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**ADVANTAGE LITHIUM CORP.**

*(formerly North South Petroleum Corp.)*

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JULY 31, 2016 AND 2015

*(Expressed in Canadian Dollars)*

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## Independent Auditor's Report

To the shareholders of Advantage Lithium Corp. (formerly North South Petroleum Corp.)

We have audited the accompanying financial statements of Advantage Lithium Corp. (formerly North South Petroleum Corp.), which comprise the statements of financial position as at July 31, 2016 and July 31, 2015, and the statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years ended July 31, 2016 and July 31, 2015, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Advantage Lithium Corp. (formerly North South Petroleum Corp.) as at July 31, 2016 and July 31, 2015, and its financial performance and its cash flows for the years ended July 31, 2016 and July 31, 2015 in accordance with International Financial Reporting Standards.

Vancouver, B.C.  
November 28, 2016

*"D&H Group LLP"*

**Chartered Professional Accountants**

**ADVANTAGE LITHIUM CORP.** (formerly North South Petroleum Corp.)  
**STATEMENTS OF FINANCIAL POSITION**  
*(Expressed in Canadian Dollars)*

	Note	July 31, 2016 \$	July 31, 2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		1,976,132	1,111,476
GST receivable		11,970	880
Prepaid expenses		833	833
<b>Total current assets</b>		<b>1,988,935</b>	<b>1,113,189</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	4(b)	100,000	-
Deferred share issue costs	5(b)(i)	10,750	-
<b>Total non-current assets</b>		<b>110,750</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>2,099,685</b>	<b>1,113,189</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	122,406	5,944
<b>TOTAL LIABILITIES</b>		<b>122,406</b>	<b>5,944</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	2,355,280	2,273,193
Share-based payments reserve		782,318	392,307
Share subscriptions received	5(b)(i)	1,264,500	-
Deficit		(2,424,819)	(1,558,255)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,977,279</b>	<b>1,107,245</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,099,685</b>	<b>1,113,189</b>

**Nature of Operations** - see Note 1

**Events after the Reporting Period** - see Note 9

These annual financial statements were approved for issue by the Board of Directors on November 28, 2016 and are signed on its behalf by:

/s/ David Sidoo  
David Sidoo  
Director

/s/ Devinder Randhawa  
Devinder Randhawa  
Director

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

**ADVANTAGE LITHIUM CORP.** (formerly North South Petroleum Corp.)  
**STATEMENTS OF COMPREHENSIVE LOSS**  
*(Expressed in Canadian Dollars)*

	Note	Year Ended July 31,	
		2016 \$	2015 \$
<b>Expenses</b>			
Accounting and administrative	6(b)	40,300	25,055
Audit		11,750	5,825
Bank charges		724	496
Consulting fees		87,000	-
General exploration	6(a)	20,482	-
Legal		90,364	2,000
Office		2,491	1,146
Professional fees	6(a)	27,500	36,000
Regulatory fees		8,877	11,605
Share-based compensation	5(c)	411,648	173,667
Shareholder costs		2,943	1,397
Transfer agent		6,254	9,176
Travel		27,953	166
Website and internet costs		9,631	-
		<u>747,917</u>	<u>266,533</u>
<b>Loss before other items</b>		<u>(747,917)</u>	<u>(266,533)</u>
<b>Other items</b>			
Interest income		10,805	6,996
Foreign exchange (loss) gain		(362)	2,079
Write-off of exploration and evaluation assets	4(a)	<u>(129,090)</u>	<u>-</u>
		<u>(118,647)</u>	<u>9,075</u>
<b>Net loss and comprehensive loss for the year</b>		<u>(866,564)</u>	<u>(257,458)</u>
<b>Loss per share - basic and diluted</b>		<u>\$(0.04)</u>	<u>\$(0.03)</u>
<b>Weighted average number of common shares outstanding</b>		<u>23,540,356</u>	<u>8,283,771</u>

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

**ADVANTAGE LITHIUM CORP.** (formerly North South Petroleum Corp.)  
**STATEMENTS OF CHANGES IN EQUITY**  
*(Expressed in Canadian Dollars)*

**Year Ended July 31, 2016**

	<b>Share Capital</b>		<b>Share-Based Payments Reserve \$</b>	<b>Share Subscriptions Received \$</b>	<b>Deficit \$</b>	<b>Total Equity \$</b>
	<b>Number of Shares</b>	<b>Amount \$</b>				
<b>Balance at July 31, 2015</b>	23,291,990	2,273,193	392,307	-	(1,558,255)	1,107,245
Common shares issued for cash:						
- share options exercised	100,000	24,900	-	-	-	24,900
- finder's warrants exercised	711,000	35,550	-	-	-	35,550
Share subscriptions received	-	-	-	1,264,500	-	1,264,500
Transfer on exercise of share options	-	16,813	(16,813)	-	-	-
Transfer on exercise of finder's warrants	-	4,824	(4,824)	-	-	-
Share-based compensation	-	-	411,648	-	-	411,648
Net loss for the year	-	-	-	-	(866,564)	(866,564)
<b>Balance at July 31, 2016</b>	<b>24,102,990</b>	<b>2,355,280</b>	<b>782,318</b>	<b>1,264,500</b>	<b>(2,424,819)</b>	<b>1,977,279</b>

**Year Ended July 31, 2015**

	<b>Share Capital</b>		<b>Share-Based Payments Reserve \$</b>	<b>Deficit \$</b>	<b>Total Equity \$</b>
	<b>Number of Shares</b>	<b>Amount \$</b>			
<b>Balance at July 31, 2014</b>	1,291,990	1,240,513	213,816	(1,300,797)	153,532
Common shares issued for cash:					
- private placement	22,000,000	1,100,000	-	-	1,100,000
Share issue costs	-	(67,320)	4,824	-	(62,496)
Share-based compensation	-	-	173,667	-	173,667
Net loss for the year	-	-	-	(257,458)	(257,458)
<b>Balance at July 31, 2015</b>	<b>23,291,990</b>	<b>2,273,193</b>	<b>392,307</b>	<b>(1,558,255)</b>	<b>1,107,245</b>

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

**ADVANTAGE LITHIUM CORP.** (formerly North South Petroleum Corp.)  
**STATEMENTS OF CASH FLOWS**  
*(Expressed in Canadian Dollars)*

	Year Ended July 31,	
	2016 \$	2015 \$
<b>Operating activities</b>		
Net loss for the year	(866,564)	(257,458)
Adjustments for:		
Share-based compensation	411,648	173,667
Write-off of exploration and evaluation assets	129,090	-
Changes in non-cash working capital items:		
GST receivable	(11,090)	(356)
Prepaid expenses	-	61
Accounts payable and accrued liabilities	116,462	1,704
<b>Net cash used in operating activities</b>	<u>(220,454)</u>	<u>(82,382)</u>
<b>Investing activity</b>		
Exploration and evaluation assets	<u>(229,090)</u>	<u>-</u>
<b>Net cash used in investing activity</b>	<u>(229,090)</u>	<u>-</u>
<b>Financing activities</b>		
Issuance of common shares	60,450	1,100,000
Share subscriptions received	1,264,500	-
Share issue costs	<u>(10,750)</u>	<u>(62,496)</u>
<b>Net cash provided by financing activities</b>	<u>1,314,200</u>	<u>1,037,504</u>
<b>Net change in cash during the year</b>	864,656	955,122
<b>Cash at beginning of year</b>	<u>1,111,476</u>	<u>156,354</u>
<b>Cash at end of year</b>	<u>1,976,132</u>	<u>1,111,476</u>

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

**ADVANTAGE LITHIUM CORP.** (formerly North South Petroleum Corp.)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JULY 31, 2016 AND 2015**  
(Expressed in Canadian Dollars)

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**1. Nature of Operations**

The Company was incorporated under the laws of the Province of British Columbia on March 1, 2007. On July 5, 2016 the Company changed its name from North South Petroleum Corp. to Advantage Lithium Corp. The Company's common shares currently trade on the TSX Venture Exchange ("TSXV") under the symbol "AAL". The Company's head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

The Company was considered to be a capital pool company by the TSXV and its common shares traded on the NEX Board of the TSXV. On August 30, 2016 the Company completed its Qualifying Transaction and met the requirements to be listed as a TSXV Tier 2 resource company engaged in the acquisition and exploration of unproven mineral interests.

As at July 31, 2016 the Company had working capital of \$1,866,529. The Company's principal business objective has been the identification and evaluation of companies, businesses, properties, or assets with a view to acquisition or participation therein. The Company has entered into a number of agreements to acquire interests in mineral resources properties located in Nevada, USA, Mexico and Argentina, as described in Notes 4 and 9. The Company will need to raise additional capital from the sale of common shares or other equity or debt instruments to complete the acquisition of the mineral properties and conduct planned exploration expenditures and corporate overhead over the course of the next twelve months. If the Company is unable to raise the necessary capital and generate sufficient cash flows to meet obligations as they come due, the Company may have to reduce or curtail its operations or obtain financing at unfavourable terms. The material uncertainty may cast significant doubt about the Company's ability to continue as a going concern. Furthermore, failure to continue as a going concern would require the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

See also Note 9.

**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").

*Basis of Measurement*

The Company's financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

**3. Significant Accounting Policies**

*Critical Judgments and Sources of Estimation Uncertainty*

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.

**ADVANTAGE LITHIUM CORP.** (formerly North South Petroleum Corp.)  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. Summary of Significant Accounting Policies** (continued)

*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 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 impairment in respect of intangible exploration and evaluation assets. The triggering events 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.
- (iii) 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.
- (iv) 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 7.

*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) 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.
- (ii) The assessment of any impairment of exploration and evaluation assets, and property, plant and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. As a result of this assessment, management recorded an impairment charge of \$129,090 in fiscal 2016 for the deposit made pursuant to an option agreement. See Note 4(a).

*Cash and Cash Equivalents*

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. 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. As at July 31, 2016 and 2015 the Company did not have any cash equivalents.



**ADVANTAGE LITHIUM CORP.** (formerly North South Petroleum Corp.)  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(Expressed in Canadian Dollars)

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**3. Summary of 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 (or in the normal operating cycle of the business if longer). 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.

***Impairment of Assets***

At each financial position reporting date, the carrying amounts of the Company's 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.

**ADVANTAGE LITHIUM CORP.** (formerly North South Petroleum Corp.)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JULY 31, 2016 AND 2015**  
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**3. Summary of Significant Accounting Policies** (continued)

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 price that would be received to sell an asset in an orderly transaction between market participants. 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.

***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, 2016 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.

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

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

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss 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 fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At July 31, 2016 and 2015 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.

**ADVANTAGE LITHIUM CORP.** (formerly North South Petroleum Corp.)  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(Expressed in Canadian Dollars)

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**3. Summary of Significant Accounting Policies** (continued)

***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 respect to the allocation of proceeds received on sale of units to the underlying 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 announcement 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 separately 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.

***Current and Deferred Income Taxes***

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. 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 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.

**ADVANTAGE LITHIUM CORP.** (formerly North South Petroleum Corp.)  
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**3. Summary of Significant Accounting Policies** (continued)

Deferred income tax is provided on temporary differences. Deferred income tax assets and liabilities are offset when there 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.

***Loss Per Share***

Basic loss per share is computed by dividing income 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.

***Currency***

The functional currency of the Company is Canadian dollars and these financial statements are presented in Canadian dollars. Transactions of the Company that are denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains or losses, if any, arising from the translation of foreign currency denominated monetary assets and liabilities are included in operations.

***Accounting Standards and Interpretations Issued but Not Yet Effective***

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

- (i) The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides for revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for periods beginning on or after January 1, 2018, with early adoption permitted.
- (ii) IFRS 15 outlines the principles for recognizing revenue from contracts with customers. The new standard establishes a new five-step model for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard is effective for annual periods beginning on or after January 1, 2018, and is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

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

**4. Exploration and Evaluation Assets**

- (a) On May 12, 2016 the Company entered into a letter of intent (the "CVL LOI") with Lithium X Energy Corp. ("Lithium X") whereby the Company would acquire an option to earn a 50% interest in Lithium X's wholly-owned CVL South Lithium Property located in Clayton Valley, Nevada, USA. The Company paid an initial non-refundable deposit of \$129,090 (US\$100,000). On June 22, 2016 the CVL LOI was terminated and the Company wrote-off the \$129,090 deposit.
- (b) On June 16, 2016, as amended July 29, 2016, the Company entered into a binding letter of intent (the "Nevada Sunrise LOI") with Nevada Sunrise Gold Corp. ("Nevada Sunrise") to acquire an option to earn various working interests of up to 70% in five lithium exploration projects, located in the Clayton Valley and Lida Valley regions of Nevada, USA. The Company will also have an option to acquire the State of Nevada Water Permit 44411 (the "Permit").

**ADVANTAGE LITHIUM CORP.** (formerly North South Petroleum Corp.)  
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**4. Exploration and Evaluation Assets (continued)**

The Company will be granted the option to earn:

- (i) 100% of the water rights (the "Water Rights");
- (ii) up to a 70% interest in each of the Jackson Wash, Clayton Northeast and Aquarius properties; and
- (iii) up to a 50% in each of the Gemini and Neptune properties.

Property details for the Jackson Wash, Clayton Northeast, Aquarius, Gemini and Neptune properties (the "Optioned Properties") are as follows:

Property	Number of Claims
Jackson Wash	166
Clayton Northeast	50
Aquarius	83
Gemini	247
Neptune	<u>316</u>
	<u>862</u>

Terms of the Nevada Sunrise LOI are as follows:

*Initial Option Consideration*

The Company will earn its interest in two stages, with the initial stage being up to a 51% working interest from Nevada Sunrise in the Jackson Wash, Clayton Northeast and Aquarius properties and a 50% working interest in the Gemini and Neptune properties by making the following cash and share payments to Nevada Sunrise and incurring exploration expenditures as follows:

- (i) cash payments totalling \$600,000 as follows (the "Cash Payments"):
  - upon execution of the Nevada Sunrise LOI, a non-refundable cash payment of \$100,000 (paid).
  - upon TSXV acceptance of the Nevada Sunrise LOI (the "Effective Date") an additional cash payment of \$500,000;
- (ii) issuing common shares of the Company (the "Consideration Shares") equal to 4.9% of the issued and outstanding common shares of the Company, such percentage to be calculated on the day following the completion of the next equity financing by the Company totalling not less than \$2,000,000 (the "Issuance Date"). The Consideration Shares shall be issued to Nevada Sunrise on the Issuance Date;
- (iii) within 24 months of the Effective Date, completing minimum exploration expenditures of \$1,500,000 on the Optioned properties (the "Initial Expenditures"), such Initial Expenditures to include claim maintenance fees for all of the Optioned Properties; and
- (iv) making all underlying tenure holding costs.

Subject to the above payments being made the Company will have earned a 51% interest in each of the Jackson Wash, Clayton Northeast and Aquarius properties and a 50% working interest in the Gemini and Neptune properties. Thereafter, the Company will have the option to either form a joint venture with Nevada Sunrise in respect of the Optioned Properties, or to proceed with the Second Option.

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**4. Exploration and Evaluation Assets (continued)**

*Second Option Consideration*

If the Company has exercised the Initial Option, the Company will have the right to increase its interest in the Jackson Wash, Clayton Northeast and Aquarius projects to a 70% interest, by completing, within 48 months of the Effective Date, exploration expenditures totalling \$3,000,000 (which includes the Initial Expenditures). Thereafter, the parties will form a joint venture with the Company holding a 70% interest in the Jackson Wash, Clayton Northeast and Aquarius properties and a 50% interest in the Gemini and Neptune properties, for the purposes of the further development of the Optioned Properties.

*Gemini Property Option*

A definitive agreement will provide that the parties will agree to make the expenditures required to be made by Nevada Sunrise in order for Nevada Sunrise to maintain its interest in a joint venture over the Gemini property (the "Gemini Joint Venture") with Eureka Resources Inc. ("Eureka"), with any such expenditures being deemed to be Initial Expenditures. Provided that the Company has made sufficient expenditures to maintain Nevada Sunrise's interest in the Gemini Joint Venture, upon exercise of the Initial Option by the Company, Nevada Sunrise will assign to the Company Nevada Sunrise's interest in the Gemini Joint Venture in consideration for a 2% gross overriding royalty ("GOR") in the same form as that provided by Nevada Sunrise to the underlying vendor in the Neptune property agreement.

*Neptune Property Option*

The Company's option to earn up to a 50% interest in the Neptune property is subject to:

- (i) Resolve Ventures Inc. ("Resolve") waiving its right to earn a further 25% interest in the Neptune property;
- (ii) Nevada Sunrise, Resolve and the Company entering into an amending agreement to the Neptune agreement on terms acceptable to all three parties;
- (iii) the Company incurring, over a period of three years, exploration expenditures of \$700,000 on the Neptune property; and
- (iv) the Company exercising the Initial Option.

Expenditures made by the Company on the Neptune property will be included as part of the calculation of total expenditures required to be made to earn its interests in the Optioned Properties.

Following the expenditure of \$700,000 by the Company, a joint venture would form between the Company (50%), Nevada Sunrise (25%) and Resolve (25%).

*Aquarius Property Royalty*

Upon formation of a joint venture over the Aquarius property (the "Aquarius Joint Venture"), Nevada Sunrise will be granted a 3% GOR on the Aquarius property.

*Exploration Expenditures*

Excess exploration expenditures incurred in any one period shall be credited to expenditures requirements in the following period. The expenditures may be accelerated at any time at the sole option of the Company and its interests acquired earlier. During the period that the Company is incurring exploration expenditures:

- (i) the Company shall be the operator on the Optioned Properties and shall have the right to determine budgets and exploration programs for the purposes of completing exploration expenditures; and
- (ii) Nevada Sunrise shall be the manager of all exploration programs and will be entitled to charge a fee of 10% on all exploration expenditures.

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**4. Exploration and Evaluation Assets (continued)**

*Water Rights*

Nevada Sunrise will grant to the Company the option (the “Water Rights Option”) to acquire a 100% interest in the Permit, exercisable for a period of 120 days after the later of the date that the Company exercises the Initial Option, and the date that the Nevada State Engineer approves the application to transfer the Place of Use and Point of Diversion of the Permit to the Aquarius property.

In order to maintain the Water Rights Option, the Company shall:

- (i) make all Water Rights cash payments required to be made after the date of the Nevada Sunrise LOI and until the exercise of the Water Rights Option;
- (ii) pay all legal and other costs associated with the application to transfer the Place of Use and Point of Diversion of the Permit; and
- (iii) pay all legal and other costs required to maintain the Permit.

In order to exercise the Water Rights Option, the Company shall pay to Nevada Sunrise an amount equal to the sum of:

- (i) the Water Rights cash payments made by Nevada Sunrise prior to the grant of the Water Rights Option;
- (ii) the value of the Water Rights share payments made by Nevada Sunrise before the exercise of the Water Rights 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 Rights 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 Permit; and
- (iv) US \$200,000, payable in cash or a calculated value in shares, at the Company’s option (the “Water Rights Option Payment”).

After exercise of the Water Rights Option, the Company shall be solely responsible for making all remaining Water Rights cash payments and Water Rights share payments.

*Underlying Payments*

In order to maintain the agreement in good standing, the Company will assume responsibility for all government and contractual maintenance costs and payments required to maintain the Optioned Properties and underlying agreements in good standing, including making the underlying payments as required by the underlying agreements.

Other than the cash payments required for the Water Rights Option, there are no underlying cash payments required to maintain the Optioned Properties. In respect of the Water Rights the following cash payments will be required:

<u>Due Date</u>	US \$
December 21, 2016	150,000
December 21, 2017	175,000
December 21, 2018	200,000
December 21, 2019	300,000
December 21, 2020	<u>350,000</u>
	<u>1,175,000</u>

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**4. Exploration and Evaluation Assets (continued)**

In order to maintain all underlying agreements Nevada Sunrise will have to issue the following number of shares:

<u>Year</u>	<u>Number of Nevada Sunrise Shares</u>
2016	700,000
2017	1,200,000
2018	600,000
2019	400,000
2020	<u>500,000</u>
	<u>3,400,000</u>

Under the terms of the Nevada Sunrise LOI the Company will issue its common shares in lieu of Nevada Sunrise shares. The number of shares the Company must issue will be calculated at the time of each share issuance based on a formula utilizing the 20 day volume weighted average prices of the Company and Nevada Sunrise.

See also Note 9.

**5. 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*

(i) During fiscal 2016 the Company arranged to undertake a non-brokered private placement financing of 16,100,000 common shares at \$0.25 per share for gross proceeds of \$4,025,000. As at July 31, 2016 the Company had received \$1,264,500 on account of the private placement and incurred \$10,750 share issue costs. See also Note 9(b).

(ii) During fiscal 2015 the Company completed a non-brokered private placement financing of 22,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$1,100,000. The Company paid the finder a fee of \$35,550 cash and issued 711,000 warrants at a fair value of \$4,824. Each warrant entitled the holder to purchase one common share of the Company at an exercise price of \$0.05 per share expiring April 7, 2016. The fair value of the warrants had been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.58%; expected volatility of 120.0%; an expected life of one year; a dividend yield of 0%; and an expected forfeiture rate of 0%. During fiscal 2016 the 711,000 warrants were exercised for \$35,550.

The Company incurred \$26,946 for legal and filing costs associated with the private placement financing.

(c) *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.



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**5. Share Capital** (continued)

During fiscal 2016 the Company granted share options to purchase 1,761,000 (2015 - 967,500) common shares and recorded compensation expense of \$411,648 (2015 - \$173,667).

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

	<u>2016</u>	<u>2015</u>
Risk-free interest rate	0.41% - 0.73%	0.59%
Estimated volatility	63.68% - 120.00%	110.59%
Expected life	3 years - 5 years	3 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 2016 was \$0.31 (2015 - \$0.18) per share option.

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, 2016 and 2015 and the changes for the years ended on those dates, is as follows:

	<u>2016</u>		<u>2015</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	967,500	0.27	-	-
Granted	1,761,000	0.37	967,500	0.27
Expired	(133,333)	0.20	-	-
Exercised	(100,000)	0.25	-	-
Forfeited	<u>(266,667)</u>	0.20	<u>-</u>	<u>-</u>
Balance, end of year	<u>2,228,500</u>	0.36	<u>967,500</u>	0.27

The following table summarizes information about the share options outstanding and exercisable at July 31, 2016:

Number	Exercise Price \$	Expiry Date
897,500	0.27	June 8, 2018
1,001,000	0.50	July 7, 2019
<u>330,000</u>	0.20	September 16, 2020
<u>2,228,500</u>		

The weighted average remaining contractual life of the above options as of July 31, 2016 was 2.67 years.

See also Note 9(a).

(d) *Escrow Shares*

As at July 31, 2016 and 2015, 76,666 common shares were held in escrow. See also Note 9(g).

(e) See also Notes 4 and 9.

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**6. Related Party Disclosures**

- (a) 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 Board of Directors and its executive officers.

During fiscal 2016 and 2015 one director held the position as the Company's President, Chief Executive Officer ("CEO" and Chief Financial Officer ("CFO") and one individual served as the Company's Corporate Secretary. The following compensation was incurred:

	2016 \$	2015 \$
President, CEO and CFO		
Share-based compensation	21,852	17,950
Corporate Secretary		
Professional fees	12,500	-
Share-based compensation	-	17,950
Non-management directors		
Professional fees	20,000	-
Share-based compensation	<u>63,432</u>	<u>74,941</u>
	<u>117,784</u>	<u>110,841</u>

During fiscal 2016 the Company expensed \$27,500 of key management compensation to professional fees and \$5,000 to general exploration costs. As at July 31, 2016, \$20,000 remained unpaid and has been included in accounts payable and accrued liabilities.

- (b) The Corporate Secretary was appointed on May 22, 2015. Since the appointment \$4,800 was incurred in fiscal 2015. During fiscal 2016, \$40,300 was incurred for accounting and administration services provided by a private company owned by the Company's Corporate Secretary. As at July 31, 2016, \$16,500 (2015 - \$4,800) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2016 the Company also recorded \$39,456 (2015 - \$8,975) for share-based compensation for share options granted to the private company.

- (c) See also Note 9(b).

**7. Income Taxes**

Deferred income tax assets and liabilities of the Company as at July 31, 2016 and 2015 are as follows:

	2016 \$	2015 \$
Deferred income tax assets		
Loss carry forwards	442,329	354,313
Other	<u>44,065</u>	<u>14,002</u>
	486,394	368,315
Valuation allowance	<u>(486,394)</u>	<u>(368,315)</u>
Net deferred income tax assets	<u>-</u>	<u>-</u>
Deferred income tax liabilities	<u>-</u>	<u>-</u>

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**7. Income Taxes** (continued)

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:

	2016 \$	2015 \$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>26%</u>	<u>26%</u>
Expected income tax recovery	225,307	66,939
Non-deductible share-based compensation	(107,028)	(45,153)
Share issuance cost	3,501	3,774
Other	(199)	(22)
Unrecognized benefit of income tax losses	<u>(121,581)</u>	<u>(25,538)</u>
Actual income tax recovery	<u>-</u>	<u>-</u>

As at July 31, 2016 the Company has non-capital losses of \$1,701,267 (2015 - \$1,362,741) and accumulated tax pools of \$169,482 (2015 - \$53,856) 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 2036.

**8. Financial Instruments and Risk Management**

*Categories of Financial Assets and Financial Liabilities*

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); held-to-maturity investments; loans and receivables; available-for-sale; and other liabilities. The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	July 31, 2016 \$	July 31, 2015 \$
Cash	FVTPL	1,976,132	1,111,476
Accounts payable and accrued liabilities	Other liabilities	(122,406)	(5,944)

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 and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company’s fair value of cash 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:

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**8. 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.

	<b>Contractual Maturity Analysis at July 31, 2016</b>				
	<b>Less than 3 Months \$</b>	<b>3 - 12 Months \$</b>	<b>1 - 5 Years \$</b>	<b>Over 5 Years \$</b>	<b>Total \$</b>
Cash	1,976,132	-	-	-	1,976,132
Accounts payable and accrued liabilities	(122,406)	-	-	-	(122,406)

	<b>Contractual Maturity Analysis at July 31, 2015</b>				
	<b>Less than 3 Months \$</b>	<b>3 - 12 Months \$</b>	<b>1 - 5 Years \$</b>	<b>Over 5 Years \$</b>	<b>Total \$</b>
Cash	1,111,476	-	-	-	1,111,476
Accounts payable and accrued liabilities	(5,944)	-	-	-	(5,944)

*Interest Rate Risk*

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

*Capital Management*

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to identify and evaluate potential business acquisitions and to negotiate acquisitions or participation agreements. 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 and cash. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

**9. Events after the Reporting Period**

- (a) Subsequent to July 31, 2016 the Company received all corporate and regulatory approvals to complete the transaction under the Nevada Sunrise LOI, to which the Company has:
  - (i) made the remaining Cash Payment of \$500,000 and issued 2,071,447 common shares of the Company as the Consideration Shares;

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**9. Events after the Reporting Period** (continued)

- (ii) issued 182,680 common shares of the Company and paid \$45,670 cash as a finder's fee; and
  - (iii) issued 172,218 common shares of the Company in lieu of 300,000 Nevada Sunrise shares pursuant to the Underlying Payments obligation, The Company also incurred a finder's fee of \$7,582.
- (b) Subsequent to July 31, 2016 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 paid finders' fees totalling \$269,040 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, for a period of two years from closing. Directors and officers of the Company and close family members purchased 536,000 common shares for \$134,000; and
  - (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 for a term of two years from the closing date at a price of \$0.75 per share. 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, for a period of two years from closing. Directors and officers of the Company and close family members purchased 389,000 units for \$233,400.
- (c) 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 Company can acquire the 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 as follows: (i) non-refundable deposit of US \$100,000 (paid) upon signing of the Santa Rita LOI; (ii) US \$250,000 (paid) and 300,000 common shares (issued) of the Company on the earlier of the date of TSXV acceptance and 90 days from date of the Santa Rita LOI; (iii) US \$250,000 and 300,000 common shares on the six month anniversary of TSXV acceptance; and (iv) US \$650,000 and 900,000 common shares on the first anniversary of TSXV acceptance
- A finder's fee is expected to be paid.
- (d) On September 12, 2016 the Company entered a letter of intent (the "Radius LOI") with Radius Gold Inc. ("Radius") pursuant to which the Company has been granted an option to acquire up to 100% interests in each of three projects, known as the Santa Maria Project, Union Project and Viesca Project (collectively the "Radius Projects") located in Chihuahua and Coahuila States, Mexico, pursuant to which the Company has paid \$75,000 and issued 250,000 common shares of the Company at a fair value of \$260,000.
- In order to exercise its option (the "First Option") to acquire an initial 55% interest in the Radius Projects, the Company is required to issue a total of 750,000 common shares of the Company and incur \$1,500,000 in exploration expenditures over a three year period.
- Upon exercise of the First Option the Company may elect to either form a joint venture with Radius or receive an option (the "Second Option") to acquire a further 15% interest in one or more of the Radius Projects. In order to exercise the Second Option the Company must complete a NI 43-101 compliant preliminary feasibility study within two years of the election date.
- After the exercise of the Second Option on any of the Radius Projects the Company has 60 days to purchase the remaining 30% interest in the project(s) at a price based on an independent valuation.
- (e) Subsequent to July 31, 2016 the Company issued 962,500 shares on the exercise of share options for proceeds of \$252,825;

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**9. Events after the Reporting Period** (continued)

- (f) Subsequent to July 31, 2016 the Company granted share options to purchase a total of 3,025,000 common shares of the Company at exercise prices ranging from \$0.71 per share to 1.20 per share.
- (g) On August 12, 2016 the Company and certain of its shareholders entered into an escrow agreement under which 3,651,000 common shares of the Company owned by the shareholders were placed in escrow. On September 14, 2016, 912,750 common shares were released from escrow.
- (h) On November 23, 2016 the Company entered into a letter of intent with Orocobre Limited (“Orocobre”) which will result in the Company acquiring up to 75% of Orocobre’s Cauchari project and a 100% interest in five other lithium brine projects (the “Acquisition”).

The terms and conditions of the Acquisition will be set out in a definitive agreement (the “Definitive Agreement”). In order to acquire the projects, the Company will issue to Orocobre 40,622,200 common shares in the capital of the Company. The completion of the Acquisition (the “Closing”) will occur on the second business day after satisfaction or waiver of the conditions to closing set out in the Definitive Agreement, or such other date as Orocobre and the Company may agree (and in any event within 90 days unless otherwise agreed). The completion of the Acquisition is subject to a number of conditions that will be set out in the Definitive Agreement, including:

- (i) the Company and Orocobre settling the terms of the Definitive Agreement to their mutual satisfaction and execution of the Definitive Agreement;
- (ii) the receipt of all required regulatory approvals, including the approval of the TSXV;
- (iii) the receipt of all shareholder and director approvals required by the Company;
- (v) completion of satisfactory due diligence by each of the Company and Orocobre;
- (vi) completion by the Company of an equity financing to raise gross proceeds of not less than the US \$15,000,000 to a maximum of US \$25,000,000;
- (vii) completion of a technical report on the projects, as required, prepared in compliance with NI 43-101; and
- (viii) no material adverse change in the business, operations, results, prospects, properties or assets of the Company having occurred prior to Closing.

Orocobre will retain a 1% royalty on the Cauchari properties, and will have a right of first refusal on brine production (and may enter into an offtake agreement in respect of such production).

The Company may pay a finder’s fee in respect of the Acquisition, provided that any such fee will comply with the applicable rules of the TSXV.

- (i) On November 22, 2016 the Company entered into an engagement agreement with Dundee Securities Ltd. (the “Agent”) for a private placement offering of transferrable subscription receipts (“Subscription Receipts”) at a price of \$1.00 per Subscription Receipt (the “Issue Price”) to raise aggregate proceeds of a minimum of \$20,000,000 (the “Offering”) on a best efforts basis. The Company has granted the Agent an option to offer for sale up to an additional 15% of the Subscription Receipts, at the Issue Price, exercisable in whole or in part at any time for a period of up to 48 hours prior to the closing date of the Offering.

Each Subscription Receipt will entitle the holder thereof to receive one common share of the Company, without payment of additional consideration or further action, provided that the escrow release conditions have been satisfied prior to the escrow deadline, upon the date (the “Qualification Date”) which is the earlier of: (i) four months and a day after the closing of the Offering; and (ii) the third business day following the issuance of a receipt for a final prospectus qualifying the common shares underlying the Subscription Receipts.

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**9. Events after the Reporting Period** (continued)

The Company will pay the agent a cash commission equal to 6% of the gross proceeds of the Offering, and will also issue compensation warrants (the "Compensation Warrant") equal to 6% of the number of Subscription Receipts sold pursuant to the Offering. Each Compensation Warrant shall be deemed exercised on behalf of, and without any required action on the part of, the holder thereof into one compensation option (a "Compensation Option") on the Qualification Date. Each Compensation Option will be exercisable into one common share of the Company at the Issue Price for a period of 24 months following the closing of the Offering. The Offering is subject to certain conditions including approval of the TSXV.