avalonia drilling programme

Hole_ID	From (m)	To (m)	Length* (m)	Li ₂ O%
ACL16-15	68.18	78.83	10.65	1.07
including	70.87	75.97	5.10	1.62
including	70.87	72.12	1.25	2.50
ACL16-22	85.23	89.85	4.62	2.33
including	86.26	87.93	1.67	3.29
ACL16-09	46.10	48.45	2.35	1.58
including	46.10	47.03	0.93	2.99

* All widths reported are drill core widths and have not been converted into true width.

The area drill tested by the Company represents one of the main prospects located along the 42 kilometre lithium pegmatite belt that falls within the Avalonia licences. A total of 23 targets have been identified to date by geochemical surveys and prospecting along the belt. Since its discovery in the late 1960s, the Aclare area has received more exploration activity and drilling than other targets and consequently is the most geologically understood part of the belt. This makes Aclare a valuable area for testing methods that will then be applied at other targets along the 42 km belt.

Mariana Project – Salta, Argentina

The drill program, announced on May 11, 2016, is delineating the two previously identified shallow lithium brine aquifers (Company news releases June 1 and August 11, 2015) at the Mariana project (Salar de Llullaillaco) located near the Chilean border in Salta, Argentina. Recently acquired transient electromagnetic (TEM) geophysical data suggested that the two aquifers appear to be connected (news release dated May 11, 2016). This is now supported by drilling and follow-up down-hole geophysical surveys.

The TEM survey also suggested that there is a third aquifer, represented by a highly conductive zone at greater depths (news release May 11, 2016), below the maximum depth of any previous drilling on the salar. Drill holes completed to date have penetrated this zone at depths greater than 200 metres. The new, lower aquifer begins at a depth of approximately 162 metres, extends to the ends of the holes and remains open at depth.

A total of 5 drill holes are now complete totalling 1038 metres of core drilling in the current program.

Following a recent, highly encouraging site visit, executives from GFL and ILC reviewed and approved a budget proposal to complete definitive technical studies. These studies are critical for the filing of environmental permit applications to conduct pilot scale evaporation testing at the Mariana project site.

To achieve this, the Companies will extend the current drilling program and aim to have a maiden resource calculated for a portion of Salar de Llullaillaco in the fall/winter of 2016. In addition, the Companies will employ the results from recent bench scale evaporation and liming tests to design and construct a series of small scale evaporation test ponds at site. Hydrological, aquifer characterization, and environmental studies will be scheduled to meet the permitting target as well as short and long term pumping tests.

On July 18, 2016 the Company announced that a budget of US \$12 million is approved to accelerate the exploration and development program currently underway at the Mariana Lithium project in Argentina (News Releases May 11 and June 16, 2016).

On March 8, 2017, the Company announced an independent NI 43-101 resource estimate on the project. The resource estimates were prepared by Geos Mining Minerals Consultants ("Geos") based in Sydney, Australia. The Technical Report, entitled "Technical Report: Mariana Lithium Project, Salar de Llullaillaco, Argentina" and dated April 10, 2017, is now available under the Company's profile at www.SEDAR.com. The effective date for the resource estimation is January 20, 2017, which represents the date of the most recent data that supports the brine estimate and this Report. The following highlights taken from the Report, and set out below, should be considered in the context of the detailed information provided.

- Indicated resource for Resource Area 1 contains an estimated 747,000 tonnes of lithium carbonate equivalent (LCE).
- The indicated resource for Resource Area 1 is estimated at 765 billion litres of brine grading 306 mg/L lithium ("Li") and 9,457 mg/L potassium ("K").
- Based on drill information, the brines within the project area are interpreted to cover an area of about 135 square kilometres and extend from depths of about 0.5 m to at least 329 m.

Mavis and Raleigh Projects - Ontario, Canada

Mavis Option Agreement

On June 22, 2016, the Company announced Pioneer Resources Limited ("Pioneer") (ASX:PIO) (collectively, the "Parties") has exercised an Option Agreement to advance an exploration program on the Company's Mavis Lake Lithium project in Ontario, Canada ("Project") (see Company news release March 14 and April 20, 2016).

Under the terms of the Agreement, Pioneer can earn up to an 80% interest in ILC's 100% owned Mavis Lake property, which includes the Fairservice patented mining leases (the "Mavis Lithium Project"), located near Dryden, Ontario, Canada.

The key terms of the Option Agreement:

- Pioneer may earn an initial 51% interest in the Project by expending CAN\$1.5 million on exploration activities within three years and paying to ILC a total of CAN\$375,000 in cash and shares 50/50 over the same three years (the "First Earn-in").
- Following the First Earn-in, ILC will be granted a 1.5% Net Smelter Return royalty ("NSR"), purchasable at any time for CAN\$1.5 million.
- Pioneer will then be granted, if they choose, a Second Option where they can earn an additional 29% through expending CAN\$8.5 million within seven years (total CAN\$10 million over ten years). Thereafter the Parties will contribute on a pro-rata basis. If either Party dilutes to 15% Project Equity, their interest is converted to a 1.5% NSR.

Mavis Exploration

Recently, field reconnaissance at the Mavis Lake project spodumene bearing Pegmatite 18 prospect has confirmed the observable strike length, in excess of 200m at surface, has yet to be drill tested and clearly represents a high priority drill target.

The highest lithium values on the Mavis Lake Property occur in albite-spodumene-type pegmatites such as Pegmatite 18. Historical sampling on the Pegmatite 18 prospect by the Company has returned grab samples grading up to 3.14% Li₂O* and one composite channel sample across part of Pegmatite 18 grading 1.22% Li₂O* over 5.3m (documented in the Company's 2009 Ontario Work Assessment Report and NI 43-101 technical report dated February 5, 2010 respectively).

*Note: Grab samples are by definition selective, should not be relied on and are unlikely to represent average grades on the property. Reported channel sample widths may not represent true widths of the pegmatite.

On February 8, 2017, the Company announced that the first drill hole of the 2017 drill program at the Mavis Lithium Pegmatite Project has intersected a spodumene-bearing pegmatite. The first drill hole, MF-17-39, intersected 18m* of spodumene-bearing pegmatite between 79.9m and 97.9m down-hole. The spodumene zone is described as exhibiting broken crystals with the largest observed spodumene crystal oriented parallel to the core axis and measuring approximately 45cm in length.

On April 11, 2017, the Company announced the analytical results from the winter drill program at the Mavis Lake Lithium Project. Drilling at the Mavis Lake Lithium Project ("Mavis") commenced on February 4, 2017 under the direction of Pioneer and was completed on March 2, 2017. In total, 12 oriented diamond core drill holes were completed for a total of 1,305 metres across three target areas: PEG006, PEG006.5 and PEG018.

Key Intersections from the Pegmatite 6 Target Area indicate*:

- 1.47% lithium oxide ("Li₂O") over 17.90 metres from 80.00 metres in drill hole MF17-39;
- 1.70% Li₂O over 26.30 metres from 111.9m in drill hole MF17-49, including a zone grading 2.97% Li₂O over 7.70m; and
- 1.45% Li₂O over 16.55 metres from 74.55 metres and 1.40% Li₂O over 23.10 metres from 122.00 metres in drill hole MF17-50.

* All widths reported are drill core widths and have not been converted into true width. True width of the drill hole intercepts, which may be shorter than those reported, are currently unknown.

Raleigh Lithium Pegmatite Project

The Raleigh Project is situated 7 kilometres south of the Trans-Canada Highway, 60 kilometres southeast from the Company's Mavis Project, 80 kilometres southeast from the town of Dryden, Ontario and approximately 240 kilometres northwest of Thunder Bay. Four unpatented mining claims totalling 368 hectares were recently staked increasing the Project area to 809 hectares. The expanded claim boundaries now cover an extensive zone exhibiting multiple intensely anomalous bands known to host high-grade lithium pegmatites.

On a recent reconnaissance of the project by ILC and Pioneer representatives a pegmatite noted in historical records, but not explored by previous operators, was discovered. The site of the pegmatite is obscured by a beaver dam, which may account for why previous operators overlooked it. A grab sample* of the adjacent mafic volcanic host rock was sent to ALS laboratory for analysis and returned a lithium value of 0.49% Li₂O (2290ppm Li). This is significantly higher than any other lithium host-rock value reported in the region and indicates an intense mineralizing system, particularly to have altered and impregnated the host rock to such a degree.

* Grab samples are by definition selective and are unlikely to represent average grades on the property.

Previous exploration campaigns on the Project included mapping, litho-geochemistry, trenching (1500m) and diamond core drilling (2817.5m in 17 holes) resulting in the identification of several substantial pegmatites and numerous smaller ones (see Company news release dated March 23 and July 13, 2016, for further details).

Mapping and litho-geochemical sampling indicate a highly fractionated rare-metals' pegmatite belt at least 5 km in length and 2 km in width now fully enclosed within the Company's expanded claim boundaries. The strength of the litho-geochemical signature in the host rock adjacent to known pegmatites will be a highly effective exploration tool to signal the location of hidden or blind pegmatites; pegmatites buried under soil cover or capped by another rock type.

Raleigh Option Agreement

- Pioneer may earn an initial 51% interest in the Project by expending CAN\$1.25 million on exploration activities within three years and paying to ILC a total of CAN\$250,000 in cash and shares 50/50 over the same three years (the "First Earn-in").
- Following the First Earn-in, ILC will be granted a 1.5% Net Smelter Return royalty ("NSR"), purchasable at any time for CAN\$1.5 million.
- Pioneer will then be granted, if ILC elects not to participate and if Pioneer elects to pursue, an option where Pioneer can earn an additional 29%, for a total 80% interest, by sole funding exploration expenditures and the production of a pre-feasibility technical report within 6 years from the completion of the First Earn-In. Thereafter the Parties will contribute on a pro-rata basis. If either Party dilutes to 15% Project Equity, their interest is converted to a 1.5% NSR.

On July 28, 2016, the Company announced that strategic partner Pioneer committed \$1 million in exploration expenditures in 2016 on the Mavis and Raleigh lithium pegmatite projects.

The \$1 million budget will be allocated fairly evenly across the Mavis and Raleigh lithium pegmatite projects ("Projects"). The exploration programs will include litho-geochemical sampling, ground and airborne geophysics and 3,000m of diamond drilling with 1,500m planned at each of the Projects in autumn 2016.

To date a continuous-reading ground magnetic survey has been completed over much of the Mavis Lake Lithium Project and data processing is underway. In addition, mapping and litho-geochemical rock sampling (170 samples submitted for assay) have been completed to refine targets ahead of drilling.

Field crews will undertake similar exploration programs of geophysics, mapping and litho-geochemistry at Raleigh later this month. Magnetic survey options are being investigated to best suit the local terrain with consideration being given to the use of a low-altitude high-resolution aeromagnetic system.

The Upper Canada Lithium Pool

The close proximity of the Mavis and Raleigh projects presents clear strategic and operational advantages. ILC is pursuing lithium prospects with reported high grades in this region and seeking to consolidate them with the aim to identify sufficient resources in multiple prospects to potentially feed a common processing facility. The Upper Canada Lithium Pool is the anticipated geographical consolidation of projects and partnered companies hosting amenable grade, volume, access and infrastructure in order to mitigate the financial burden on any one company when advancing specific projects to reach this goal.

Afzaal Pirzada, PGeo, a Qualified Person under the meaning of Canadian National Instrument 43-101 and a consultant 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, 2016. 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, 2016 are as follows:

December 31, 2016	Mariana, Argentina	Mavis Lake Fairservice, Ontario	Raleigh, Ontario	Total
Deferred exploration costs, beginning of the period	\$ -	\$ 1,263,393	\$ -	\$ 1,263,393
Additions during the year:				
Administrative	11,460	15,654	-	27,114
Assay	38,543	-	-	38,543
Borrowing costs	32,940	-	-	32,940
Camp costs	546,251	-	-	546,251
Demobilization	10,316	-	-	10,316
Drilling	658,742	922	-	659,664
Environmental studies	15,924	-	-	15,924
Field expenditures	392,150	24,011	924	417,085
Field personnel	7,763	40,244	-	48,007
Geological consulting	330,688	48,377	21,668	400,733
Geophysical	453,650	-	-	453,650
Maintenance	383,184	-	-	383,184
Miscellaneous	1,796	-	-	1,796
Mobilization	54,344	362	-	54,706
Process design	59,278	-	-	59,278
Property leases and taxes	27,204	549	-	27,753
Staking fees	-	5,250	-	5,250
Telecommunications	2,871	-	-	2,871
Travel	35,960	12,540	996	49,496
	<u>3,063,064</u>	<u>147,909</u>	<u>23,588</u>	<u>3,234,561</u>
Recoveries and option payments received	-	(174,909)	(23,588)	(198,497)
Recoveries from GFL on exploration expenditures	(2,450,452)	-	-	(2,450,452)
Deconsolidation of Lito	(612,612)	-	-	(612,612)
	<u>(3,063,064)</u>	<u>(174,909)</u>	<u>(23,588)</u>	<u>(3,261,561)</u>
Deferred exploration costs, end of the year	\$ -	\$ 1,236,393	\$ -	\$ 1,236,393

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

December 31, 2015	Mariana, Argentina	Mavis Lake Fairservice, Ontario	Total
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 ⁽¹⁾	<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

⁽¹⁾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.

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 will also be working with Pioneer to facilitate the exploration on the Mavis Lithium Project and Raleigh Lithium Pegmatite Project. The Company is actively seeking out new project opportunities globally.

Selected Annual Information

	2016	2015	2014
Net sales	\$ Nil	\$ Nil	\$ Nil
Net loss	1,032,724	769,386	772,689
Loss per share – basic and diluted	0.01	0.01	0.01
Total assets	5,888,185	4,860,987	3,984,809
Total long-term liabilities	3,068,675	1,626,063	35,543
Cash dividends declared per-share	Nil	Nil	Nil

Over the periods presented, long-term liabilities have increased as the Company's Exploration Loan balance with GFL and accrued interest has increased.

Summary of Quarterly Results

	For the Quarters Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total assets	\$ 5,888,185	\$ 6,052,000	\$ 6,202,714	\$ 5,433,748
Exploration and evaluation assets	1,429,893	1,434,032	3,975,432	3,631,201
Working capital (deficiency)	142,659	665,477	479,919	327,678
Long-term debt	2,976,714	2,689,485	2,185,720	1,945,843
Shareholders' equity	2,819,510	3,129,113	3,271,869	2,929,391
Loss and comprehensive loss	(502,370)	(144,724)	(199,419)	(252,092)
Basic and diluted loss per share	(0.01)	(0.00)	(0.00)	(0.01)

	For the Quarters Ended			
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 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)

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

- On July 12, 2016, the Company transferred 80% of its ownership in Litio, which holds title to the Mariana property, to GFL. The transfer of ownership diluted the Company's ownership in Litio from 100% to 20% resulting in deconsolidation of Litio and accordingly the Company's interest in Litio was, for the remainder of the period, recorded as an equity investment. Impact to the financial statements are as follows:
 - The equity investment as at July 12, 2016 was valued at \$2,394,229. During the period from July 13, 2016 to December 31, 2016, the Company's share in the loss of Litio was \$21,129 and the Company contributed \$823,488 into Litio.
 - Deconsolidation resulted in reduction in cash of \$410,768, receivables of \$42,597, exploration and evaluation assets of \$2,561,165, and accounts payables and accrued liabilities \$606,594.
- 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 September 30, 2015.
- 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

Years Ended December 31, 2016 and 2015

The Company incurred a comprehensive loss of \$1,098,605 (2015 - \$708,554) during the year ended December 31, 2016.

Significant changes are as follows:

- Consulting fees of \$463,138 (2015 - \$176,122) increased over prior year as the Company has engaged additional support for the increased level of activity in its property portfolio and with its investors.
- Foreign exchange resulted in a gain of \$79,403 relative to a loss of \$116,281 in the prior year. The Company is increasingly exposed to foreign exchange movements on liabilities denominated and settled in US dollars including the exploration advance and exploration loan.
- Interest and bank charges of \$237,023 (2015 - \$138,003) relates interest accruing on the Company's Exploration Loan with GFL and additional financing costs.
- Professional fees increased to \$203,792 (2015 - \$153,158) due to increased activity regarding year end accounting and audit services and for additional legal review of new property agreements.
- Shareholder communications to \$89,064 (2015 - \$36,049) due to additional news releases in the current year for publication of agreements and exploration activity.
- Share-based payments expense of \$381,537 (2015 - \$65,117) relates to the value of options granted in the year and incremental value attributed to 5,975,000 re-priced stock options.
- Operator income of \$628,494 (2015 - \$122,678) relates to the Company's management of the Avalonia project and Mariana project in accordance with the joint venture agreements.

Overall, the Company has been working with GFL to secure an effective long-term plan for the development of the Company's assets Avalonia. The agreement with Pioneer has increased activity in Canada with development on the Mavis Lithium Project and Raleigh Lithium Pegmatite Project in Ontario.

Three months Ended December 31, 2016 and 2015

The Company incurred a comprehensive loss of \$502,370 (2015 - \$247,359) during the three months ended December 31, 2016.

Significant changes are as follows:

- Consulting fees of \$232,992 (2015 - \$45,198) increased over prior period as the Company granted additional compensation to long-serving consultants prior to the change in management.
- Foreign exchange resulted in an expense of \$59,427 relative to a loss of \$2,663 in the prior period. The Company is increasingly exposed to foreign exchange movements on liabilities denominated and settled in US dollars including the exploration advance and exploration loan.
- Professional fees increased to \$69,969 (2015 - \$36,038) due to additional legal services provided during the management changeover.
- Shareholder communications to \$29,721 (2015 - \$11,139) due to additional news releases in the current period for publication of agreements and exploration activity.
- Operator income of \$78,494 (2015 - \$Nil) 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.

	2016	2015
Working capital (deficiency)	\$ 142,659	\$ (170,716)
Deficit	(6,766,196)	(5,952,673)

At December 31, 2016, the Company had \$44,945 (2015 - \$479,663) in cash. The Company works to invest in its mineral properties in a difficult economic environment.

Net cash provided by operating activities during the year ended December 31, 2016 was \$57,074 (2015 - used \$245,295). 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 used by investing activities during the year ended December 31, 2016 was \$2,331,295 (2015 – provided \$301,164). During the year the Company expended \$3,258,793 (2015 - \$1,075,017) on its exploration and evaluation assets and provided \$1,598,455 in funding to Litio subsequent to its deconsolidation in July 2016. The Company received \$2,833,734 (2015 - \$1,346,649) in exploration funding from GFL to apply against the Mariana property. The Company earned \$40,483 (2015 - \$29,532) in operator income from GFL on the Blackstairs project and received \$62,500 as option payments on the Mavis and Raleigh Projects from Pioneer.

Financing activities provided cash of \$1,839,497 (2015 - \$359,391) during the year ended December 31, 2016. During the current year, the Company received \$1,170,777 (2015 - \$359,391) from GFL pursuant to the exploration loan granted in conjunction with the Mariana property joint venture. The Company also generated \$622,220 (2015 - \$Nil) in funds, net of finders' fees, from a private placement in the year with an additional \$46,500 (2015 - \$Nil) received for exercised stock options.

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 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	2016	2015
Management fees	0819315 BC Ltd., Gary Schellenberg, former CEO and Director	\$ 90,000	\$ 90,000
Administration fees	Heather Schellenberg, Spouse of former Director	27,000	12,000
Administration fees (Argentina)	Roberto Lara, Officer of Compania Lito	18,000	18,000
Exploration expenditures	Coast Mountain Geological Ltd, Gary Schellenberg, former CEO and Director	624,032	158,387
Exploration expenditures	Anthony Kovacs, COO and Blacksmith Metals Exploration Ltd.	94,200	30,900
Rent	Coast Mountain Geological Ltd., Gary Schellenberg, former CEO and Director	28,400	21,450
Consulting fees	619517 BC Ltd., Jerry Bella, former CFO	60,000	60,000
Consulting fees	Kirill Klip, CEO, President and Director	90,000	90,000
Consulting fees and exploration expenditures	Mike Sieb, former Director	25,751	-
Exploration expenditures	Petra Gold Servicios Mineros, Roberto Lara, Officer of Compania Lito	367,672	211,012

During the year ended December 31, 2016, the Company granted bonuses included in consulting fees totalling \$84,000 (2015 - \$Nil) to directors and officers of the Company not otherwise included in the table above. These bonuses were settled by way of exercise of stock options.

At December 31, 2016, due to related parties consisted of \$13,277 (2015 - \$335,582) to various directors, officers and related companies for services detailed above and is included in accounts payable and accrued liabilities. At December 31, 2016, \$7,560 (2015 - \$7,560) was receivable from a significant shareholder. As at December 31, 2016, receivables included amounts of \$54,096 (2015 - \$Nil) due from three directors of the Company which were settled subsequent to year end.

During the year ended December 31, 2016, 5,025,000 stock options previously granted to key members of management and directors of the Company, having exercise prices of \$0.10 to \$0.25 per share, were re-priced to \$0.06 per share. The re-pricing of options led to additional share-based payment expense of \$308,702.

During the year ended December 31, 2015, the Company issued 1,100,000 stock options to key members of management and directors of the Company and recognized a related value of \$51,164 as share-based payments expense.

Commitments - Consulting agreements

The Company has entered into consulting agreements with two officers of the Company for the provision of consulting services at a current cost of \$180,000 and \$72,000 per annum respectively. The agreements renew annually at the discretion of the Company's compensation committee. If either 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 15 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, 2016.

Proposed Transactions

The Company does not have any proposed transactions as at December 31, 2016 other than as disclosed elsewhere in this document.

Adoption of New 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 its subsidiary is the Canadian dollar. The functional currency of the Company's associates are the Euro and US Dollar. 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.

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 amortized 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 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 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.

The most significant estimates relate to the calculation of share-based payments, the valuation of deferred income tax amounts, impairment testing, consolidation of Litio and equity investment of Litio.

Share-based payments

Share-based payments, as measured with respect to stock options granted and re-priced, 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 11 of the consolidated financial statements.

Impairment testing

The Company has reviewed its exploration and evaluation assets for indications of impairment and determined that there is no such indication.

Deferred income tax amounts

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.

Consolidation of Litio

As at December 31, 2015, the Company held 100% interest in Litio. Litio was included in consolidation until July 12, 2016.

Equity Investment of Litio

As at December 31, 2016, the Company held 20% in Litio. The equity investment in Litio is subject to all estimates included in the financial information from the majority owner as well as estimates of impairment losses. The Company commenced equity accounting of Litio from July 13, 2016.

Outstanding Share Data

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

	Number of shares issued or issuable
Common shares	88,753,046
Stock options	3,475,000
Warrants	3,935,000

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.