

MILLENNIAL LITHIUM CORP.
(formerly Redhill Resources Corp.)

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended November 30, 2016 and 2015

Expressed in Canadian Dollars

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

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Millennial Lithium Corp.
(formerly Redhill Resources Corp.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars – Unaudited)

	November 30, 2016	February 29, 2016
	\$	\$
ASSETS		
Current		
Cash	3,673,463	611,557
Receivables (Note 3)	37,649	7,435
Prepays	909,407	29,820
	4,620,519	648,812
Equipment (Note 4)	23,937	27,503
Exploration and evaluation assets (Note 5)	3,405,015	1,057,659
	8,049,471	1,733,974
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	188,263	35,939
Customer deposit	4,630	1,985
	192,893	37,924
Shareholders' equity		
Share capital (Note 9)	63,033,144	53,488,793
Reserves (Note 9)	3,309,232	394,846
Deficit	(58,485,798)	(52,187,589)
	7,856,578	1,696,050
	8,049,471	1,733,974

Nature and continuance of operations (Note 1)

Commitments (Note 11)

Subsequent events (Note 16)

Approved and authorized by the Board on January 30, 2017.

Approved on behalf of the Board of Directors:

"Graham Harris"
Director

"Andrew W. Bowering"
Director

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

Millennial Lithium Corp.
(formerly Redhill Resources Corp.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars – Unaudited)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
EXPENSES				
Advertising and related	153,340	-	153,340	300
Bad debts	16,800	-	40,425	-
Consulting fees	430,643	-	542,532	-
Depreciation (Note 4)	1,711	2,062	4,846	6,186
Foreign exchange (gain) loss	14,102	-	14,102	(332)
Investor relations	-	205	12,157	1,337
Management and directors fees (Note 10)	193,500	142,500	430,511	476,012
Office and rent (Note 10)	77,204	49,929	150,968	146,154
Professional fees	122,936	22,183	185,257	33,717
Property investigation and due diligence	19,873	-	77,280	4,375
Regulatory and shareholder services	32,631	1,768	55,967	8,378
Salaries and wages	33,606	-	33,606	1,705
Share-based compensation (Notes 9 and 10)	2,027,815	-	3,254,485	-
Travel and related	150,518	4,613	226,355	18,445
Loss before other items	(3,274,679)	(223,260)	(5,181,831)	(696,277)
FINANCE AND OTHER ITEMS				
Impairment of financial assets (Note 7)	-	(293,959)	-	(293,959)
Impairment of loan receivable (Note 6)	-	-	-	(610,168)
Interest income	2,268	671	2,268	29,642
Loss on warrants held (Note 7)	-	(8)	-	(924)
Loss on sale of financial assets (Note 7)	-	(224,594)	-	(315,364)
Gain on recovery of exploration and evaluation assets (Note 5)	63,620	-	63,620	-
Recovery (write-off) of exploration and evaluation assets (Note 5)	-	-	(1,333,655)	183,492
	65,888	(517,890)	(1,267,767)	(1,007,281)
Net loss for the period	(3,208,791)	(741,150)	(6,449,598)	(1,703,558)
OTHER COMPREHENSIVE LOSS				
Net change in fair value of financial assets, net of tax	-	31,229	-	(293,959)
Reclassification of impairment on financial assets	-	293,959	-	293,959
	-	325,188	-	-
Total comprehensive loss for the period	(3,208,791)	(415,962)	(6,449,598)	(1,703,558)
Basic and diluted loss per common share				
Net loss for the period	\$ (0.11)	\$ (0.07)	\$ (0.35)	\$ (0.16)
Weighted average number of common shares outstanding	28,153,113	10,341,198	18,198,622	10,341,198

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

Millennial Lithium Corp.
(formerly Redhill Resources Corp.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars – Unaudited)

	Nine months ended November 30,	
	2016	2015
	\$	\$
Cash flows used in operating activities		
Loss for the period	(6,449,598)	(1,703,558)
Items not affecting cash:		
Bad debt expense	40,425	-
Depreciation	4,846	6,186
Accrued interest on loan receivable	-	(24,033)
Share-based compensation	3,254,485	-
Impairment of loan receivable	-	610,168
Impairment of financial assets	-	293,959
Loss on warrants held	-	924
Loss on sale of financial assets	-	315,364
Gain on disposal of exploration and evaluation assets	(63,620)	-
Write-off of exploration and evaluation assets	1,333,655	(183,492)
Changes in non-cash working capital items:		
Receivables	(70,639)	(20,932)
Prepays	(879,587)	49,193
Accounts payable and accrued liabilities	123,696	(37,545)
Customer deposits	2,645	2,836
	<u>(2,703,692)</u>	<u>(690,930)</u>
Cash flows from (used in) investing activities		
Exploration and evaluation asset expenditures	(1,604,263)	149,641
Proceeds from sale of financial assets	-	100,043
Purchase of equipment	(1,280)	(4,282)
Reclamation bonds	-	5,004
	<u>(1,605,543)</u>	<u>250,406</u>
Cash flows from financing activities		
Shares issued for cash	6,075,000	-
Share issuance costs	(147,198)	-
Proceeds from exercise of options	151,000	-
Proceeds from exercise of warrants	1,292,339	-
	<u>7,371,141</u>	<u>-</u>
Change in cash during the period	3,061,906	(440,524)
Cash, beginning of period	611,557	1,184,261
Cash, end of period	3,673,463	743,737

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Millennial Lithium Corp.
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Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars – Unaudited)

			<u>Reserves</u>		
	Number of Shares Issued	Share Capital	Share Options	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$
Balance at February 28, 2015	10,341,198	53,488,793	622,939	(50,479,772)	3,631,960
Forfeited share options	-	-	(228,093)	228,093	-
Comprehensive loss for the period	-	-	-	(1,703,558)	(1,703,558)
Balance at November 30, 2015	10,341,198	53,488,793	394,846	(51,955,237)	1,928,402
Comprehensive loss for the period	-	-	-	(232,352)	(262,352)
Balance at February 29, 2016	10,341,198	53,488,793	394,846	(52,187,589)	1,696,050
Private placement	15,500,000	6,075,000	-	-	6,075,000
Shares issued pursuant to acquisition of exploration and evaluation assets	2,000,000	1,940,000	-	-	1,940,000
Shares issued for finders' fees	189,137	336,664	-	-	336,664
Share options exercised	465,000	339,710	(188,710)	-	151,000
Warrants exercised	4,292,538	1,292,339	-	-	1,292,339
Share issuance costs	-	(439,362)	-	-	(439,362)
Share based compensation	-	-	3,254,485	-	3,254,485
Forfeited share options	-	-	(151,389)	151,389	-
Comprehensive loss for the period	-	-	-	(6,449,598)	(6,449,598)
Balance at November 30, 2016	32,787,873	63,033,144	3,309,232	(58,485,798)	7,856,578

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Millennial Lithium Corp. (the “Company”) (formerly Redhill Resources Corp.) was incorporated on March 7, 2005 under the laws of the Province of British Columbia. The Company completed a change of name on June 24, 2016 and is currently listed on the TSX Venture Exchange (“TSX-V”) under the symbol “ML” and the OTCQB markets in the United States under the symbol “MLNLF”. The Company also trades on the Frankfurt stock exchange. The Company’s principal business is to acquire, explore and develop lithium mineral properties and oil & gas resource interests.

The head office and principal address of the Company is Suite 2000, 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2K3. The registered and records office is located at Suite 650, 1188 West Georgia Street, Vancouver, BC, V6E 4A2.

In June 2016, the Company completed a share consolidation on the basis of one new post-consolidation common share for every two pre-consolidation common shares. All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this share consolidation.

The Company’s exploration and evaluation assets are at the exploration stage and are without a known body of commercial ore or hydrocarbon reserves. The business of exploring for exploration and evaluation assets involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines or wells. Major expenses may be required to establish mineral property and oil and gas reserves, to acquire construction and operating permits and to construct mineral property and/or oil and gas production and processing facilities. The amounts shown as exploration and evaluation assets represent acquisition, holding and exploration and evaluation costs and do not necessarily represent present or future recoverable values. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the Company obtaining the necessary financing to complete the exploration and development of the properties, the discovery of economically recoverable reserves and future profitable operations.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent upon the successful acquisition of resource properties and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with current working capital, proceeds from exercise of options, and further private placements.

These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Condensed Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. Therefore, it is recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended February 29, 2016.

The condensed interim consolidated financial statements of the Company for the three and nine months ended November 30, 2016 were approved and authorized for issue by the Board of Directors on January 30, 2017.

Basis of presentation

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Proyecto Pastos Grandes S.A. All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with IFRS 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 the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets including oil and gas interests, determination of functional currency, valuation of share-based compensation and other equity based payments, and the recoverability and measurement of deferred tax assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Critical judgment exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of hydrocarbon deposits with similar characteristics to its own properties to proven and probable hydrocarbon reserves, a history of conversion of oil and gas reserves with similar characteristics to its own properties to proven and probable hydrocarbon reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Functional currency

The functional currency of the Company and its wholly owned subsidiary is the Canadian dollar ("CAD"); however, determination of functional currency may involve certain judgments to determine the primary economic environment which is re-evaluated for each new entity or if conditions change.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation, investment in warrants, and convertible features

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and other equity based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Accounting pronouncements not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the nine months ended November 30, 2016 and have not been applied in preparing these condensed interim consolidated financial statements.

- a) IFRS 9 – Financial Instruments: Classification and Measurement: applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management does not anticipate this standard having a material effect on the Company's consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting pronouncements not yet adopted (continued)

- b) IFRS 15 – Revenue from Contracts with Customers: establishes principles that an entity shall report more useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. More specifically to production (and sales) based royalties, variable consideration is estimated and included in the transaction price to the extent it is highly probable that there will be no significant reversal in the amount of cumulative revenue recognized when the uncertainty is resolved. This new approach to variable revenue could accelerate the recognition of revenue which depends on future production (or sales) levels. The standard was issued in May 2014 and is effective for annual periods beginning on or after January 1, 2018. Management is currently evaluating the impact this standard will have on the Company's consolidated financial statements.
- c) IFRS 16 – Leases: specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. Management is currently evaluating the impact this standard will have on the Company's consolidated financial statements.
- d) IAS 7 – Statement of Cash Flows (disclosure initiative): these amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfill the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment is effective for reporting periods beginning on or after January 1, 2017. Management does not anticipate this standard having a material effect on the Company's consolidated financial statements.

3. RECEIVABLES

	November 30, 2016	February 29, 2016
	\$	\$
Sales tax receivable	4,272	4,638
Other receivables, net of allowance for doubtful accounts	33,377	2,797
	37,649	7,435

Millennial Lithium Corp.
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Notes to Condensed Interim Consolidated Financial Statements
November 30, 2016
(Expressed in Canadian Dollars – Unaudited)

4. EQUIPMENT

	Computer equipment	Leasehold improvement	Other equipment	Total
	\$	\$	\$	\$
Cost:				
At February 28, 2015 and February 29, 2016	78,775	80,039	79,920	238,734
Additions	1,280	-	-	-
At November 30, 2016	78,775	80,039	79,920	238,734
Depreciation:				
At February 28, 2015	63,561	80,039	59,384	202,984
Additions	3,292	-	4,955	8,247
At February 29, 2016	66,853	80,039	64,339	211,231
Additions	1,873	-	2,973	4,846
At November 30, 2016	68,726	80,039	67,312	216,077
Net book value:				
At February 29, 2016	11,922	-	15,581	27,503
At November 30, 2016	11,329	-	12,608	23,937

Millennial Lithium Corp.
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Notes to Condensed Interim Consolidated Financial Statements
November 30, 2016
(Expressed in Canadian Dollars – Unaudited)

5. EXPLORATION AND EVALUATION ASSETS

	Mineral Properties				Oil and Gas Properties	Total
	Lincoln Lithium Project (USA)	Pastos Grandes Project (Argentina)	Cauchari East Project (Argentina)	Cruz Project (Argentina)	Montney Project (Canada)	
	\$	\$				
Balance, February 28, 2015	-	-	-	-	1,023,808	1,023,808
Exploration expenditures:						
Geological and engineering contractors	-	-	-	-	26,683	26,683
Lease rentals	-	-	-	-	7,168	7,168
Subtotal	-	-	-	-	33,851	33,851
Balance, February 29, 2016	-	-	-	-	1,057,659	1,057,659
Acquisition costs	1,325,000	1,904,559	12,807	201,897	-	3,444,263
Exploration expenditures:						
Drilling and metallurgical	-	31,470	-	-	-	31,470
Geological and engineering contractors	8,655	357,312	105	-	87	366,159
Maintenance	-	7,410	-	-	-	7,410
Field Supplies	-	4,045	-	-	-	4,045
Travel and accommodations	-	22,393	-	92	-	22,485
Lease rentals	-	-	-	-	7,168	7,168
Subtotal	1,333,655	2,327,189	12,912	201,989	7,255	3,883,000
Write-down of exploration and evaluation assets	(1,333,655)	-	-	-	-	(1,333,655)
Recovery of exploration and evaluation assets	-	-	-	(201,989)	-	(201,989)
Balance, November 30, 2016	-	2,327,189	12,912	-	1,064,914	3,405,015

5. EXPLORATION AND EVALUATION ASSETS (continued)

MINERAL PROPERTIES

Lincoln Lithium Project

In May 2016, the Company entered into a property option and assignment agreement with a vendor to acquire 100% right, title and interest in and to the Lincoln Lithium Property (the “Lincoln Property”) in Nevada. To earn its interest in the Lincoln Property, the agreement calls for the Company to pay the underlying owner of the Lincoln Property:

- (1) a non-refundable deposit of \$25,000 (paid) upon signing of the agreement; and
- (2) an additional \$225,000 (paid) upon approval of the agreement by the TSX Venture Exchange (the “Exchange”).

The Company is also required to expend \$250,000 in exploration expenditures on the Lincoln Property and pay an additional \$750,000 to the vendor to earn its interest on or before July 7, 2017. The vendor was issued 1,500,000 common shares (issued – Note 9) upon closing of the agreement.

Upon exercise of the option agreement, the underlying owner will retain a 1% gross overriding royalty. The Company may purchase the gross overriding royalty for cash consideration of \$1,000,000.

A finder's fee of \$25,000 was paid in connection with this agreement.

Based on certain assay results from drill activity in October 2016, management decided to cease exploration activity on the project and not pay any further option payments to maintain the property in good standing; as such, the Company wrote-down this project to \$Nil during the period.

Pastos Grandes Lithium Project

In July 2016, the Company entered into an initial purchase agreement to purchase 100% of the Pastos Grandes Lithium Property (the “Pastos Grandes Property”) in Salta Province, Argentina. In September 2016, the Company finalized a definitive agreement with the vendors. Pursuant to the terms of the agreement, the Company can acquire a 100% interest in the Pastos Grandes Property in consideration for the following payments and share issuances to the vendor:

- Pay US\$200,000 (Cdn\$260,780 paid) deposit on execution of the Initial Agreement;
- Pay US\$500,000 (Cdn\$661,350 paid) and issue 500,000 common shares (issued – Note 9) on TSX-V exchange approval of the definitive agreement;
- Pay US\$500,000 and issue 500,000 in common shares of the Company on or before April 6, 2017;
- Make exploration expenditures of US\$1,600,000 on or before September 16, 2017; and
- Pay US\$1,000,000 to the vendors on or before October 6, 2017.

The Pastos Grandes Property is subject to a royalty equal to 1.5% of the gross annual sales of lithium from the project, which the Company has the option to purchase for US\$3,000,000 after October 6, 2019.

A finder's fee equal to 5% of all cash payments and share issuance is payable based on the cash payments and share issuance schedule required to be made to the vendors as described above. As at November 30, 2016, \$46,146 (US\$35,000) was paid in cash and 25,000 common shares, with a value of 44,500, have been issued (Note 9).

5. EXPLORATION AND EVALUATION ASSETS (continued)

Cauchari East Lithium Project

In September 2016, the Company entered into a property option agreement with a vendor to acquire 100% of the Cauchari East Lithium Property (the “Cauchari East Property”) in Jujuy Province, Argentina. Under the terms of the agreement, the Company can acquire a 100% interest in the Cauchari East Property in consideration of the following payments, shares issuances, and work commitments:

- To earn a 50% interest in the property:
 - Pay to the vendor US\$250,000 (Cdn\$13,076 (US\$10,000) paid) upon execution of the agreement and confirmation of title to the property being obtained by the Company;
 - Issue to the vendor US\$500,000 worth of the Company's common shares within 10 business days of the date of the TSX-V exchange approval (the “Approval Date”) of this agreement;
 - Pay to the vendor an additional US\$70,000 on or before the first anniversary of the Approval Date;
 - Issue to the vendor an additional US\$1,000,000 worth of the Company's common shares on or before the first anniversary of the Approval Date; and
 - Make US\$2,000,000 in expenditures on or before the first anniversary of the Approval Date unless another date is agreed by the parties;
- To earn a further 50% interest in the property:
 - pay to the vendors and additional US\$1,000,000 on or before the third anniversary date of the Approval Date;
 - issue to the vendors an additional US\$1,000,000 worth of the Company's common shares on or before the third anniversary date of the Approval Date; and
 - make an additional US\$2,000,000 in expenditures on or before the third anniversary of the Approval Date.

Upon acquiring a 100% interest in the Cauchari East Property, the vendor will retain a 3.5% gross overriding royalty. The Company may purchase 2% of the gross overriding royalty for cash consideration of US\$2,000,000.

A finder's fee of US\$157,500 in cash payments is payable on acquiring the first 50% interest in the property and a further US\$100,000 in cash payments is payable if the Company earns a 100% interest in the property. As at November 30, 2016, no finder's fees had been paid.

Cruz Lithium Project

In October 2016, the Company entered into a property option agreement with a vendor to acquire 100% of the Cruz Lithium Property (the “Cruz Property”) in Salta Province, Argentina. Under the terms of the agreement, the Company can acquire a 100% interest in the Cruz Property in consideration of the following payments:

- Pay to the vendor US\$25,000 (Cdn\$33,285 paid) within 10 business days of the execution of this agreement;
- Pay to the vendor US\$125,000 (Cdn\$169,838 paid) upon receiving TSX-V exchange approval;
- Pay to the vendor US\$550,000 on or before October 11, 2017; and
- Pay to the vendor US\$550,000 on or before October 11, 2018.

5. EXPLORATION AND EVALUATION ASSETS (continued)

MINERAL PROPERTIES (continued)

Cruz Lithium Project (continued)

In November 2016, the Company entered into a property option agreement with Southern Lithium Corp. ("Southern Lithium") whereby Southern Lithium will be granted the option to acquire up to an 80% interest in the Cruz Property. Under the terms of the agreement, Southern Lithium can acquire an 80% interest in the Cruz Property in consideration of the following payments, shares issuances, and work commitments:

- To earn a 70% interest in the property:
 - Pay to the Company US\$150,000 (Cdn\$200,750 received) prior to the execution of the agreement;
 - Pay to the Company US\$50,000 (Cdn\$67,340 received) upon execution of the agreement;
 - Issue to the Company 540,000 common shares of Southern Lithium within 5 business days of the date of the TSX-V exchange approval of this agreement is received by Southern Lithium;
 - Deposit to a joint exploration bank account US\$500,000 prior to November 30, 2016 (deposit made subsequently);
 - Expend US\$500,000 in exploration expenditures on the property on or before October 1, 2017;
 - Pay to the Company US\$1,000,000 on or before October 1, 2017; and
 - Pay to the Company US\$1,000,000 on or before October 1, 2018;
- To earn a further 10% interest in the property, Southern Lithium must complete a bankable commercial feasibility study on the property on or before May 10, 2020.

As at November 30, 2016, the Company had received \$268,090 in deposits from Southern Lithium resulting in a recovery of exploration and evaluation expenses of \$201,989 and a gain on recovery of exploration and evaluation expenses of \$63,620.

OIL AND GAS PROPERTIES

Montney Project

In September 2014, the Company acquired a 100% interest in a total of eight sections of crown petroleum and natural gas leases (the "Montney Leases") from the Government of Alberta's September 17, 2014 public offering of Crown land rights for total consideration of \$1,008,640. The Montney Leases cover 2,048 hectares in North Western Alberta, have a four-year exploration term, and require annual lease rentals of \$7,168. The acquired rights are in the exploration and pre-production phase and as such, the Company has capitalized all related exploration expenditures incurred. All costs incurred prior to obtaining the land rights were expensed as property investigation and due diligence costs in the statement of loss and comprehensive loss.

In February 2016, the Company entered into a farm-out arrangement with an arm's length party ("PrivateCo"). Under the terms of the arrangement, PrivateCo is required to drill a single step-out well on the project by October 31, 2016 (later extended to January 31, 2017) to earn the lands and evaluate the project for subsequent drilling and development. Upon completion of a test well to the Montney formation, PrivateCo will then earn 100% of the Company's pre farm-out working interest in the Montney project.

5. EXPLORATION AND EVALUATION ASSETS (continued)

OIL AND GAS PROPERTIES (continued)

Montney Project (continued)

In exchange for the earned rights, PrivateCo will pay a gross overriding royalty to the Company of 2.5% of the gross monthly production thereof produced from each Royalty well, payable prior to operating expenses, and at no capital risk to the Company.

GORR Lands

In December 2013, the Company acquired a 100% interest in seven-crown petroleum and natural gas leases (the "Leases") located in North Western Alberta from the Government of Alberta public offering of Crown land rights. In May 2014, the Leases were sold to High North Resources Ltd ("High North").

The Company retained a 2.5% gross overriding royalty in any production for the Leases. As at November 30, 2016, there was no production from these leases.

6. LOAN RECEIVABLE

In April 2014, the Company purchased 850 12% one-year convertible debentures at a subscription price of \$1,000 per debenture. The debentures bore interest at 12% per annum which was payable semi-annually. Each debenture was convertible at the holder's option into common shares of High North for a period of one year at \$0.85 per common share.

High North informed the Company they were not able to repay the principal and remaining interest payment of the debenture that matured on April 4, 2015. In March 2015, the Company waived the event of default by High North and agreed to participate in a Plan of Arrangement (the "Plan"). Under the Plan, the Company agreed to convert the principal and accrued interest receivable into common shares of High North at a deemed value of \$0.06 per share. Annual interest was reduced to 6% from April 4, 2015 up to the date of redemption, resulting in the recognition of \$24,033 in total interest income during the year ended February 29, 2016.

In July 2015, the Company finalized the election under the Plan to convert its entire principal and remaining interest balance into common shares of High North, which resulted in the receipt of 15,254,203 High North common shares (Note 7) at a fair value of \$0.02 per share. The Company recognized an impairment on its loan receivable of \$610,168 due to the terms of the transaction during the year ended February 29, 2016.

7. FINANCIAL ASSETS

In October 2013, the Company subscribed to 3,000,000 units of High North (the "High North Unit") at a price of \$0.35 per unit for \$1,050,000. Each High North Unit consisted of one common share and one-half share purchase warrant, which was exercisable for two years at an exercise price of \$0.50 per whole warrant. No value was allocated to the warrants on initial recognition.

In July 2015, the Company received 15,254,203 common shares of High North valued at \$0.02 per share as a result of the Company's election to fully convert its debenture and remaining interest payment (Note 6).

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7. FINANCIAL ASSETS (continued)

During the year ended February 29, 2016, the Company acquired an additional 424,000 common shares of High North for \$0.01 per share and sold 12,824,203 common shares of High North for total proceeds of \$105,715 which resulted in a loss on sale of financial assets of \$315,422.

At November 30, 2016, the Company held 8,854,000 (February 29, 2016 – 8,854,000) High North shares; however, management determined that the shares had a fair value of \$Nil (February 29, 2016 – \$Nil) as High North was placed into receivership in January 2016. As a result, the Company recorded a permanent impairment of these financial assets, net of tax, of \$338,229 during the year ended February 29, 2016.

Warrants:

In October 2015, the 1,500,000 warrants held in High North expired unexercised. As a result, the Company recorded a loss on warrants held of \$924 during the year ended February 29, 2016.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	November 30, 2016	February 29, 2016
	\$	\$
Accounts payable	118,475	6,939
Accrued liabilities	33,423	29,000
Payroll liabilities	36,365	-
	188,263	35,939

9. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

In June 2016, the Company completed a share consolidation on the basis of one new post-consolidation common share for every two pre-consolidation common shares. All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this share consolidation.

Issued share capital

During the nine months ended November 30, 2016, the Company:

- a) Completed a non-brokered private placement in July 2016 which consisted of the issuance of 8,000,000 units at a price of \$0.15 per unit for gross proceeds of \$1,200,000. Each unit consisted of one common share and one share purchase warrant exercisable for a two-year period at an exercise price of \$0.30 per warrant. The warrants are subject to an acceleration clause whereby if the Company's shares closes at or above \$1.00 for a period of 20 consecutive trading days, the holders of the Warrant will either have to exercise them on 14 days notice or the warrants will be cancelled;

9. SHARE CAPITAL AND RESERVES (continued)

Issued share capital (continued)

- b) Completed a non-brokered private placement in September 2016 which consisted of the issuance of 7,500,000 units at a price of \$0.65 per unit for gross proceeds of \$4,875,000. Each unit consisted of one common share and one-half share purchase warrant exercisable for a two-year period at an exercise price of \$1.00 per warrant. The Company paid finders' fees of \$106,938 and issued 164,137 finders' shares valued at \$292,164 in connection with the close of this private placement;
- c) Issued 1,500,000 shares valued at \$1,050,000 pursuant to the Lincoln Lithium Project property agreement (Note 5);
- d) Issued 500,000 shares valued at \$890,000 pursuant to the Pastos Grandes Project property agreement (Note 5). The Company issued 25,000 finders' shares valued at \$44,500 in connection with the issuance of these shares;
- e) Issued 465,000 common shares in connection with the exercise of 150,000 share options at \$0.31 per option for proceeds of \$46,500, 20,000 share options at \$0.80 per option for proceeds of \$16,000, and 295,000 share options at \$0.30 per option for proceeds of \$88,500. As a result, the Company transferred \$188,710 representing the fair value of the exercised share options from reserves to share capital; and
- f) Issued 4,292,538 common shares in connection with the exercise of 3,951,000 share warrants at \$0.30 per warrant for proceeds of \$1,185,300 and 6,539 share warrants at \$1.00 per warrant for proceeds of \$6,539.

Share Options

The Company has a share option plan (the "Plan") whereby the Company can grant share options to directors, officers, employees and consultants enabling them to acquire up to 10% of the issued common shares of the Company. Options granted can have a maximum term of ten years and the board of directors can determine the vesting requirements.

During the nine months ended November 30, 2016, the Company granted 2,800,000 (November 30, 2015 – nil) share options with a total fair value of \$3,254,485 (November 30, 2015 - \$nil).

During the nine months ended November 30, 2016, 187,500 (November 30, 2015 - 565,000) stock options were forfeited. As a result, \$151,389 (November 30, 2015 - \$228,093) was transferred from reserves to deficit.

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the valuation of the share options granted:

	For the nine months ended November 30,	
	2016	2015
Risk-free interest rate	0.71%	-
Dividend yield	Nil	-
Expected life	5 years	-
Volatility	138%	-

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9. SHARE CAPITAL AND RESERVES (continued)

Share Options (continued)

Share options transactions are summarized as follows:

	Number of Share Options	Weighted Average Exercise Price
		\$
Balance, February 28, 2015	865,000	0.72
Forfeited	<u>(282,500)</u>	0.80
Balance, February 29, 2016	582,500	0.70
Granted	2,800,000	1.28
Exercised	<u>(465,000)</u>	0.32
Forfeited	<u>(187,500)</u>	0.80
Balance, November 30, 2016	2,730,000	1.39

A summary of the share options outstanding and exercisable at November 30, 2016 is as follows:

Number of Share Options	Exercise Price	Expiry Date
	\$	
175,000	0.80	August 11, 2019
50,000	1.00	September 25, 2019
155,000	0.30	June 25, 2021
800,000	1.22	August 25, 2021
<u>1,550,000</u>	1.65	October 12, 2021
2,730,000		

The weighted average life of share options outstanding at November 30, 2016 was 4.64 years.

Warrants

During the nine months ended November 30, 2016, the Company issued 8,000,000 warrants with an exercise price of \$0.30 per warrant in connection with the July 2016 private placement and a further 3,832,069 warrants with an exercise price of \$1.00 per warrant in connection with the September 2016 private placement.

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9. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance February 28, 2015	1,412,499	0.32
Expired	<u>(1,412,499)</u>	0.32
Balance February 29, 2016	-	-
Granted	11,832,069	0.52
Exercised	<u>(3,957,539)</u>	0.30
Balance, November 30, 2016	7,874,530	0.64

A summary of the warrants outstanding at November 30, 2016 is as follows:

Number of Warrants	Exercise Price	Expiry Date
	\$	
4,049,000	0.30	July 7, 2018
<u>3,825,530</u>	1.00	September 16, 2018
7,874,530		

The weighted average life of warrants outstanding at November 30, 2016 was 1.75 years.

10. RELATED PARTY TRANSACTIONS

In August 2014, the Company signed two Executive Employment Agreements, which stated that each executive would earn an annual salary of \$180,000 plus bonuses. In November 2015, the Company and the current executives and officers agreed to reduce their monthly salaries to \$4,000 effective January 2016 as part of cost cutting initiatives. In July 2016, several executives and officers entered into new consulting agreements (described below).

In May 2016, the former CEO agreed to resign from his position in exchange for a termination payment of \$40,000.

In July 2016, the Company signed several new consulting agreements with officers and a director of the Company. The agreements require total combined payments of \$60,000 per month for an effective term of five years. Included in each agreement is a provision for a one-year payout in the event of a termination without notice.

In August 2016, the Company signed a consulting agreement with the VP of Exploration and Development whereby the consultant will earn a monthly salary of USD\$17,940 for an effective term of one year and a signing bonus of \$130,000. Included in the agreement is a provision for a ninety-day payout in the event of a termination without notice.

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10. RELATED PARTY TRANSACTIONS (continued)

During the nine months ended November 30, 2016, the Company entered into the following transactions with related parties, not disclosed elsewhere in these condensed interim consolidated financial statements:

- a) Rent recoveries of \$13,000 (November 30, 2015 - \$18,800), office recoveries of \$14,000 (November 30, 2015 - \$16,200), and payroll recoveries of \$Nil (November 30 - 2015 - \$4,000) were received from companies related by way of common directors and officers.

As at November 30, 2016, the Company had a receivable of \$Nil (February 29, 2016 - \$147) owed by a company related by way of a director whom acts in capacity as an officer of this company.

As at November 30, 2016, the Company made prepayments of \$285,000 (February 29, 2016 - \$Nil) to officers and directors of the Company for future management fees which is included in prepaids.

As at November 30, 2016, the Company owed \$1,922 (February 29, 2016 - \$400) to directors of the Company for reimbursement of expenses which is included in accounts payable and accrued liabilities and \$6,300 (February 29, 2016 - \$Nil) to a company related by way of common directors and officers for an advanced rent payment.

Summary of key management personnel compensation:

	For the nine months ended November 30,	
	2016	2015
	\$	\$
Director's fees	-	5,000
Management fees	429,500	466,500
Professional fees	16,015	-
Exploration expenditures – consulting	248,907	-
Share based compensation	2,084,926	-
	2,779,348	471,500

11. COMMITMENTS

- a) Commencing June 1, 2009, the Company entered into a three-year term lease agreement for office space in Vancouver, British Columbia. The Company receives recoveries on a month to month basis from various sub-tenants. On January 4, 2012, the Company signed a lease amending agreement extending the lease for an additional five years. The remaining minimum future lease payments, excluding operating costs are as follows:

December 1, 2016 to February 28, 2017	\$ 26,768
March 1, 2017 to May 31, 2017	\$ 26,768

- b) In August 2016, the Company entered into an agreement with a consultant to provide consulting services to the Company for a one-year period of \$22,000 per month. Included in this agreement is a provision for a sixty-day payout in the event of a termination without notice.

12. CAPITAL DISCLOSURE AND MANAGEMENT

The Company manages its capital structure and makes adjustments, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral and oil and gas 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. In the management of capital, the Company includes shareholders equity and long term obligations as capital.

In order to carry out planned exploration and development activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. In addition, the Company is dependent upon external financings to fund activities. The Company will continue to explore its existing 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. The Company is not subject to any externally imposed capital restrictions.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and customer deposits. The fair value of receivables, accounts payables and accrued liabilities, and customer deposits approximates their carrying values. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity, commodity price and market price risk.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The functional currency of the Company and its wholly owned subsidiary is the Canadian dollar. While the Company's parent is Canadian and its capital is raised in Canadian dollar, the Company conducts business outside of Canada in that it has a mineral property located in Argentina. Therefore, the Company is exposed to foreign currency risk to the extent expenditures incurred and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily United States dollars ("US") and Argentinean pesos ("pesos")).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Currency risk (continued)

As at November 30, 2016, the Company has net monetary assets of US\$787,083 (February 29, 2016 –US\$12) as such, each 1% change in the Canadian dollar versus the United States dollar would result in a gain/loss of approximately US\$7,900.

As at November 30, 2016, the Company has net monetary assets of 1,411,122 pesos (February 29, 2016 –US\$12) as such, each 1% change in the Canadian dollar versus the Argentinean peso would result in a gain/loss of approximately 14,100 pesos.

The Company has not entered into any foreign currency contracts to mitigate any currency risks.

b) Credit risk

Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and its receivables consist of amounts due from the Canadian and Argentinean governments and various businesses. The Company is not exposed to significant credit risk on its balances due from the Canadian and Argentinean governments; however, there is credit risk related to the balances due from the various businesses as there is no guarantee those receivables will be fully collected. As at November 30, 2016, the Company recorded \$80,325 of allowance for doubtful accounts, which is representative of the high credit risk associated with these receivables.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is minimal interest rate risk, as the Company does not have any interest-bearing debt.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. As at November 30, 2016, the Company had a cash balance of \$3,673,463 and working capital of \$4,427,626. However, additional funds may be required to meet the option payments pursuant to the options agreements for the Pastos Grandes Lithium Project, Cauchari East Lithium Project, and Cruz Lithium Project to keep these properties in good standing.

e) Commodity price risk

The Company is subject to price risk for fluctuations in the market price of oil and gas and lithium. Mineral resources and oil and gas prices are affected by numerous factors beyond the Company's control, including central bank sales, producer hedging activities, the relative exchange rate of the US with other major currencies, global and regional demand, and political and economic conditions. Worldwide lithium and oil and gas production levels also affect the respective pricing of these resources, and the price of oil and gas are occasionally subject to rapid short-term changes due to speculative activities. The Company does not actively manage its exposure to price risk associated with these commodities.

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

f) Market price risk

Market price risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

14. SUPPLEMENTAL NON-CASH DISCLOSURES

	For the nine months ended November 30,	
	2016	2015
	\$	\$
Conversion of loan receivable into financial assets	-	305,084
Reallocation of value of options of exercise	188,710	-
Reallocation of reserves on forfeited and expired options and warrants	151,389	228,093
Shares issued pursuant to acquisition of exploration and evaluation assets	1,940,000	-
Shares issued for finders' fees pursuant to acquisition of exploration and evaluation assets	44,500	-
Shares issued for finders' fees pursuant to share issuances	292,164	-
Exploration and evaluation assets in accounts payable	28,628	-

15. SEGMENTED INFORMATION

The Company has one operating segment, being the exploration of resource properties. Geographic information is as follows:

	As at November 30, 2016		
	Canada	Argentina	Total
	\$	\$	\$
Equipment	23,937	-	23,937
Mineral properties	-	2,340,101	2,340,101
Oil and gas interest	1,064,914	-	1,064,914
	1,088,851	2,340,101	3,428,952

As at February 29, 2016, all equipment, mineral properties, and oil and gas interests were located in Canada.

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16. SUBSEQUENT EVENTS

- a) In December 2016, the Company granted 225,000 share options to certain consultants of the Company with a term of 5 years which are exercisable at a price of \$1.45 per common share.
- b) In January 2017, the Company granted 400,000 share options to certain consultants of the Company with a term of 2 years which are exercisable at a price of \$1.40 per common share.
- c) In December 2016 and January 2017, the Company issued 2,226,090 common shares as a result of the following:
 - i. Exercise of 80,000 share options at \$0.30 per option for proceeds of \$24,000.
 - ii. Exercise of 2,145,362 warrants for proceeds of \$755,154 based on the exercise of 1,987,051 warrants at \$0.30 per warrant and 159,039 warrants at \$1.00 per warrant.