ADVANTAGE LITHIUM CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JULY 31, 2018 AND 2017

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of Advantage Lithium Corp.

We have audited the accompanying consolidated financial statements of Advantage Lithium Corp., which comprise the consolidated statements of financial position as at July 31, 2018 and July 31, 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended July 31, 2018 and July 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Advantage Lithium Corp. as at July 31, 2018 and July 31, 2017, and its financial performance and its cash flows for the years ended July 31, 2018 and July 31, 2017 in accordance with International Financial Reporting Standards.

D&H Group LLP

Chartered Professional Accountants

Vancouver, B.C.
November 27, 2018

ADVANTAGE LITHIUM CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Notes	July 31, 2018	July 31, 2017
ASSETS			
Current assets			
Cash		$ 17,413,386	$ 16,470,165
Amounts receivable		-	4,358
Receivable from joint venture partner	8(a)	339,316	-
GST receivables		56,397	168,875
Prepaids		237,850	166,802
Total current assets		18,046,949	16,810,200
Non-current assets			
Investments	6	627,284	338,606
Property, plant and equipment	7	175,799	83,269
Exploration and evaluation assets	8	48,651,693	39,114,820
Total non-current assets		49,454,776	39,536,695
TOTAL ASSETS		$ 67,501,725	$ 56,346,895
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	$ 1,745,713	$ 490,070
TOTAL LIABILITIES		$ 1,745,713	$ 490,070
SHAREHOLDERS' EQUITY			
Share capital	9	$ 83,113,416	$ 65,279,861
Share-based payments reserve		5,993,139	6,088,912
Accumulated other comprehensive (loss) income		(1,693,916)	12,826
Deficit		(21,656,627)	(15,524,774)
TOTAL SHAREHOLDERS' EQUITY		65,756,012	55,856,825
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 67,501,725	$ 56,346,895

Nature of Operations - see Note 1

Events after the Reporting Period - see Note 15

These consolidated financial statements were approved for issue by the Board of Directors on November 27, 2018 and are signed on its behalf by:

/s/ ***David Sidoo***
David Sidoo
Director

/s/ ***Lindsay Murray***
Lindsay Murray
Director

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

ADVANTAGE LITHIUM CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended July 31, 2018	2017
Expenses			
Accounting and administrative	10(b)	$ 97,108	$ 97,530
Advertising and promotion		244,926	275,469
Audit		50,930	25,673
Charitable donations		20,000	35,000
Conferences		72,941	57,005
Corporate finance fees and financial advisory services		-	462,000
Depreciation		41,009	2,175
Directors and officers compensation	10(a)	702,939	1,356,004
General exploration	10(a)	23,667	166,957
Insurance		12,857	11,900
Legal		138,375	298,118
Office		279,478	82,444
Professional fees	10(a)	255,435	293,066
Public relations		1,886,795	1,940,764
Regulatory fees		70,698	63,990
Rent		29,346	4,753
Salaries and benefits		79,461	27,620
Share-based compensation	9(e)	923,492	3,712,562
Shareholder costs		16,518	22,763
Transfer agent		22,500	24,305
Travel, meals and accommodation		357,947	523,919
		5,326,422	9,484,017
Loss before other items		(5,326,422)	(9,484,017)
Other items			
Gain on sale of exploration and evaluation assets	8(b)(i)	31,447	-
Loss on sale of investments	6(a)	(328,563)	-
Interest income		180,624	100,904
Foreign exchange loss		(688,939)	(255,286)
Impairment	8	-	(3,461,556)
		(805,431)	(3,615,938)
Net loss for the year		$ (6,131,853)	$ (13,099,955)
Other comprehensive income (loss)		(1,706,742)	12,826
Net loss and comprehensive loss for the year		$ (7,838,595)	$ (13,087,129)
Loss per share - basic and diluted		($0.06)	($0.17)
Weighted average number of common shares outstanding		139,476,758	77,747,460

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

ADVANTAGE LITHIUM CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

Year Ended July 31, 2018

	Share Capital					
	Number of Shares	Amount	Share-Based Payments Reserve	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance at July 31, 2017	135,061,471	$ 65,279,861	$ 6,088,912	$ 12,826	$ (15,524,774)	$ 55,856,825
Common shares issued for:						
- private placements	15,585,956	12,001,186	-	-	-	12,001,186
- share options exercised	892,000	400,000	-	-	-	400,000
- warrants exercised	3,378,151	3,067,576	-	-	-	3,067,576
- finders' warrants exercised	767,870	269,532	-	-	-	269,532
- compensation warrants exercised	866,230	649,673	-	-	-	649,673
- exploration and evaluation assets	981,531	930,919	-	-	-	930,919
Share issue costs	-	(504,596)	-	-	-	(504,596)
Transfer on exercise of:						
- share options	-	403,049	(403,049)	-	-	-
- finders' warrants	-	395,327	(395,327)	-	-	-
- compensation warrants	-	220,889	(220,889)	-	-	-
Share-based compensation	-	-	923,492	-	-	923,492
Unrealized loss on investments	-	-	-	(1,706,742)	-	(1,706,742)
Net loss for the year	-	-	-	-	(6,131,853)	(6,131,853)
Balance at July 31, 2018	157,533,209	$ 83,113,416	$ 5,993,139	$ (1,693,916)	$ (21,656,627)	$ 65,756,012

Year Ended July 31, 2017

	Share Capital						
	Number of Shares	Amount	Share-Based Payments Reserve	Share Subscriptions Received	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance at July 31, 2016	24,102,990	$ 2,355,280	$ 782,318	$ 1,264,500	$ -	$ (2,424,819)	$ 1,977,279
Common shares issued for:							
- private placements	51,223,900	29,099,390	-	(1,264,500)	-	-	27,834,890
- share options exercised	1,277,500	382,825	-	-	-	-	382,825
- finders' warrants exercised	462,984	115,746	-	-	-	-	115,746
- exploration and evaluation assets	57,994,097	36,114,993	-	-	-	-	36,114,993
Share issue costs	-	(3,248,134)	1,093,793	-	-	-	(2,154,341)
Transfer on exercise of:							
- share options	-	246,788	(246,788)	-	-	-	-
- finders' warrants	-	212,973	(212,973)	-	-	-	-
Share-based compensation:							
- share options	-	-	3,712,562	-	-	-	3,712,562
- warrants issued for exploration and evaluation assets	-	-	960,000	-	-	-	960,000
Unrealized gain on investment	-	-	-	-	12,826	-	12,826
Net loss for the year	-	-	-	-		(13,099,955)	(13,099,955)
Balance at July 31, 2017	135,061,471	$ 65,279,861	$ 6,088,912	$ -	$ 12,826	$ (15,524,774)	$ 55,856,825

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

ADVANTAGE LITHIUM CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended July 31, 2018	2017
Operating activities		
Net loss for the period	$ (6,131,853)	$ (13,099,955)
Adjustments for:		
Depreciation	41,009	2,175
Loss on sale of investments	328,563	-
Gain on sale of exploration and evaluation assets	(31,447)	-
Share-based compensation	923,492	3,712,562
Impairment	-	3,461,556
Changes in non-cash working capital items:		
Amounts receivable	4,358	(2,438)
GST receivables	112,478	(156,905)
Prepaid expenses	(71,048)	(165,969)
Accounts payable and accrued liabilities	132,921	187,744
Net cash used in operating activities	(4,691,527)	(6,061,230)
Investing activities		
Expenditures on exploration and evaluation assets	(10,524,708)	(6,494,842)
Additions to property, plant and equipment	(123,116)	(92,943)
Proceeds from sale of investments	738,517	930,593
Receivable from joint venture partner	(339,316)	-
Net cash used in investing activities	(10,248,623)	(5,657,192)
Financing activities		
Issuance of common shares	16,387,967	28,333,461
Share issue costs	(504,596)	(2,143,591)
Cash acquired from joint venture partner	-	22,585
Net cash provided by financing activities	15,883,371	26,212,455
Net change in cash during the period	943,221	14,494,033
Cash at beginning of period	16,470,165	1,976,132
Cash at end of period	$ 17,413,386	$ 16,470,165

Supplemental cash flow information - Note 13

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

1. Nature of Operations

The Company was incorporated under the laws of the Province of British Columbia on March 1, 2007. The Company's common shares currently trade on the TSX Venture Exchange ("TSXV") under the symbol "AAL" and on the OTCQB under the symbol "AVLIF". The Company's head office is located at Suite 789, 999 West Hastings Street, Vancouver, British Columbia V6C 2W2 Canada.

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of lithium properties. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable reserves. The underlying value of the mineral resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. Mineral resource interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. To date the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Although management considers that the Company has adequate resources to maintain its core operations and conduct planned exploration programs on its existing exploration and evaluation assets for the next twelve months, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future. These consolidated financial statements do not reflect any adjustments related to conditions that occurred subsequent to July 31, 2018.

2. Basis of Preparation

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company's significant accounting policies are described in Note 4. These consolidated financial statements were authorized for issue by the Board of Directors on November 27, 2018.

Basis of Measurement

The Company's consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

3. Subsidiaries

In addition to the Company, these consolidated financial statements include all subsidiaries. Subsidiaries are all entities over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

3. Subsidiaries (continued)

As at July 31, 2018 the subsidiaries of the Company are as follows:

Company	Location of Incorporation	Ownership Interest
Advantage Lithium Inc.	USA	100%
South American Salars Minerals Pty. Ltd. ("SAS Australia") (inactive)	Australia	100%
South American Salars S.A. ("SAS Argentina")	Argentina	100%
AAL Argentina S.A.	Argentina	97%

4. Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

(iii) Management is required to assess whether there is evidence of impairment in respect of exploration and evaluation assets. The triggering events for an impairment test are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

(iv) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

4. Significant Accounting Policies (continued)

(v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 11.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Depreciation expense is allocated based on assumed useful life of property, plant and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations and comprehensive loss.

(ii) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

(iii) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

(iv) The assessment of any impairment of non-current assets is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions, recoverability of value added taxes and the useful lives of assets. As a result of this assessment, in fiscal 2018 management recorded an impairment charge of $nil (2017 - $3,461,556) on its exploration and evaluation assets. See Note 8.

Cash

Cash includes cash on hand and demand deposits. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution.

4. **Significant Accounting Policies** (continued)

Amounts Receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivable. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income, costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

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.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an exploration expenditure is not expected to be recovered, it is charged to the results of operations.

4. Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of 20% - 33% for office and field equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statements of loss and comprehensive loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Impairment of Long-Lived Assets

At each financial position reporting date, the carrying amounts of the Company’s long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset’s recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of an asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

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

4. Significant Accounting Policies (continued)

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. As at July 31, 2018 and 2017 the Company does not have any decommissioning obligations.

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. Investments in common shares are classified as available-for-sale.

Transaction costs associated with financial assets at FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At July 31, 2018 and 2017 the Company has not classified any financial liabilities as fair value through profit or loss.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with

4. Significant Accounting Policies (continued)

respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the closing date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted.

At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Taxation

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive income (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case the income tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date in the countries where the Company’s subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

4. Significant Accounting Policies (continued)

Deferred income tax is provided on temporary differences. Deferred income tax assets and liabilities are offset when here is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Value added tax ("VAT")

VAT may be paid in countries where recoverability is uncertain. In these cases, VAT payments are either deferred within exploration and evaluation assets, or expensed if related to exploration and evaluation costs. If we ultimately recover the amounts that have been deferred, the amount received will be applied to reduce any associated asset. If the amounts were previously expensed, the recovery will be recognized in the consolidated statement of income.

Loss Per Share

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in dilutive earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Each subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive income (loss) presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

Comparative Figures

Certain of the prior fiscal year's comparative figures have been reclassified to conform with the current fiscal year's presentation.

4. Significant Accounting Policies (continued)

Accounting Standards and Interpretations Issued but Not Yet Effective

As at the date of these consolidated financial statements, the following standards have not been applied in these financial statements:

(i) IFRS 9 Financial Instruments; tentatively effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 prohibits classifications except in rare circumstances when the entity's business model changes. The new standard removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortized costs or fair value.

(ii) IFRS 15 Revenue from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

(iii) IFRS 16 Leases. In January 2016, the IASB issued IFRS 16 which replaces IAS 17 - Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS.

Management is currently assessing the impact of these new standards on the Company's accounting policies and consolidated financial statement presentation.

5. Acquisition

On March 16, 2017 the Company, Orocobre Limited ("Orocobre") and Miguel Alberto Peral ("Peral") entered into a purchase agreement (the "Purchase Agreement") to acquire an initial 50% interest in the Cauchari Project, with an option to earn a further 25% interest, and a 100% interest in five other lithium brine projects (the "Argentine Properties"), located in the northern provinces of Jujuy, Salta and Catamarca in Argentina. The Purchase Agreement superceded prior letters of intent. On March 28, 2017 the Company completed the Purchase Agreement and issued a total of 54,500,000 common shares of the Company, at a fair value of $33,790,000, and 3,000,000 warrants, at a fair value of $960,000, and acquired a 100% interest in the issued and outstanding common shares of SAS Australia (the "Acquisition"). Each warrant entitles the holder to purchase an additional common share of the Company, at a price of $1.00 per share, expiring February 17, 2019. The fair value of the warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate of 0.74%; estimated volatility of 120%; expected life of 2 years; expected dividend yield of 0%; and estimated forfeiture rate of 0%.

At the time of the Acquisition, SAS Australia owned 100% of the issued and outstanding shares of SAS Argentina which owns the Cauchari Project and the Argentine Properties.

The Company paid a finder's fee of $66,746 cash and issued 150,000 common shares of the Company, at a fair value of $93,000, for total consideration of $159,746. The Company also incurred $185,350 for legal, filing and other transaction costs associated with the Acquisition.

(Expressed in Canadian Dollars)

5. Acquisition (continued)

The Acquisition was accounted for as an acquisition of the net assets of SAS Australia, as follows:

	$
Common shares issued	33,790,000
Warrants issued	960,000
Finder's fee	159,746
Transaction costs incurred	185,350
Advances to SAS Australia prior to acquisition	136,000
Acquisition cost	35,231,096

The acquisition cost was generally allocated to the individual identifiable assets and liabilities on the basis of their relative fair value at the date of purchase. The results of operations were recorded from the effective date of purchase.

Cost of the net assets acquired consists of:

	$
Net working capital	74,977
Exploration and evaluation assets	35,156,119
Net assets acquired	35,231,096

On closing of the Acquisition, two directors of Orocobre were appointed as directors of the Company and Peral was also appointed as a director of the Company.

6. Investments

	As at July 31, 2018			
	Number	Cost	Accumulated Unrealized Loss	Carrying Value
Common shares				
- LSC Lithium Corporation ("LSC") (a)	93,800	$ 140,700	$ (76,916)	$ 63,784
- Pure Energy Minerals Limited ("Pure") (b)	4,900,000	2,180,500	(1,617,000)	563,500
		$ 2,321,200	$ (1,693,916)	$ 627,284

	As at July 31, 2017			
	Number	Cost	Accumulated Unrealized (Loss) Gain	Carrying Value
Common shares - LSC (a)	256,520	$ 325,780	$ 12,826	$ 338,606

(a) During fiscal 2017 the Company received 256,520 LSC common shares from the assignment of the Santa Rita Option to LSC. On November 2, 2017 the Company received a further 588,000 LSC common shares. See also Note 8(a).

(Expressed in Canadian Dollars)

6. Investments (continued)

During fiscal 2018, the Company sold 750,720 LSC shares for proceeds of $738,517 recognizing a realized loss of $328,563.

(b) On December 5, 2017 the Company received 4,900,000 Pure common shares from the sale of the Company's interest in the Clayton Northeast Property. See also Note 8(b)(i).

7. Property, Plant and Equipment

	Office Equipment	Field Equipment	Total
Cost:			
Balance at July 31, 2016	$ -	$ -	$ -
Additions	10,709	82,234	92,943
Balance at July 31, 2017	$ 10,709	$ 82,234	$ 92,943
Additions	32,037	91,078	123,115
Balance at July 31, 2018	$ 42,746	$ 173,312	$ 216,058
Accumulated Depreciation:			
Balance at July 31, 2016	$ -	$ -	$ -
Depreciation	(232)	(9,442)	(9,674)
Balance at July 31, 2017	$ (232)	$ (9,442)	$ (9,674)
Depreciation	(8,544)	(22,041)	(30,585)
Balance at July 31, 2018	$ (8,776)	$ (31,483)	$ (40,259)
Carrying Value:			
Balance at July 31, 2017	$ 10,477	$ 72,792	$ 83,269
Balance at July 31, 2018	$ 33,970	$ 141,829	$ 175,799

8. Exploration and Evaluation Assets

	31-Jul-18			31-Jul-17		
	Acquisition Costs	Deferred Exploration Costs	Total	Acquisition Costs	Deferred Exploration Costs	Total
Argentina						
Cauchari Project	$ 30,887,827	11,773,120	$ 42,660,947	$ 29,606,691	$ 1,797,967	$ 31,404,658
Argentine Properties	$ 5,990,746	-	5,990,746	5,906,361	-	5,906,361
United States						
Clayton NE	-	-	-	447,702	1,356,099	1,803,801
	$ 36,878,573	$ 11,773,120	$ 48,651,693	$ 35,960,754	$ 3,154,066	$ 39,114,820

ADVANTAGE LITHIUM CORP.
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FOR THE YEARS ENDED JULY 31, 2018 AND 2017
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8. Exploration and Evaluation Assets (continued)

	Argentina			United States						Mexico	
	Cauchari Project	Argentine Properties	Stella Marys	Clayton NE	Jackson Wash	Aquarius	Gemini	Neptune	Water Rights	Radius	Total
Balance at July 31, 2016	$ -	$ -	$ -	$ 17,500	$ 17,500	$ 17,500	$ 17,500	$ 17,500	$ 12,500	$ -	$ 100,000
Exploration costs											
Assay analysis	3,151	-	-	141,116	9,548	-	-	-	-	-	153,815
Consulting	36,359	-	-	36,861	19,958	12,426	3,241	2,764	32,308	-	143,917
Depreciation	7,499	-	-	-	-	-	-	-	-	-	7,499
Drilling	635,737	-	-	697,998	355,588	-	-	116,318	-	-	1,805,641
Field support	747,435	-	-	-	-	-	-	-	-	-	747,435
Geological	81,141	-	-	253,802	96,649	10,523	4,719	39,807	-	-	486,641
Geophysical	-	-	-	61,005	54,225	1,545	48	95	-	-	116,918
Other	3,947	-	-	4,463	1,620	1,180	703	1,064	84	-	13,061
Land survey	-	-	-	44,755	-	5,840	4,250	-	-	-	54,845
Legal	-	-	-	7,175	1,280	3,254	45	45	101,889	-	113,688
Project management	-	-	-	87,681	34,021	3,692	1,379	11,289	10,838	15,223	164,123
Rent / utilities	-	-	-	19,032	2,129	1,329	202	6,139	-	-	28,831
Salaries and benefits	257,238	-	-	-	-	-	-	-	-	-	257,238
Travel	25,460	-	-	2,211	2,213	1,771	1,771	2,214	-	-	35,640
	1,797,967	-	-	1,356,099	577,231	41,560	16,358	179,735	145,119	15,223	4,129,292
Acquisition costs											
Issuance of common shares for:											
- Acquisition	28,124,611	5,665,389	-	-	-	-	-	-	-	-	33,790,000
- option payments	-	-	498,000	234,242	229,962	199,377	199,377	368,151	142,411	260,000	2,131,520
- finder's fees	77,407	15,593	-	17,583	17,583	17,583	17,583	17,583	12,559	-	193,474
Warrants issued for Acquisition	799,042	160,958	-	-	-	-	-	-	-	-	960,000
Cash payments for:											
- option payments	-	-	794,915	87,500	87,500	87,500	87,500	87,500	62,500	75,000	1,369,915
- finder's fees / related costs	209,827	42,267	64,858	10,059	9,902	7,992	7,992	15,574	5,710	-	374,181
Claims staking and purchases	681	11,789	1,979	80,818	74,029	43,793	41,828	89,734	-	34,228	378,879
Other	395,123	10,365	-	-	-	-	-	-	-	-	405,488
	29,606,691	5,906,361	1,359,752	430,202	418,976	356,245	354,280	578,542	223,180	369,228	39,603,457
Disposal	-	-	(1,256,373)	-	-	-	-	-	-	-	(1,256,373)
Impairment	-	-	(103,379)	-	(1,013,707)	(415,305)	(388,138)	(775,777)	(380,799)	(384,451)	(3,461,556)
Balance at July 31, 2017	$ 31,404,658	$ 5,906,361	$ -	$ 1,803,801	$ -	$ -	$ -	$ -	$ -	$ -	$ 39,114,820

(Expressed in Canadian Dollars)

8. Exploration and Evaluation Assets (continued)

	Argentina			United States	
	Cauchari Project	Argentine Properties	Stella Marys	Clayton NE	Total
Balance at July 31, 2017	$ 31,404,658	$ 5,906,361	$ -	$ 1,803,801	$ 39,114,820
Exploration costs					
Consulting	77,895	-	-	2,539	80,434
Drilling	4,478,074	-	-	-	4,478,074
Field support	2,842,165	-	-	-	2,842,165
Geochemical	145,099	-	-	-	145,099
Geological	1,119,256	-	-	-	1,119,256
Geophysics	33,433	-	-	-	33,433
Land survey	-	-	-	559	559
Other	3,974	-	-	2,160	6,134
Project management	-	-	-	390	390
Rent / utilities	-	-	-	146	146
Salaries and benefits	998,112	-	-	-	998,112
Seismic	84,763	-	-	-	84,763
Supplies	71,175	-	-	-	71,175
Travel	121,207	-	-	-	121,207
	9,975,153	-	-	5,794	9,980,947
Acquisition costs					
Option payments:					
- common shares issued	-	-	882,000	48,919	930,919
- cash	-	-	-	290,539	290,539
Claims staking and purchases	-	84,385	-	-	84,385
Cash payments for finder's fees	-	-	61,048	-	61,048
Other	1,281,136	-	-	-	1,281,136
	1,281,136	84,385	943,048	339,458	2,648,027
Recovery	-	-	(943,048)	(2,149,053)	(3,092,101)
Balance at July 31, 2018	$ 42,660,947	$ 5,990,746	$ -	$ -	$ 48,651,693

8. Exploration and Evaluation Assets (continued)

(a) **Argentina**

Cauchari Project and Argentine Properties

On March 28, 2017 the Company completed the Acquisition, as described in Note 5, and acquired an initial 50% interest in the Cauchari Project and a 100% interest in the Argentine Properties. The Company may increase its interest in the Cauchari Project by a further 25% by spending US $5,000,000 in exploration or completing a feasability study. In December 2017 the Company completed its US $5,000,000 spending amount and earned the additional 25% interest in the Cauchari Project. All subsequent costs incurred have been funded by the Company and La Frontera S.A. ("La Frontera") based on their respective interests. La Frontera is owned by Orocobre, as to 85%, and Peral, as to 15%. As at July 31, 2018, $339,316 (2017 - $nil) remained receivable and has been included in receivable from joint venture partner.

La Frontera retains a 1% gross revenue royalty on the Cauchari Project and Argentine Properties, and has a right of first refusal on brine production (and may enter into an offtake agreement in respect of such production).

Stella Marys Project

On September 8, 2016 the Company entered into a letter of intent (the "Santa Rita LOI") with Minera Santa Rita S.R.L. ("Minera Santa Rita") over the Stella Marys Project, located in Salta Province, Argentina. On October 28, 2016 the Company and Minera Santa Rita signed a definitive agreement (the "Santa Rita Option") under which the Company could acquire a 100% interest in the Stella Marys Project by making total cash payments of US $1,250,000 and issuance of a total of 1,500,000 common shares of the Company. During fiscal 2017 the Company had made cash payments totalling US $600,000 and issued 600,000 common shares at a fair value of $498,000.

The Company also agreed to pay a finder's fee, calculated at a maximum of up to approximately $176,500, the actual amounts payable only upon cash payments and share issuances made. During fiscal 2017 the Company paid $64,858.

On June 2, 2017 the Company completed an assignment of the Santa Rita Option to LSC and the Company received cash payments totalling $930,593 for reimbursement of all option payments and related costs previously paid by the Company in connection with the Santa Rita Option. In addition the Company also received 256,520 common shares of LSC, at a fair value of $325,780, and a 2% royalty (the "Stella Marys Royalty") on the brine concentrate produced from the Stella Marys Project and has reached an agreement in principal with Orocobre to reduce the Stella Marys Royalty to 0.5% in return for receiving a 0.5% royalty on the brine concentrate produced from the tenements purchased by LSC from Orocobre in the Salinas Grandes Salar, Argentina. Accordingly, during fiscal 2017 the Company recorded an impairment of $103,379 to reflect the difference between the total proceeds received and the carrying amount of the Stella Marys Project.

LSC has agreed to make all further cash and finder's fee payments and reimburse the Company in LSC common shares for any further common share issuances made by the Company. In October 2017 the Company issued the remaining 900,000 common shares, at a fair value of $882,000, and paid a finder's fee of $61,048 pursuant to the Santa Rita option and LSC issued 588,000 LSC common shares, at a fair value of $882,000, and paid $61,048 to the Company as reimbursement.

(b) ***United States***

On June 16, 2016, as amended and extended, the Company entered into an agreement (the "Nevada Sunrise Agreement") with Nevada Sunrise Gold Corp. ("Nevada Sunrise") in which the Company was granted an option to earn working interests of up to 70% in three lithium exploration projects, known as Clayton Northeast,

8. Exploration and Evaluation Assets (continued)

Jackson Wash and Aquarius, and 50% interests in two lithium properties, known as Gemini and Neptune (collectively the "Optioned Properties"), located in the Clayton Valley and Lida Valley regions of Nevada, USA, and an option to acquire the State of Nevada Water Permit 44411 (the "Water Permit").

(i) *Optioned Properties*

During fiscal 2017 the Company met all of the requirements and obligations required to earn its initial 51% interests in each of the Clayton Northeast, Jackson Wash and Aquarius properties. In July 2017 the Company determined to surrender all interests in the Jackson Wash, Aquarius, Gemini and Neptune properties and formal notice was provided to Nevada Sunrise on August 11, 2017. Accordingly, the Company recorded an impairment charge of $2,592,927 in fiscal 2017 for all costs incurred on these properties.

On November 1, 2017 the Company and Nevada Sunrise entered into an asset purchase agreement to effect the sale of their interests in the Clayton Northeast property to Pure Energy Minerals Limited ("Pure Energy") for a total of 7,000,000 Pure Energy common shares. On October 20, 2017 the Company issued 81,531 common shares, at a fair value of $48,919, to Nevada Sunrise under the terms of the Nevada Sunrise Agreement.On November 30, 2017 the Company paid Nevada Sunrise $290,539 as its remaining obligation to exercise its option to earn a 70% interest in the Clayton Northeast property. On December 5, 2017 the asset purchase agreement was completed and the Company received 4,900,000 Pure Energy common shares at a fair value of $2,180,500, recognizing a gain on sale of $31,447.

(ii) *Water Rights*

Nevada Sunrise granted to the Company the option (the "Water Permit Option") to acquire a 100% interest in the Water Permit. In order to maintain the Water Permit Option the Company was required to:

(i) make a total of US $1,175,000 Water Permit cash payments until the exercise of the Water Permit Option;
(ii) pay all legal and other costs associated with the application to transfer the Place of Use and Point of Diversion of the Water Permit; and
(iii) pay all legal and other costs required to maintain the Water Permit.

In order to exercise the Water Permit Option the Company was required to pay to Nevada Sunrise an amount equal to the sum of:

(i) the Water Permit cash payments made by Nevada Sunrise prior to the grant of the Water Permit Option;
(ii) the value of the Water Permit share payments made by Nevada Sunrise before the exercise of the Water Permit Option (which shall be established by multiplying the number of Nevada Sunrise shares issued by the 20-day volume weighted average price immediately prior to the date such Water Permit share payments were made);
(iii) the legal and other costs incurred by Nevada Sunrise to acquire and make the application to transfer the location of the Water Permit; and
(iv) US $200,000, payable in cash or a calculated value in shares, at the Company's option (the "Water Permit Option Payment").

On November 30, 2016 Nevada Sunrise and the Company were advised that the Nevada State Engineer issued a ruling of forfeiture against the Water Permit. Nevada Sunrise is appealing the ruling and the Company has the right to maintain the Water Permit Option, but will have no obligation to make any payments to maintain the Water Permit Option pending the decision of the courts. If Nevada Sunrise is successful in its appeal the Company can maintain the Water Permit Option by reimbursing Nevada Sunrise for all payments made to the vendor of the Water Permit, all legal costs, plus 20%. Due to the uncertainty of the outcome of the appeal

8. Exploration and Evaluation Assets (continued)

process the Company has determined to record an impairment provision of $380,799 in fiscal 2017 for all costs paid to date on the Water Permit. See Note 15(c).

(c) ***Mexico***

On September 12, 2016 the Company entered a letter of intent (the "Radius LOI") with Radius Gold Inc. ("Radius") pursuant to which the Company was granted an option to acquire up to 100% interests in each of three projects (the "Radius Projects") located in Chihauhau and Coahuila States, Mexico. Under the Radius LOI the Company issued 250,000 common shares, at a fair value of $260,000 and paid $75,000. The Company subsequently determined to focus its exploration efforts on its Argentine properties and, on April 11, 2017, the Company terminated the Radius LOI and wrote-off $384,451 exploration and evaluation costs in fiscal 2017.

9. Share Capital

(a) ***Authorized Share Capital***

The Company's authorized share capital consists of an unlimited number of common shares without par value and unlimited preferred shares without par value. All issued common shares are fully paid.

(b) ***Equity Financings***

Fiscal 2018

During fiscal 2018, the Company completed a private placement offering for 15,585,956 common shares, at $0.77 per share, for gross proceeds of $12,001,186. The Company incurred $504,596 for legal, filing and other costs associated with this private placement.

Directors and officers of the Company and close family members purchased 391,000 common shares for $301,070. Orocobre also participated in the private placement and subscribed for 15,064,956 common shares for $11,600,016.

Fiscal 2017

During fiscal 2017 the Company completed the following private placements:

(i) 16,100,000 common shares, at $0.25 per share, for gross proceeds of $4,025,000. The Company incurred $10,750, share issue costs finders' fees totalling $279,040 and issued 1,082,560 finders' warrants associated with the private placement. Each finders' warrant entitles the holder to purchase one common share of the Company, at a price of $0.25 per share, expiring August 19, 2018. The fair value of the finders' warrants has been estimated to be $497,978 using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate of 0.55%, estimated volatility of 120%; expected life of two years; expected dividend yield of 0%; and estimated forfeiture rate of 0%.

Directors and officers of the Company and close family members purchased 536,000 common shares for $134,000. The Company incurred $33,344 for filing and other costs associated with this private placement.

9. Share Capital (continued)

(ii) 8,456,900 units of the Company, at $0.60 per unit, for gross proceeds of $5,074,140. Each unit comprised one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share of the Company, at a price of $0.75 per share, expiring October 29, 2018. The Company paid finders' fees totalling $200,598 and issued 334,330 finders' warrants associated with the private placement. Each finders' warrant entitles the holder to purchase one common share of the Company, at a price of $0.60 per share, expiring October 20, 2016. The fair value of the finders' warrants has been estimated to be $217,315 using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate of 0.56%, estimated volatility of 120%; expected life of two years; expected dividend yield of 0%; and estimated forfeiture rate of 0%.

Directors and officers of the Company and close family members purchased 389,000 units for $233,400. The Company incurred $25,696 for legal, filing and other costs associated with this private placement.

(iii) 26,667,000 transferable subscription receipts ("Subscription Receipts") at a price of $0.75 per Subscription Receipt (the "Offering Price") to raise aggregate proceeds of $20,000,250 (the "Offering"). The Offering was led by Eight Capital and Canaccord Genuity Corp. (together the "Agents").

Each Subscription Receipt entitles the holder to receive one unit of the Company without payment of additional consideration or further action. Each unit comprises a share and half a warrant (the "Unit"), each whole warrant ("Warrant") exercisable for one additional share for 24 months after closing at $1.00 a share. In the event that the closing sale price of the Company's common shares on the TSXV is greater than $1.50 per share for a period of 20 consecutive trading days at any time after the Subscription Receipts are exchanged for Units, the Company may accelerate the expiry date of the Warrants by issuing a press release and in such case the Warrants will expire on the 30th day after the date on which such press release is issued.

The Agents were paid Agents' fees totalling $1,043,065 and also issued 1,131,896 compensation warrants (the "Agents' Compensation Warrants"). The Agents' Compensation Warrants entitle the Agents to subscribe for Units, exercisable at a price of $0.75 per Unit for a period of 24 months following the closing of the Offering. Other finders (the "Finders") were paid finders' fees totalling $154,185. The Finders were also issued 352,422 compensation warrants (the Finders' Compensation Warrants). The Finder's Compensation Warrants have the same terms as the Agents' Compensation Warrants. The fair values of the Agents' Compensation Warrants and the Finders' Compensation Warrants, using the Black-Scholes option pricing model, have been estimated to be $288,633 and $89,868 respectively. The assumptions used were: risk-free interest rate of 0.74%, estimated volatility of 120%; expected life of two years; expected dividend yield of 0%; and estimated forfeiture rate of 0%.

On March 17, 2017 the Company filed its final prospectus qualifying the Units and was issued the Final Receipt. On March 27, 2017 the Company completed the exchange of the Subscription Receipts into Units.

Directors and officers of the Company and close family members purchased 803,668 units for $602,751.

The Company incurred $418,412 for legal, filing and other costs associated with this private placement.

(Expressed in Canadian Dollars)

9. Share Capital (continued)

(c) *Compensation Warrants*

A summary of the Company's compensation warrants at July 31, 2018 and 2017 and the changes for the years ended on those dates is presented below:

	2018		2017	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of period	1,484,318	$ 0.75	-	-
Issued	-	-	1,484,318	0.75
Exercised	(866,230)	0.75	-	-
Balance, end of period	618,088	$ 0.75	1,484,318	$ 0.75

As at July 31, 2018 there were 618,088 compensation warrants outstanding and exercisable at an exercise price of $0.75 per share, expiring February 17, 2019. See also Note 9(b)(iii).

(d) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at July 31, 2018 and 2017, and the changes for the years ended on those dates, is as follows:

	2018		2017	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of period	21,515,854	$ 0.92	-	-
Issued	433,115	1.00	21,978,838	0.91
Exercised	(4,146,021)	0.80	(462,984)	0.25
Balance, end of period	17,802,948	$ 0.95	21,515,854	$ 0.92

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at July 31, 2018:

Number	Exercise Price	Expiry Date
73,320	$ 0.25	19-Aug-18
2,986,149	0.75	20-Oct-18
112,716	0.60	20-Oct-18
14,630,763	$ 1.00	17-Feb-19
17,802,948		

(Expressed in Canadian Dollars)

9. Share Capital (continued)

(e) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

During fiscal 2018 the Company granted share options to purchase 2,200,000 (2017 - 7,575,000) common shares and recorded compensation expense of $923,492 (2017 - $3,644,562).

The fair value of share options granted and vested is estimated using the Black-Scholes option pricing model using the following assumptions:

	2018	2017
Risk-free interest rate	1.41% - 2.07%	0.50% - 0.96%
Estimated volatility	73% - 82%	85% - 120%
Expected life	3 years - 5 years	3 years - 5 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average grant date fair value of all share options granted during fiscal 2018 was $0.48 (2017 - $0.48) per share option.

During fiscal 2018 the Company repriced share options previously granted to purchase 800,000 common shares, from original exercise prices ranging from $0.80 to $0.90 per share to a revised exercise price of $0.50 per share. The fair value of share options repriced has been estimated at $46,000 using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate 1.17%; estimated volatility 82%; expected life 2.41 years - 2.50 years; expected dividend yield 0%; and estimated forfeiture rate 0%.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at July 31, 2018 and 2017 and the changes for the years ended on those dates, is as follows:

	2018		2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	7,221,000	$ 0.59	2,228,500	$ 0.36
Granted	2,200,000	0.85	7,575,000	0.64
Exercised	(892,000)	0.45	(1,277,500)	0.30
Expired	(330,000)	0.78	(1,305,000)	0.76
Forfeited	(133,333)	1.11	-	-
Balance, end of period	8,065,667	$ 0.63	7,221,000	$ 0.59

(Expressed in Canadian Dollars)

9. Share Capital (continued)

The following table summarizes information about the share options outstanding and exercisable at July 31 2018:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date
324,000	324,000	$ 0.50	7-Jul-19
800,000	800,000	0.90	16-Sep-19
175,000	175,000	0.50	16-Sep-19
475,000	475,000	0.50	20-Sep-19
100,000	100,000	0.50	27-Oct-19
600,000	600,000	0.50	19-Jan-20
200,000	200,000	0.50	7-Feb-20
950,000	783,333	0.50	30-May-22
2,475,000	2,475,000	0.50	8-Jun-22
400,000	233,333	0.50	14-Aug-22
300,000	300,000	0.60	25-Oct-22
450,000	150,000	1.07	11-Dec-22
66,667	66,666	1.11	12-Mar-23
150,000	50,000	1.00	4-Apr-23
600,000	600,000	$ 0.99	19-Apr-21
8,065,667	7,332,333		

(f) *Restricted Share Unit ("RSU") Plan*

On April 9, 2018 the Company adopted a restricted share unit plan (the "RSU Plan"). The RSU Plan provides for the issuance of up to 1,900,000 restricted share units (the "RSUs"). Under the RSU Plan, RSUs may be granted to directors, officers, employees and consultants of the Company (excluding investor relations consultants) as partial compensation for the services they provide to the Company. The RSU Plan is a fixed number plan, and the number of common shares issued under the RSU Plan, when combined with the number of stock options available under the Company's stock option plan, will not exceed 10% of the Company's outstanding common shares. The RSU Plan is subject to the approval of the TSXV and to disinterested shareholder approval which will be sought at the next shareholders meeting of the Company. Any RSUs awarded prior to obtaining both TSXV approval and disinterested shareholder approval (collectively, the "Approvals") are subject to, and may not be paid out before, both approvals are obtained. Any RSU shares issued are subject to a four month hold from date of issue. The Company's Compensation Committee and Board of Directors have approved the award of 1,750,000 RSUs. 1,700,000 RSUs will vest over three years based upon the achievement of certain milestones and 50,000 RSUs vested on June 26, 2018 pending approvals.

(g) *Escrow Shares*

On July 16, 2007 the Company and certain of its shareholders entered into an escrow agreement (the "CPC Escrow Agreement"). As at July 31, 2018, 34,496 (2017 - 57,496) common shares remained held in escrow under the CPC Escrow Agreement.

On August 12, 2016 the Company and certain of its shareholders entered into an escrow agreement (the "Value Security Escrow Agreement") under which 3,651,000 common shares of the Company were placed in escrow.

(Expressed in Canadian Dollars)

9. Share Capital (continued)

As at July 31, 2018 there are no (2017 – 1,825,000) common shares held in escrow under the Value Security Escrow Agreement.

10. Related Party Disclosures

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's current and former Board of Directors and its executive officers.

(a) During the years ended July 31, 2018 and 2017 the following compensation was incurred:

	2018	2017
Fees and compensation	$ 1,038,432	$ 1,494,795
Share-based compensation	205,110	1,666,000
	$ 1,243,542	$ 3,160,795

During fiscal 2018 the Company allocated the $1,038,432 (2017 - $1,494,795) fees and compensation based on the nature of the services provided: expensed $702,939 (2017 - $1,356,004) to directors and officers compensation; $nil (2017 - $36,245) to general exploration costs; and capitalized $335,493 (2017 - $102,546) to exploration and evaluation assets. As at July 31, 2018, $158,919 (July 31, 2017 - $60,696) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) During fiscal 2018 the Company incurred $64,408 (2017 - $92,800) for accounting and administration services provided by a private company owned by the Company's CFO. As at July 31, 2018, $14,048 (July 31, 2017 - $14,500) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2018 the Company also recorded $nil (2017 - $81,000) for share-based compensation for share options granted to the private company.

(c) During fiscal 2018 the Company paid a total of $38,721 (2017 - $23,993) to the spouse of a director of the Company of which $26,660 (2017 - $19,291) was for legal services and $12,061 (2017 - $4,702) for rental of office space.

(d) During fiscal 2018 the Company incurred $185,301 (2017 - $35,592) for equipment rental provided by a private company controlled by a director of the Company. As at July 31, 2018 $nil (July 31, 2017 - $8,805) remained unpaid and has been included in accounts payable and accrued liabilities.

(e) See also Notes 5 and 9(b).

(Expressed in Canadian Dollars)

11. Income Taxes

Deferred income tax assets and liabilities of the Company as at July 31, 2018 and 2017 are as follows:

	2018	2017
	$	$
Deferred income tax assets		
Loss carry forwards	$ 3,829,876	$ 5,128,300
Tax basis of exploration and evaluation assets in excess of tax basis	675,559	549,700
Other	451,175	615,700
	4,956,610	6,293,700
Valuation allowance	(4,956,610)	(6,293,700)
Net deferred income tax assets	-	-
Deferred income tax liabilities	-	-

The recovery of income taxes shown in the statements of comprehensive loss differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes as follows:

	2018	2017
	$	$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	27%	26%
Expected income tax recovery	$ 1,594,282	$ 3,406,000
Non-deductible share-based compensation	(240,108)	(965,300)
Share issuance cost	143,637	115,500
Other	(4,850)	(2,400)
Effect of different income tax rates	27,924	265,000
Unrecognized benefit of income tax losses	(1,520,886)	(2,818,800)
Actual income tax recovery	-	-

As at July 31, 2018 the Company has non-capital losses of approximately $11,834,125 (2017 - $7,603,137) and accumulated tax pools of approximately $1,702,546 (2017 - $2,368,100) carried forward for Canadian income tax purposes and are available to reduce taxable income of future years. The non-capital losses expire commencing in 2028 through 2037.

The Company also has non-capital losses of approximately $2,908,639 (2017 - $2,883,800) carried forward for US income tax purposes, which are available for application against future taxable income, expiring 2037.

(Expressed in Canadian Dollars)

11. Income Taxes (continued)

The Company also has non-capital losses of approximately $1,716,702 carried forward for Argentine tax purposes, which are available for application against future taxable income of future years. The non-capital losses expire commencing 2018 to 2023.

Future income tax loss benefits which may arise as a result of these losses have not been recognized in the financial statements as their realization is unlikely.

12. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments, loans and receivables, available-for-sale; and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	July 31, 2018	July 31, 2017
Cash	FVTPL	$ 17,413,386	$ 16,470,165
Amounts receivable	Loans and receivables	-	4,358
Receivable from joint venture partner	Loans and receivables	339,316	-
Investments	Available-for-sale	627,284	338,606
Accounts payable and accrued liabilities	Other liabilities	(1,745,713)	(490,070)
Total		$ 16,634,273	$ 16,323,059

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash, amounts receivable, receivable from joint venture partner and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's fair value of cash and investment under the fair value hierarchy are measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(Expressed in Canadian Dollars)

12. Financial Instruments and Risk Management (continued)

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at July 31, 2018				
	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
Cash	$ 17,413,386	-	-	-	$ 17,413,386
Receivable from joint venture partner	339,316	-	-	-	339,316
Investments	-	-	627,284	-	627,284
Accounts payable and accrued liabilities	(1,745,713)	-	-	-	(1,745,713)
Total	$ 16,006,989	$ -	$ 627,284	$ -	$ 16,634,273

	Contractual Maturity Analysis at July 31, 2017				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	$ 16,470,165	-	-	-	$ 16,470,165
Amounts receivable	4,358	-	-	-	4,358
Investments	-	-	338,606	-	338,606
Accounts payable and accrued liabilities	(490,070)	-	-	-	(490,070)
	$ 15,984,453	$ -	$ 338,606	$ -	$ 16,323,059

Market Risk

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

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

12. Financial Instruments and Risk Management (continued)

(b) Foreign Currency Risk

The Company's functional currency is the Canadian Dollar and major transactions are transacted in Canadian Dollars, US Dollars and Argentine Pesos. The Company maintains Argentine Peso bank accounts in Argentina and US Dollar bank accounts in Canada to support the cash needs of its foreign operations. Management does not hedge its foreign exchange risk. At July 31, 2018, 1 Canadian Dollar was equal to 0.77 US Dollar and 21.07 Argentine Pesos.

Balances are as follows:

	Argentine Pesos	US Dollars	CDN $ Equivalent
Cash	$ 6,794,283	$ 1,472,476	$ 2,239,111
Value added tax receivable	21,876,936	-	1,038,060
Accounts payable and accrued liabilities	(16,317,624)	(95,273)	(898,288)
	$ 12,353,595	$ 1,377,203	$ 2,378,883

Based on the net exposures as of July 31, 2018 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar and Argentine Peso would result in the Company's comprehensive loss being approximately $216,000 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of lithium properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and cash equivalents and short-term investments. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(Expressed in Canadian Dollars)

13. Supplemental Cash Flow Information

During the fiscal 2018 and 2017 non-cash activities were conducted by the Company as follows:

	2018	2017
Operating activities		
Depreciation	$ (10,423)	$ 7,499
Accounts payable and accrued liabilities	1,122,722	94,392
	1,112,299	101,891
Investing activities		
Expenditures on exploration and evaluation assets	(2,043,218)	(37,176,884)
Investments	(3,031,053)	-
Proceeds on disposal of exploration and evaluation assets	3,031,053	-
	(2,043,218)	(37,176,884)
Financing activities		
Issuance of share capital	1,950,184	37,839,254
Share issue costs	-	(1,093,793)
Share subscriptions received	-	(1,264,500)
Share-based payments reserve	(1,019,265)	1,594,032
	$ 930,919	$ 37,074,993

14. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's exploration and evaluation assets are located in USA and Argentina and its corporate assets, comprising mainly of cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results.

The Company's total assets are segmented geographically as follows:

	As at July 31, 2018		
	Canada	Argentina	Total
Current assets	$ 17,713,786	$ 333,163	$ 18,046,949
Investments	627,284	-	627,284
Property, plant and equipment	-	175,799	175,799
Exploration and evaluation assets	-	48,651,693	48,651,693
	$ 18,341,070	$ 49,160,655	$ 67,501,725

(Expressed in Canadian Dollars)

14. Segmented Information (continued)

	As at July 31, 2017			
	Canada	USA	Argentina	Total
Current assets	$ 16,124,147	$ 10,720	$ 675,333	$ 16,810,200
Investments	338,606	-	-	338,606
Property, plant and equipment	-	-	83,269	83,269
Exploration and evaluation assets	-	1,803,801	37,311,019	39,114,820
	$ 16,462,753	$ 1,814,521	$ 38,069,621	$ 56,346,895

15. Events after the Reporting Period

Subsequent to July 31, 2018:

(a) the Company issued 319,680 common shares on the exercise of 169,680 warrants and 150,000 share options for total proceeds of $163,646.

(b) granted share options to consultants to purchase 700,000 common shares of the Company at exercise prices ranging from $0.59 to $0.80 per share expiring two to five years from the date of grant;

(c) On August 3, 2018, the Company entered into a Termination Agreement with Nevada Sunrise whereby the parties agreed that the Water Permit Option Agreement (the "Option Agreement") be terminated and have no further force or effect. In consideration for the termination of the Option Agreement, Nevada Sunrise issued from treasury to the Company, an aggregate of 1,700,000 common shares in the capital of Nevada Sunrise (the "Termination Shares") subject to hold periods that expire, with respect to:

(i) 425,000 Termination Shares, on August 3, 2018;
(ii) 425,000 Termination Shares, on February 3, 2019;
(iii) 425,000 Termination Shares, on August 3, 2019; and
(iv) 425,000 Termination Shares, on February 3, 2020