PORTOLA RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED NOVEMBER 30, 2016 and 2015

(UNAUDITED)

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited financial statements have been prepared by management and approved by the Audit Committee.

The Company’s independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditors.

PORTOLA RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	November 30, 2016	February 29, 2016
		$	$
ASSETS			
CURRENT ASSETS			
Cash		1,559,053	63,148
Prepaids and deposits		107,192	-
Advances receivable		-	10,909
		1,666,245	74,057
		1,666,245	74,057
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		5,521	34,316
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	6	3,492,844	1,818,586
Contributed surplus	6	309,086	182,339
Deficit		(2,141,206)	(1,961,184)
		1,660,724	39,741
		1,666,245	74,057

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
SUBSEQUENT EVENTS (Note 9)

Approved on Behalf of the Board:

"Christopher J. Hobbs"
Director, Christopher J. Hobbs

"Jeffrey Cocks"
Director, Jeffrey Cocks

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

PORTOLA RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF COMPRENENSIVE LOSS

Three months and nine months ended November 30, 2016 and 2015

	Note	Three months ended		Nine months ended	
		Nov. 30, 2016	Nov. 30, 2015	Nov. 30, 2016	Nov. 30, 2015
		$	$	$	$
ADMINISTRATIVE EXPENSES					
Management fees	5	45,000	41,253	45,000	123,759
Office and administration		1,442	1,301	1,442	3,126
Consulting		33,750	-	33,750	-
Professional fees		31,934	11,500	32,374	18,730
Marketing and website		13,984	1,243	13,984	1,768
Office rent		-	5,958	4,526	18,245
Travel and entertainment		32,209	12,424	32,209	15,554
Transfer agent and filing fees		13,596	1,003	16,737	4,288
LOSS BEFORE OTHER ITEMS		(171,915)	(74,682)	(180,022)	(185,470)
NET AND COMPREHENSIVE LOSS		(171,915)	(74,682)	(180,022)	(185,470)
LOSS PER SHARE - BASIC AND DILUTED		(0.01)	(0.01)	(0.01)	(0.01)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND FULLY DILUTE		16,728,483	12,726,250	14,060,328	12,392,917

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

PORTOLA RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

Three months and nine months ended November 30, 2016 and 2015

	Note	Three months ended Nov. 30, 2016	Three months ended Nov. 30, 2015	Nine months ended Nov. 30, 2016	Nine months ended Nov. 30, 2015
		$	$	$	$
Cash flow provided by (used in)					
Operating activities					
Net loss for the period		(171,915)	(74,682)	(180,022)	(185,470)
Changes in non-cash operating working capital items					
Amounts receivable		-	(4,192)	10,909	1,480
Prepaids and deposits		(107,192)	-	(107,192)	-
Accounts payable and accrued liabilities		(12,359)	-	(28,795)	(5,459)
		(291,465)	(78,874)	(305,100)	(189,449)
Financing activities					
Private placement issuance of common shares	6	1,801,005	-	1,801,005	-
Exercise of warrants	6	-	-	-	75,000
		1,801,005	-	1,801,005	75,000
Increase (decrease) in cash		1,509,540	(78,874)	1,495,905	(114,449)
Cash, beginning		49,513	183,207	63,148	218,782
Cash, ending		1,559,053	104,333	1,559,053	104,333

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

PORTOLA RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Period ended November 30, 2016 and 2015

	Common Shares				
	Number	Share Capital	Share based payment	Deficit	Total
		$	$	$	$
Balance February 28, 2015	12,226,250	1,664,717	261,208	(1,696,256)	229,669
Exercise of share purchse warrants	500,000	153,869	(78,869)		75,000
Net loss for the period	-	-	-	(185,470)	(185,470)
Balance, November 30, 2015	12,726,250	1,818,586	182,339	(1,881,726)	119,199
Balance February 29, 2016	12,726,250	1,818,586	182,339	(1,961,184)	39,741
Private placement issuance of common shares	12,006,700	1,674,258	126,747		1,801,005
Net loss for the period	-	-	-	(180,022)	(180,022)
Balance, November 30, 2016	24,732,950	3,492,844	309,086	(2,141,206)	1,660,724

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

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

Portola Resources Inc. (the “Company”) is a public company listed on the TSX Venture Exchange (“TSXV”) and trades under the symbol PZ. The Company was incorporated on February 13, 1998 under the British Columbia Business Corporations Act.

The head office, principal address, records office and registered office of the Company is located at Suite 2706 – 40 King Street West, Toronto, Ontario.

On November 27th, 2013 the Board of Directors of the Company agreed to a Change of Business from that of a Mining Issuer to an Investment Issuer, subject to TSXV policy requirements and all requisite shareholder and other approvals. The TSXV suspended trading of the Company’s outstanding common shares effective November 27, 2013. The common shares were to remain suspended until such time that the Company satisfied the requirements of the TSXV in order to permit the resumption of trading of such shares. On October 21st, 2016 the Board of Directors of the Company agreed to terminate the previously announced Change of Business and will continue as a Mining Issuer, subject to TSXV policy requirements and other approvals. The Company is pursuing business opportunities in the resource sector. The Company’s common shares were re-instated for trading on October 25, 2016.

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and has an accumulated deficit of $2,141,206 at November 30, 2016, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs, which may cast significant doubt on the Company’s ability to continue as a going concern. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future. These financial statements do not include any adjustment to the amounts and classification of assets and liabilities should the Company be unable to continue in business.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). The accounting policies used in the preparation of these condensed interim financial statements are consistent with the accounting policies disclosed in the Company’s February 29, 2016 annual audited financial statements. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended February 29, 2016.

These condensed interim financial statements were approved and authorized for issue by the Company’s audit committee members and the board of directors on January 30th, 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Measurement Basis

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3 (g). The Company’s functional reporting currency is the Canadian dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and 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. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimate

i. The measurement of deferred income tax assets and liabilities included in Note 7.

Critical accounting judgments

i. The determination of categories of financial assets and financial liabilities;
ii. The recoverability of advances receivable; and
iii. The evaluation of the Company's ability to continue as a going concern.

c) Income Taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Income Taxes (continued)

Deferred income tax (continued):

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

d) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

e) Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

f) Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

g) Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial Instruments (continued)

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

h) Share-based Payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

4. NEW ACCOUNTING PRONOUNCEMENTS

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

(Expressed in Canadian dollars)

4. NEW ACCOUNTING PRONOUNCEMENTS (continued)

New accounting standards effective March 1, 2018 (continued)

IFRS 9 was subsequently amended in November 2013 to add new general hedge accounting requirements. The final version of IFRS 9 was issued in July 2014 and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

The Company has not yet begun the process of assessing the impact that this new standard will have on its financial statements or whether to early adopt the standard.

5. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties and on terms and conditions similar to non-related parties as follows:

The remuneration of the Company's directors and other key management:

	Nine Months Ended November 30, 2016	Nine Months Ended November 30, 2015
Management fees	$ 45,000	$ 123,759

6. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

As at November 30, 2016, the issued share capital comprised of 24,732,950 (February 29, 2016 – 12,726,250) common shares.

i) During the nine months ended November 30, 2016, the Company issued 12,006,700 common shares pursuant to a private placement for gross proceeds of $1,801,500 at $0.15 per common share. In connection with the private placement, the Company granted 1,200,670 non-transferable finders' warrants, each entitling its holder to acquire one common share at $0.15 per common share for a 36-month period after closing of the private placement. The fair value of the 1,200,670 finders' warrants issued was estimated using the Black Scholes option pricing model to be $126,747 using the following assumptions: estimated volatility of 120%, expected life of 3 years and a risk free rate of 0.55%.

ii) During the year ended February 29, 2016, the Company issued 500,000 common shares pursuant to the exercise of warrants for gross proceeds of $75,000. The fair value initially recorded for the warrants of $78,869 was reclassified from equity reserve to share capital upon exercise.

iii) No common shares were issued during the year ended February 28, 2015.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

c) Stock options

On July 19, 2011, the Company adopted a stock option plan ("the Plan") whereby it can grant options to directors, senior officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company. An option shall be granted as fully vested, unless a vesting schedule is imposed by the Board as a condition of the grant date.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, November 30, 2016, February 29, 2016 and February 28, 2015	825,000	$ 0.23

Details of stock options outstanding at November 30, 2016 are as follows:

Number of Options	Exercise Price	Remaining Contractual Life (years)	Expiry Date
750,000	$ 0.23	1.86	October 4, 2018

d) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 29, 2016	nil	
Issued	1,200,670	0.15
Balance, November 30, 2016	1,200,670	

The weighted average life remaining of the warrants outstanding as at November 30, 2016 is 2.92 years.

e) Equity reserve

The equity reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

7. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to identify and invest in other businesses. The Company does not have any externally imposed capital requirements to which it is subject.

As at November 30, 2016, the Company considers capital to be all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

There were no changes in the Company's approach to management of capital during the year.

8. FINANCIAL INSTRUMENTS

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and advances receivable. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions and advancing funds to parties that management believes will make the necessary repayments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as described in Note 7.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the Company's significant commitments and corresponding maturities:

	<1 year	1 - 3 Years	Total
Accounts payable	$ 5,521	$ -	$ 5,521

Foreign Exchange Risk

The Company currently does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

Fair Value Measurements

The Company's financial instruments consist of cash, advances receivable, and accounts payable. The fair values of these financial instruments approximate their carrying values because of their current nature.

(Expressed in Canadian dollars)

8. FINANCIAL INSTRUMENTS (continued)

Fair Value Measurements (continued)

The following table summarizes the carrying values of the Company's financial instruments as at November 30, 2016:

FVTPL (i)	$ 1,559,053
Loans and receivables (ii)	$ nil
Other financial liabilities (iii)	$ 5,521

(i) Cash
(ii) Advances receivable
(iii) Accounts payable

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market date.

The fair value of cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. As at November 30, 2016, the Company believes that the carrying values of advances receivable and accounts payable approximate their fair values because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as of November 30, 2016 as follows:

	Level 1	Level 2	Level 3	Total
Cash	$1,559,053	$ -	$ -	$ 1,599,053

9. SUBSEQUENT EVENT

On December 6, 2016 the Company announced that it had entered into a letter of intent ("LOI") to acquire all of the outstanding share capital of Lithium Energi Argentina, S.A. ("LEA"), Antofalla North, S.A. ("AN"), and Antofalla South, S.A. ("AS"), which combined hold a portfolio of projects comprising 128,367 hectares of lithium brine assets in the northern Argentina Province of Catamarca.

As per the LOI, in consideration for all of the outstanding share capital of LEA, AN, and AS, the Company will issue 1,000,000, 8,450,000, and 11,550,000 common shares of the Company, respectively. In addition, the Company will assume the respective obligations of LEA, AN, and AS in respect of the Laguna Caro, Antofallo North, and Antofallo South Projects. In order to complete the acquisitions of the Laguna Caro, Antofallo North, and Antofalla South Projects, the Company will be required to complete cash payments of US$710,000, US$829,920, and US$1,382,240, respectively payable over a twelve (12) month period.

Closing of the acquisitions remains subject to a number of conditions, including due diligence, approval of the TSX Venture Exchange, and such other conditions as are customary in transactions of this nature.