LITHIUM ENERGI EXPLORATION INC.

CONDENSED CONSOLIDATED

INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED

NOVEMBER 30, 2020 and NOVEMBER 30, 2019

(UNAUDITED)

LITHIUM ENERGI EXPLORATION INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)	Note	November 30, 2020	February 29, 2020
		$	$
ASSETS			
CURRENT ASSETS			
Cash		116,161	190,801
Prepaids and deposits		1,715	1,744
Receivables		1,187	3,299
		119,063	195,844
Exploration and evaluation assets	3	7,054,544	7,054,544
TOTAL ASSETS		7,173,607	7,250,388
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	4, 5	708,379	525,658
Note payable	7	3,799,178	3,534,521
Debt	6	3,225,478	3,026,708
		7,733,035	7,086,887
SHAREHOLDERS' EQUITY			
Share capital	8	12,383,777	12,383,777
Contributed surplus	8	1,295,118	1,295,118
Deficit		(14,238,323)	(13,515,394)
		(559,428)	163,501
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,173,607	7,250,388

NATURE AND CONTINUANCE OF OPERATIONS (NOTE 1)

Approved on Behalf of the Board:

"Christopher J. Hobbs"	*"Jeffrey Cocks"*
Director, Christopher J. Hobbs	Director, Jeffrey Cocks

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

LITHIUM ENERGI EXPLORATION INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
Three months and nine months ended November 30, 2020 and 2019
(Unaudited - Expressed in Canadian Dollars)

		Three months ended		Nine months ended	
	Note	Nov. 30, 2020	Nov. 30, 2019	Nov. 30, 2020	Nov. 30, 2019
		$	$	$	$
ADMINISTRATIVE EXPENSES					
Consulting fees	5	19,755	22,481	60,512	67,488
Professional fees		-	7,980	3,150	17,891
Transfer agent and filing fees		10,795	378	19,455	11,880
Payroll		15,591	-	68,990	162,134
Exploration and evaluation costs		10,238	18,979	18,515	92,150
Marketing and promotion		-	53,669	-	160,501
Travel and entertainment		-	1,708	3,248	13,111
Office and administration		5,070	348	30,210	74,270
Management fees	5	15,000	15,000	45,000	45,000
Office rent		-	4,500	-	13,500
		(76,449)	(125,043)	(249,080)	(657,924)
Foreign exchange loss		16,316	13,774	(126,106)	28,269
Interest expense		185,151	75,133	599,954	253,502
		201,467	88,907	473,848	281,771
NET AND COMPREHENSIVE LOSS		(277,916)	(213,950)	(722,929)	(939,695)
LOSS PER SHARE - BASIC AND DILUTED		(0.00)	(0.00)	(0.01)	(0.01)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND FULLY DILUTED		70,026,700	70,026,700	70,026,700	70,026,700

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

LITHIUM ENERGI EXPLORATION INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
Nine months ended November 30, 2020 and 2019

	Nine months ended	
(Unaudited - Expressed in Canadian dollars)	November 30, 2020	November 30, 2019
	$	$
Cash flow provided by (used in)		
Operating activities		
Net loss for the period	(722,929)	(939,695)
Non-cash items		
Accrued interest	599,954	253,502
Foreign exchange gain/loss	(136,528)	24,087
Changes in non-cash operating working capital items		
Receivable	2,112	27,146
Prepaids and deposits	29	(53,431)
Accounts payable and accrued liabilities	182,721	(24,789)
	(74,640)	(713,180)
Financing activities		
Issuance of common shares	-	589,409
Increase (decrease) in cash	(74,640)	(123,771)
Cash, beginning	190,801	378,677
Cash, ending	116,161	254,906

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

LITHIUM ENERGI EXPLORATION INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Period ended November 30, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)	Common Shares Number	Common Shares Share Capital	Share based payment reserve	Deficit	Total
		$	$	$	$
Balance February 28, 2019	66,376,700	11,794,368	1,295,118	(12,145,541)	943,945
Issuance of common shares	3,650,000	589,409	-	-	589,409
Net loss for the period	-	-	-	(939,695)	(939,695)
Balance, November 30, 2019	70,026,700	12,383,777	1,295,118	(13,085,236)	593,659
Balance February 29, 2020	70,026,700	12,383,777	1,295,118	(13,515,394)	163,501
Net loss for the period	-	-	-	(722,929)	(722,929)
Balance, November 30, 2020	70,026,700	12,383,777	1,295,118	(14,238,323)	(559,428)

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

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

Lithium Energi Exploration Inc. (the “Company”) is a public company listed on the TSX Venture Exchange (“TSXV”) and trades under the symbol LEXI. The Company was incorporated on February 13, 1998 under the British Columbia Business Corporations Act. The Company is engaged in acquiring, exploring, and evaluating lithium properties. The head office, principal address and the registered and records office of the Company are located at 161 Bay St. 27th Floor, Toronto.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable, but management continues to monitor the situation.

These condensed consolidated interim 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'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. 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 factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed consolidated 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 consolidated interim financial statements are consistent with the accounting policies disclosed in the Company’s February 29, 2020 annual audited financial statements. These condensed consolidated 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, 2020.

These condensed consolidated interim financial statements were approved and authorized for issue by the Company’s audit committee members and the board of directors on January 27, 2021.

a) Measurement Basis

The consolidated 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 2(i). In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The Company’s functional and reporting currency is the Canadian dollar.

b) Consolidation

The consolidated financial statements consolidate the accounts of the Company and its wholly owned subsidiaries, Lithium Energi Argentina, S.A., Antofalla North, S.A. and Antofalla South, S.A. All inter-company balances and transactions are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) 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.
ii. The fair values of the Company's debt instruments in Notes 6 and 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.

d) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Income Taxes (continued)

Deferred income tax (continued):

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

e) 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.

f) 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.

g) 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.

h) Exploration and Evaluation Assets

Exploration costs are initially charged to comprehensive loss as incurred. Any government tax credits received are recorded as a reduction of the related exploration costs. Mineral property acquisition costs are initially capitalized until the viability of the mineral interest is determined.

Capitalized amounts may be written down if future undiscounted cash flows, including potential sales proceeds, related to a mineral property are estimated to be less than the carrying value of the property in accordance with the Company's impairment policy reviews. The Company's exploration and evaluation assets are assessed for impairment when the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The Company's criteria for testing impairment includes, but is not limited to, when: i) Exploration rights for a specific area expired or are expected to expire in the near future and these rights are not expected to be renewed; ii) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned; iii) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and / or iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Exploration and Evaluation Assets (continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

i) Financial Instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at and amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial Instruments (continued)

Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

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.

j) 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.

k) Accounting standards issued but not yet adopted

The Company has reviewed the accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and determined that these are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

3. EXPLORATION AND EVALUATION ASSETS

On February 10, 2017, the Company entered into a Share Purchase agreement with Lithium Energi Argentina, S. A. (“LEA”), Antofalla North, S.A. (“AN”), and Antofalla South, S.A. (“AS”) whereby the Company agreed to acquire all the issued and outstanding shares of LEA, AN, and AS which together hold lithium brine assets in the Argentina Province of Catamarca. LEA held certain rights to eight (8) mining concessions (“Laguna Caro Project”); AN held certain mineral rights to thirteen (13) mineral concessions (“Antofalla North Project”); and AS held certain rights to eighteen (18) mineral concessions (“Antofalla South Project”). On March 22, 2017, the Company completed the acquisitions of LEA, AN, and AS and issued 1,000,000, 8,450,000, and 11,550,000 common shares of the Company at a fair value of $4,200,000.

(Expressed in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS (continued)

In addition, the Company assumed the respective obligations of LEA, AN, and AS in respect of the three project areas. In order to complete the acquisition of the rights to the lithium brine assets in the Laguna Caro, Antofalla North, and Antofalla South Projects, the Company will be required to complete cash payments of US$650,000, US$761,000, and US$1,267,000, respectively, and on closing the Company reimbursed (as down payments and other expenses) a total of US$366,201 (CAD $493,495). The Company paid a finder's fee on the acquisitions of 1,150,000 common shares at a fair value of $230,000.

During the year ended February 28, 2019, the Company determined that the vendors of the eight mineral concessions comprising the Laguna Caro Project and two of the mineral concessions comprising the Antofalla North Project would be unable to transfer title of the purchased mineral concessions to the Company. The Company reduced the carrying amount of the exploration and evaluation assets by the amount paid to the vendors on closing (US$60,000) and the balance owing to the vendors for these claims (US$620,000) for a total reversal of $858,633.

The acquisition of LEA, AN and AS was accounted for as an acquisition of the net assets of the companies. A continuity of the balance of the Company's exploration and evaluation assets is as follows:

Balance at February 28, 2018		7,913,177
Reversal for mineral concessions not transferred to Company		(858,633)
Balance at November 30, 2020 and February 29, 2020	$	7,054,544

The Company incurred the following exploration and evaluation expenditures on the acquired properties, which have been expensed in the statement of comprehensive loss:

		November 30, 2020		November 30, 2019
Office	$	139	$	22,404
Professional fees		16,098		52,657
Property maintenance and camp costs		1,730		10,327
Statutory taxes		548		6,762
	$	18,515	$	92,150

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		November 30, 2020		February 29, 2020
Accounts payable	$	12,499	$	11,378
Accrued liabilities		191,386		192,000
Due to related parties (Note 5)		504,494		322,280
	$	708,379	$	525,658

(Expressed in Canadian dollars)

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 as follows:

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

	Nine Months Ended November 30, 2020	Nine Months Ended November 30, 2019
Management fees	$ 45,000	$ 45,000
Consulting fees	60,512	59,811
	$ 105,512	$ 104,811

During the period ended November 30, 2020, the Company accrued interest of $335,297 (2019 - $253,502) on debt owed to companies controlled by officers of the Company (Note 6).

Under the terms of a month to month consulting agreement, the Company incurred expenses of $147,113 (2019 - $305,613) to a company controlled by the CEO of the Company for expense reimbursements and for providing management, operations support and office and administration services to the Company.

As at November 30, 2020, $504,494 (February 29, 2020 - $322,280) is owing to directors and companies controlled by officers of the Company accounted for in accounts payable and accrued liabilities (Note 4).

6. DEBT

In conjunction with the acquisition of LEA, AN and AS (see Note 4), the Company assumed certain property payment obligations of LEA, AN and AS totalling US$2,678,000. The property payment obligations are non-interest bearing and are due on the following dates.

Due Date	$US
April 30, 2017	70,000
August 31, 2017	40,000
October 31, 2017	550,000
April 30, 2018	562,000
October 31, 2018	1,456,000
	2,678,000

The Company determined the fair value of the debt on initial acquisition to be $2,989,682 using an estimated market discount rate of 15% per annum.

On February 1, 2018 the Company amended certain of the payment obligation owing to Mountas Inc. ("Mountas") and Meteor Energy LLC ("Meteor") (companies controlled by officers of the Company who were the majority shareholders of LEA, AN and AS prior to being acquired by the Company). The amendment included the following:

(Expressed in Canadian dollars)

6. DEBT (continued)

a) A one-time payment of USD$30,000 shall be paid to each Mountas and Meteor on or before April 15, 2018 and thereafter, the sum of USD$10,000 shall be paid to each Mountas and Meteor on the first day of each month starting May 1, 2018 all of which shall be applied against the principal amounts owing to Mountas and Meteor;

b) All debt or equity capital raised by the Company after April 1, 2018, an amount equal to, at a minimum, 5% of the funds received shall be paid to each Mountas and Meteor, and applied against the principal amounts outstanding to Mountas and Meteor; and

c) The balance of the principal amount outstanding to Mountas and Meteor shall be due and payable on or before August 31, 2019.

The present value of the revised payment terms were discounted using the original effective interest rate resulting in a gain of $220,335.

The Company did not make any principal payments after August 31, 2018; as per the terms of the amendment, the Company began accruing interest at the rate of 12% per annum, beginning August 1, 2018.

During the year ended February 28, 2019, the Company reversed US$620,000 ($816,478) of the debt as certain of the vendors were unable to transfer the purchased mineral concessions to the Company (Note 3). The Company recognized a gain on the reversal of this debt in the amount of $37,831 which was reflected as other income and consisted of the reversal of previously recognized foreign exchange and loan discount amortization.

A continuity of the debt is as follows:

Balance February 28, 2019	$	2,642,057
Amortization of loan discount recognized		27,218
Foreign exchange		56,252
Accrued interest		301,182
Balance February 29, 2020	$	3,026,708
Foreign exchange		(136,527)
Accrued interest		335,297
Balance November 30, 2020	$	3,225,478

As at November 30, 2020, the entire amount is owed to companies controlled by officers of the Company who were the majority shareholders of LEA, AN and AS prior to being acquired by the Company.

7. NOTE PAYABLE

On January 12, 2018, the Company entered into the Loan Agreement with Arena Investors LP, a New York City institutional investment firm (“Arena”). The Loan Agreement is structured as an unsecured lending arrangement with up to five tranches (each a “Note”), specifically being an initial $4,000,000 tranche advanced on January 26, 2018 and up to four quarterly tranches thereafter in the amount of $3,000,000 per tranche over the following twelve months (each a “Tranche”).

7. NOTE PAYABLE (continued)

Each Note is to be issued at 95% of face value and will be redeemable at par at its maturity. In addition, the Company is required to pay Arena a transaction fee equal to two percent (2%) of the principal amount of each Tranche, in cash, on a pro rata basis upon the draw down of each Tranche. The Notes have a coupon of 10% for the first twelve months and 15% for the second twelve months, if maturity is extended, and such coupon is payable at the time the applicable Note is repaid (as applicable, the “Coupon”).

On issuance, the Company paid a cash commission of $200,000 and issued 252,206 share purchase warrants with an exercise price of $0.79 expiring on February 23, 2020. The warrants had a fair value of $89,262 determined using the Black-Scholes pricing model and the following assumptions: estimated volatility of 125%, expected life of 2 years and risk-free interest rate of 1.73%. The entire commission was expensed and included in finance fees.

Repayment of the amounts advanced under the Loan Agreement is Note-specific with each Note maturing and becoming repayable by the Company after the expiration of 12 months from the date of the Note, subject to a maturity extension at the election of the Company of an additional 12 months for each such Note. Pursuant to the Loan Agreement, Arena has the right, but not the obligation, to require the Company to issue Units pursuant to a Prospectus Supplement, with the proceeds from Arena’s participation in such offering being used to satisfy the applicable Note or portion thereof. The Units shall be comprised of one Common Share and 0.40 of a Warrant. The issue price of the Units shall be determined based on the average daily volume weighted average prices ("VWAP") published by Bloomberg, selected over the five (5) trading days ending two (2) trading days prior to the filing date of the Prospectus Supplement filed in connection with the such offering, subject to applicable TSXV policies (the “Market Price”). The exercise price of the Warrants shall be equal to 115% of the applicable Market Price, with each whole Warrant exercisable into one Common Share for a period of 36 months from the date of issuance of the Warrant. The Company may repay any Outstanding Amount (as defined in the Loan Agreement) and any applicable Coupon amount at any time, without notice, bonus or penalty.

The Company has the right to terminate the Loan Agreement at any time subject to payment to Arena of all Outstanding Amounts and Coupon outstanding under the Loan Agreement, all other obligations of the Company to Arena in connection with the Loan Agreement, and a “Termination Payment” to Arena in an amount equal to 15% of the undrawn amount of the Tranches not advanced (the "Unused Commitment"), provided that (i) any amounts which Arena has refused to advance pursuant to the Loan Agreement and (ii) any amounts not advanced as a result of termination of the Loan Agreement by the Company under the Loan Agreement or by Arena shall be deemed to not be Unused Commitment, and provided further that in the event Arena refuses the advance of any Tranche at any time, no Termination Payment shall be applicable to any Unused Commitment thereafter. The Company shall have the right to terminate the Loan Agreement upon five days’ prior written notice if Arena has materially breached any of its obligations thereunder.

On January 26, 2019, the Company exercised its right to extend the maturity of the note by 12 months to January 26, 2020 and recorded the 15% coupon payable on the outstanding principle amount.

On January 26, 2020 the note payable was due and payable on demand. As per the agreement the Company accrued interest at 10% per annum on the outstanding balance beginning January 26, 2020.

(Expressed in Canadian dollars)

7. NOTE PAYABLE (continued)

Because the number of Units issuable on the settlement of the note payable is variable and for a value that is different than the value of the debt instrument that would be otherwise recognized, the settlement term was determined to be a derivative financial instrument. The Company has elected to measure the entire note payable at fair value. The fair value of the note payable was determined based on the fair value of the Units issued at a discount to the 5 day VWAP that would be issued on settlement, which is at the option of Arena. A continuity of the note payable is as follows:

Balance at February 28, 2018	$	4,070,000
Settlement with issuance of shares and warrants		(990,000)
Finance fees		420,000
Balance at February 28, 2019	$	3,500,000
Accrued interest		34,521
Balance February 29, 2020	$	3,534,521
Accrued interest		264,657
Balance November 30, 2020	$	3,799,178

On February 12, 2018, the Company completed a non-brokered private placement with Arena of 110,976 Common Shares with 44,390 warrants. The shares and warrants settled $50,000 of principal and $5,000 coupon.

On February 28, 2018, the Company completed a non-brokered private placement with Arena of 656,011 common shares and 262,403 warrants. The shares and warrants settled $250,000 of principal and $25,000 coupon.

On March 29, 2018, the Company completed a non-brokered private placement with Arena of 2,499,999 common shares and 999,998 warrants. The shares and warrants settled $750,000 of principal and $75,000 coupon.

On June 15, 2018, the Company completed a non-brokered private placement with Arena of 693,568 common shares and 277,426 warrants. The shares and warrants settled $150,000 of principal and $15,000 coupon.

8. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

i) On April 23, 2019, the company completed a non-brokered private placement of 3,650,000 common shares at a price of $0.1625 per common share and 1,825,000 warrants attached to purchase additional common shares with an exercise price of $0.285 per share for a 36-month period. The Company incurred share issuance costs of $3,716.

ii) On June 15, 2018, the company completed a non-brokered private placement of 693,568 common Shares at a price of $0.2379 per common share and 277,426 warrants attached to purchase additional common shares with an exercise price of $0.364 per share for a 36-month period. All of these shares were issued to Arena in settlement of a portion of the Note Payable (Note 7).

(Expressed in Canadian dollars)

8. SHARE CAPITAL (Continued)

iii) On March 29, 2018, the company completed a non-brokered private placement of 2,499,999 common Shares at a price of $0.33 per common share and 999,998 warrants attached to purchase additional common shares with an exercise price of $0.4641 per share for a 36-month period. All of these shares were issued to Arena in settlement of a portion of the Note Payable (Note 7).

iv) During the year ended February 28, 2019, the Company issued 100,000 common shares pursuant to the exercise of stock options for gross proceeds of $25,000. The fair value initially recorded for the stock options of $22,217 was reclassified from equity reserve to share capital upon exercise.

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 of Directors as a condition of the grant date.

On August 29, 2018, the Company granted 1,000,000 stock options to the Company's directors, officers and consultants. The options are exercisable at $0.27 per share and expire on August 29, 2023. The fair value of the options was estimated to be $214,112. The fair value of the options was determined using the Black-Scholes pricing model and the following assumptions: estimated volatility of 110%, expected life of 2 years and risk-free interest rate of 2.20%.

On March 22, 2018, the Company granted 750,000 stock options to the Company's directors, officers and consultants. The options are exercisable at $0.42 per share and expire on March 22, 2020. The fair value of the options was estimated to be $203,116. The fair value of the options was determined using the Black-Scholes pricing model and the following assumptions: estimated volatility of 129%, expected life of 2 years and risk-free interest rate of 1.81%.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding February 28, 2018	3,000,000	$ 0.41
Exercised	(100,000)	0.25
Expired	(150,000)	0.19
Issued	1,750,000	0.33
Outstanding February 28, 2019	4,500,000	$ 0.39
Expired	(2,000,000)	0.49
Outstanding February 29, 2020	2,500,000	$ 0.31
Expired	(1,500.000)	0.34
Outstanding November 30, 2020	1,000,000	$ 0.27

Details of stock options outstanding at November 30, 2020 are as follows:

Number of Options	Exercise Price	Remaining Contractual Life (years)	Expiry Date
1,000,000	$ 0.27	2.75	August 29, 2023

(Expressed in Canadian dollars)

8. SHARE CAPITAL (Continued)

d) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2018	801,130	$ 0.71
Issued	1,277,424	0.44
Balance February 28, 2019	2,078,554	0.55
Issued	1,825,000	0.285
Expired	(252,206)	0.79
Balance November 30, 2020 and February 29, 2020	3,651,348	$ 0.40

Details of warrants outstanding at November 30, 2020 are as follows:

Number of Warrants	Exercise Price	Remaining Contractual Life (years)	Expiry Date
286,521	$ 0.71	0.21	February 12, 2021
262,403	$ 0.64	0.25	February 28, 2021
999,998	$ 0.46	0.33	March 29, 2021
277,426	$ 0.36	0.45	June 15, 2021
1,825,000	$0.285	0.40	April 23, 2021
3,651,348			

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.

9. 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, 2020, 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 period.

10. 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:

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS (continued)

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 9.

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	$ 708,379	$ -	$ 708,379
Note payable	3,799,178	-	3,799,178
Debt	3,225,478	-	3,225,478
	$ 7,733,035	$ -	$ 7,733,035

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

As at November 30, 2020, the Company was exposed to foreign currency risk through the following financial assets and liabilities denominated in foreign source currencies, converted to Canadian Dollars at the prevailing rate at the end of the reporting period.

	November 30, 2020			
	CAD equivalent	Currency	+/- 10% Fluctuation Increase / (Decrease)	
Cash	5,023	ARS	502	(502)
Cash	17,255	USD	1,726	(1,726)
Accounts Payable	(431,007)	USD	(43,101)	43,101
Debt	(3,225,478)	USD	(322,548)	322,548
Total	(3,634,207)		(363,421)	363,421

10. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

Fair Value Measurements

The Company's financial instruments consist of cash, receivables, accounts payable, note payable and debt. The fair values of these financial instruments approximate their carrying values because of their current nature or they have been measured using market based assumptions.

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.

Note payable is measured at fair value using Level 2 inputs. The carrying amount of the Company's financial assets and liabilities approximates their fair value.