NEO LITHIUM CORP.

CONSOLIDATED
FINANCIAL STATEMENTS
FROM JANUARY 15, 2016
(DATE OF INCORPORATION)
TO DECEMBER 31, 2016

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors' Report

To the Shareholders of Neo Lithium Corp.:

We have audited the accompanying consolidated financial statements of Neo Lithium Corp., which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity, and for the period from January 15, 2016, the date of incorporation, to December 31, 2016, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Neo Lithium Corp. as at December 31, 2016, and its financial performance and its cash flows for the period from January 15, 2016, the date of incorporation, to December 31, 2016 in accordance with International Financial Reporting Standards.

MNP LLP

April 27, 2017
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

Neo Lithium Corp.

Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2016
ASSETS	
Current assets	
Cash and cash equivalents (note 5)	$ 13,106,008
Receivables (note 6)	744,739
Prepaid expenses	38,633
Total current assets	13,889,380
Non-current assets	
Equipment (note 7)	892,985
Property rights and evaluation and exploration costs (note 8)	3,515,598
Total non-current assets	4,408,583
Total assets	$ 18,297,963
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Accounts payable and accrued liabilities (note 9)	$ 819,291
Total liabilities	819,291
Shareholders' equity	
Share capital (note 10)	25,662,106
Warrants (note 12)	1,183,723
Share-based payments reserve (note 13)	1,334,089
Accumulated other comprehensive loss	305,431
Deficit	(11,006,677)
Total shareholders' equity	17,478,672
Total liabilities and shareholders' equity	$ 18,297,963

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

Nature of operations (note 1)

Subsequent events (note 18)

Approved on behalf of the Board:

(signed) Constantine Karayanopoulos, Chairman

(signed) Thomas Pladsen, Director

Neo Lithium Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the period from January 15 (date of incorporation) to December 31, 2016
Expenses	
Net foreign exchange gains	$ (332,159)
Professional fees (note 15)	808,509
Salaries, benefits and director fees (note 15)	563,192
Marketing and promotion	158,045
Property investigation expense	16,556
Amortization (note 7)	6,393
Transfer agent and regulatory fees	37,710
Office and administrative	278,620
Travel	318,819
Share-based compensation (note 13)	1,291,452
Reverse takeover transaction cost (note 11)	7,880,552
Interest income	(21,012)
Net (loss) for the period	(11,006,677)
Other comprehensive income	
Items that will be reclassified subsequently to (loss) income	
Foreign exchange difference on translating foreign operations	305,431
Total comprehensive (loss) for the period	$ (10,701,246)
Basic and diluted net (loss) per share	$ (0.26)
Weighted average number of common shares outstanding	42,662,151

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

Neo Lithium Corp.

Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

	For the period from January 15 (date of incorporation) to December 31, 2016
Cash Flows from Operating Activities	
Net loss for the year	$ (11,006,677)
Adjustments for:	
Amortization	6,393
Share-based compensation	1,291,452
Reverse takeover transaction cost	7,880,552
Changes in non-cash working capital items:	
Increase in receivables	(723,496)
Increase in prepaid expenses	(38,633)
Increase in accounts payable and accrued liabilities	817,654
Net cash used in operating activities	(1,772,755)
Cash Flows from Investing Activities	
Purchase of equipment	(946,805)
Acquisition of property rights and evaluation and exploration costs	(3,425,353)
Cash acquired on RTO	6,997,333
Net cash provided by investing activities	2,625,175
Cash Flows from Financing Activities	
Proceeds from private placement, net of costs	11,819,363
Proceeds from exercise of stock options	128,974
Net cash provided by financing activities	11,948,337
Net change in cash and cash equivalents	12,800,757
Effects of exchange rate changes on the balance of cash held in foreign currencies	305,251
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of period	$ 13,106,008

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

Neo Lithium Corp.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital						
	Number of common shares	**Amount**	**Warrants**	**Share-based payments reserve**	**Accumulated other comprehensive loss**	**Deficit**	**Total**
Balance, January 15, 2016 (date of incorporation)	**1**	**$ 1**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1**
Cancellation of original share	(1)	(1)	-	-	-	-	(1)
Shares issued	38,700,000	13,000,140	-	-	-	-	13,000,140
Transaction costs	-	(1,180,777)	-	-	-	-	(1,180,777)
Broker warrants issued	-	(305,571)	305,571	-	-	-	-
Conversion of POCML shares	20,000,000	7,000,000	-	-	-	-	7,000,000
Consideration for reverse takeover	6,370,000	6,370,000	878,152	649,340	-	-	7,897,492
Share-based compensation	-	-	-	1,334,089	-	-	1,334,089
Exercise of stock options	782,600	128,974	-	-	-	-	128,974
Reclassification of fair value of stock options exercised	-	649,340	-	(649,340)	-	-	-
Other comprehensive loss	-	-	-	-	305,431	-	305,431
Net loss for the year	-	-	-	-	-	(11,006,677)	(11,006,677)
Balance, December 31, 2016	**65,852,600**	**$ 25,662,106**	**$ 1,183,723**	**$ 1,334,089**	**$ 305,431**	**$ (11,006,677)**	**$ 17,478,672**

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

1. Nature of operations

Neo Lithium Corp. (“Old Neo Lithium” or the “Company”) was incorporated under the Canada Business Corporations Act on January 15, 2016. The Company operates in one industry segment; its principal business activities are the exploration and development of resource properties. The Company has a 100% owned subsidiary in Argentina Liex S.A. (“LIEX”). The registered office of the Company is located at 333 Bay Street, Suite 2400, Toronto, Ontario M5H 2T6.

On July 18, 2016, the Company completed a qualifying transaction (the "Transaction") with POCML 3 Inc. ("POCML"), a company listed on the TSX Venture Exchange ("TSXV"). Pursuant to the Transaction, POCML amalgamated with privately held Old Neo Lithium to form the amalgamated Neo Lithium Corp. (the “Amalgamation”). The Company's post Amalgamation common shares commenced trading on the TSXV under the symbol “NLC” on July 20, 2016. Prior to the completion of the Transaction, the common shares of POCML were consolidated on a 0.91:1 basis (the “Consolidation”). Pursuant to the Transaction, former shareholders of each company received one post Amalgamation common share of Neo Lithium for each common share of Old Neo Lithium and POCML held (after giving effect to the Consolidation). The Amalgamation was accounted for as a reverse takeover ("RTO") whereby Old Neo Lithium was identified as the acquirer for accounting purposes and the resulting consolidated financial statements are presented as a continuance of Old Neo Lithium. POCML had no significant assets other than cash with no commercial operations at the time of the RTO. Concurrently with the completion of the RTO, POCML changed its name to "Neo Lithium Corp”.

2. Basis of preparation

The Company applies 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”).

The policies applied in these consolidated financial statements are based on IFRSs issued and outstanding as of April 27, 2017, the date the Board of Directors approved the statements.

3. Significant accounting policies

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Liex and 2525194 Ontario Inc. These are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The Company controls an investee if the Company has:

(i) power over the investee;
(ii) exposure, or rights, to variable returns from its involvement with the investee; and
(iii) the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including but not limited to:

(i) the contractual arrangement with the other vote holders of the investee;
(ii) rights arising from other contractual arrangements; and
(iii) the Company's potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in loss and comprehensive loss from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

All inter-company account balances and transactions have been eliminated upon consolidation.

Critical Accounting Estimates and Judgements

Estimates by management represent an integral component of financial statements prepared in conformity with IFRS. The estimates made in these consolidated financial statements reflect management's judgment based on past experiences, present conditions and expectation of future events. Where estimates were made, the reported amounts for assets, liabilities, revenue and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time these consolidated financial statements were prepared. Accounts which require management to make material estimates and significant assumptions in determining amounts recorded include recoverability of property rights and evaluation and exploration costs, amortization of equipments, accrued liabilities, provision for environmental remediation and mineral property reclamation liabilities, valuation of equity instruments, deferred tax assets and contingencies. Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual result differ from assumptions made also include management's assumptions in determining the functional currencies of the Company's subsidiaries, going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due and valuation, ownership and recoverability of the Company's interest in mineral properties which is contingent on the Company's ability to obtain funding for development of the properties. Management also determined that the Company is still in the exploration and evaluation stage of development.

3. Significant accounting policies (continued)

Functional Currency

The Company's presentation and functional currency is the Canadian dollar. The functional currency, as determined by management, of the Company and 2525194 Ontario Inc. is Canadian dollars. The functional currency of LIEX is the Argentinean Peso. For the purpose of the consolidated financial statements, the results and financial position are expressed in Canadian dollars.

Foreign Currency Translation

The individual financial records of each group entity are kept in the currency of the primary economic environment in which the entity operates (its functional currency).

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rates on the date of the initial transaction.

Exchange differences are recognized in profit and loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the foreign entities are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognized as a separate component of equity and as a foreign currency translation adjustment in other comprehensive income in the consolidated statements of loss and comprehensive loss.

Determination of fair value

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an arms-length transaction at the measurement date. Fair value is measured using the assumptions when pricing an asset or liability. Fair value is determined by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs.

When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level I: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level II: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level III: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

3. Significant accounting policies (continued)

Determination of fair value (continued)

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments and Financial Risk

Financial instruments are measured at their fair values on initial recognition. The Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired, fair value through profit and loss, held to maturity, loans and receivables and other financial liabilities. The Company has made the following classification:

- Cash and cash equivalents or term deposits are classified as fair value through profit and loss and are measured at fair value. Gains and losses resulting from the period revaluation are recorded in net loss.

- Receivables are classified as loans and receivables and are recorded at amortized cost, which upon their initial measurement, is equal to their fair values. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

- Accounts payable and accrued liabilities are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading. Transaction costs for financial assets classified as available for sale are added to the value of the instruments at acquisition. Transaction costs related to other financial liabilities are deducted from the value of the instrument at acquisition and taken into net income using the effective interest rate method. If a financial liability is interest free or bears interest at below the market rate, it is recognized at an amount below the settlement price or nominal amount. The financial liability initially recognized at fair value is amortized subsequent to initial recognition using the effective interest rate method.

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

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or, realize the asset and settle the liability simultaneously.

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and short-term bank deposits with original maturity dates of less than three months at the time of acquisition or which are readily convertible into known amounts of cash.

3. Significant accounting policies (continued)

Evaluation and Exploration Costs

Evaluation and exploration costs ("E&E") generally include the direct costs of licenses, technical services and studies, environmental studies, geophysical studies, exploration drilling and testing, directly attributable overhead and administration expenses including remuneration of operating personnel and supervisory management. These costs do not include general prospecting or evaluation costs incurred prior to having obtained the rights to explore an area, which are expensed as they are incurred. E&E expenditures are capitalized and carried forward until technical feasibility and commercial viability of extracting the resource is established.

Property Rights

Acquisition costs for mineral exploration rights are deferred until it is determined that these costs will not be recovered from future operations, at which point these costs are written off to operations. These costs are depleted on a unit-of-production basis commencing at the onset of commercial production for the related property.

Equipment

Equipment is stated at cost, less accumulated amortization and any impairment in value. Cost includes the purchase price (after deducting trade discounts and rebates), any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the estimate of the present value of the costs of dismantling and removing the item and restoring the site. Subsequent costs are included in the assets carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognized. The cost of the day-to-day servicing of equipment are recognized in the income statement as incurred.

Equipment is amortized on a straight-line basis over the estimated useful life of the asset. Estimated useful lives are as follows:

Field and office equipment	3 to 5 years
Vehicle	5 years

The estimated useful lives, residual values and depreciation method are reviewed at each period end, with the effect of any changes in estimates accounted for on a prospective basis.

3. Significant accounting policies (continued)

Impairment of Non-financial Assets

The Company assesses the carrying amount of non-financial assets including property rights and evaluation and explorations costs and field and office equipment at each reporting date to determine whether there is any indication of impairment. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist.

An impairment loss is the amount equal to the excess of the carrying amount of the individual asset or the CGU over the recoverable amount. The recoverable amount is the higher of estimated value in use and the estimated fair value less costs of disposal.

Impairment is assessed at the individual asset or cash-generating unit ("CGU") level which is the geographical operating segments of the Company. A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or group of assets.

An impairment loss for an individual asset or CGU shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognized and is only reversed to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Share-based Compensation

The Company has a stock option plan, refer to note 13. Employees (including officers), directors and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Stock options granted during the period are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of stock-based compensation expense. The cost of options is recognized, together with a corresponding increase in share-based payment reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant options becomes fully entitled to the award (the "vesting date"). The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and is the Company's best estimate of the number of options that will ultimately vest on the vesting date. The Company records compensation expense and credits contributed surplus for all stock options granted which represents the movement in cumulative expense recognized as at the beginning and end of that period. Any consideration received on the exercise of stock options is credited to share capital.

Where the terms of a stock option award are modified, the minimum expense recognized in compensation expense is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the option or is otherwise beneficial to the options as measured at the date of modification.

Where an option is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately.

If a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

3. Significant accounting policies (continued)

Income Taxes

The income tax expense or benefit for the reporting period consists of two components: current and deferred taxes.

The current income tax payable or recoverable is calculated using the tax rates and legislation that have been enacted or substantively enacted at each reporting date in each of the jurisdictions and includes any adjustments for taxes payable or recoverable in respect of prior periods.

Current tax assets and liabilities are offset when they relate to the same jurisdiction, the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred taxes are calculated using the liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheet are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. The recognition of future benefits is limited to the extent that the realization of such benefits is more likely than not.

Current and deferred taxes that relate to items recognized directly in equity are also recognized in equity. All other taxes are recognized in income tax expense in the consolidated statements of loss and comprehensive loss.

Revenue Recognition

The Company currently has no revenue from active mining operations. Interest revenue is recognized in the period in which it is earned.

Loss per share

Basic loss per share amounts are calculated by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by evaluating impact of all outstanding stock option grants and warrants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are initially recognized at fair value and classified as other financial liabilities measured at amortized cost.

3. Significant accounting policies (continued)

Warrants Issued in Equity Financing Transactions

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. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are measured at fair value on the date of issue using the Black-Scholes option pricing model and included in share capital with the common shares that were concurrently issued. Broker compensation options are classified as issuance costs and a deduction from equity and measured at fair value on the date of issue using the Black-Scholes option pricing model.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is to result in an outflow of economic benefits and that a reliable estimate of a cost to the Company can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is applied, the increase in the provision due to the passage of time is recognized as a finance cost.

Rehabilitation Provisions

The Company recognizes liabilities for statutory, contractual, legal or constructive obligations associated with the retirement of field and office equipment when those obligations result from the acquisition, construction, development or normal operations of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of that asset and the cost is amortized as an expense over the economic life of the related asset. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation. The present value of the rehabilitation liabilities may be subject to change based on management's current estimates, changes in remediation technology, or changes to the applicable laws and regulations by regulatory authorities, which affects the ultimate cost of remediation and reclamation.

As at December 31, 2016 the Company did not have any asset retirement obligations.

Segment Reporting

The Company has one operating and reporting segment, being the Argentina exploration operation. The Company reports its geographical information as disclosed in note 14.

(Expressed in Canadian Dollars)

4. Recent accounting pronouncements

A number of new standards, amendments to standards and interpretations, are not yet effective for the period ended December 31, 2016, and have not been applied in preparing these consolidated financial statements. The following standards and interpretations have been issued by the IASB and the IFRIC Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

IFRS 9, Financial Instruments, ("IFRS 9") was issued by the IASB in July 2014 in final form and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15, revenue from contracts and customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, revenue, IAS 11, construction contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

IFRS 16, Leases ("IFRS 16") will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other nonfinancial assets and depreciated accordingly and the liability accrues interest. This will typically produce a frontloaded expense profile (whereas operating leases under IAS 17, Leases ("IAS 17") would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period. IFRS 16 supersedes IAS 17 and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers has also been applied.

5. Cash and cash equivalents

	As at December 31, 2016
Cash at bank	$ 13,084,122
Short term deposits	21,886
	$ 13,106,008

(Expressed in Canadian Dollars)

6. Receivables

	As at December 31, 2016
HST	$ 168,796
VAT tax receivable	514,340
Other	61,603
	$ 744,739

7. Equipment

Cost	Field equipment	Office furniture and equipment	Vehicles	Total
Balance, January 15, 2016	$ -	$ -	$ -	$ -
Additions	641,833	60,838	289,757	992,428
Foreign exchange differences	(29,480)	(2,400)	(13,744)	(45,624)
Balance, December 31, 2016	$ 612,353	$ 58,438	$ 276,013	$ 946,804

Accumulated depreciation	Field equipment	Office furniture and equipment	Vehicles	Total
Balance, January 15, 2016	$ -	$ -	$ -	$ -
Depreciation	29,469	4,699	22,204	56,372
Foreign exchange differences	(1,317)	(182)	(1,054)	(2,553)
Balance, December 31, 2016	$ 28,152	$ 4,517	$ 21,150	$ 53,819

Net book value	Field equipment	Office furniture and equipment	Vehicles	Total
Balance, December 31, 2016	$ 584,201	$ 53,921	$ 254,863	$ 892,985

During the period from January 15, 2016 to December 31, 2016, the Company recorded $49,979 depreciation in the property rights and evaluation and exploration costs and $6,393 in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

8. Property rights and evaluation and exploration costs

Net book value	3Q Project
Balance, January 15, 2016	$ -
Assays	424,853
Consulting fees	170,135
Field crew	856,593
Field work	539,516
Geological	90,600
Depreciation	49,979
Supplies and miscellaneous	459,914
Travel/transportation	372,089
Licences and permits	150,681
Mineral property payments	534,814
Effect of foreign exchange	(133,576)
Balance, December 31, 2016	$ 3,515,598

3Q Project

On January 11, 2016, the founders of the project, which include two directors of the Company Mr. Waldo Perez and Mr. Gabriel Pindar, entered into a purchase and sale agreement with a third party owner (the "Initial Owner"), for the acquisition of six mining rights in the Tinogasta area, Catamarca province, Argentina, representing a portion of the 3Q Project. The founders established the Company and on April 5, 2016 assigned these six mining rights to the Company's wholly owned Argentinean subsidiary, LIEX. A royalty of 1.5% over gross sales was retained by the founders. The Company assumed the payment obligations to the Initial Owner of US$400,000 (of which US$300,000 has been paid and US$100,000 is outstanding and included in accounts payable). On March 1, 2016, in addition to the six mining rights described above, LIEX was awarded four additional mining rights in the same area from the Mining Department of Catamarca. The 3Q Project is a salar and brine lake complex composed by 10 mining claims, encompassing approximately 35,000 hectares.

Future obligations with respect to the 3Q Project as at December 31, 2016, which will only be incurred if the Company starts commercial production, include:

- A mining royalty established by Catamarca province of 3% over the "mine-head value of the ore".
- The 3Q Project is subject to a royalty of 1.5% of gross sales to be divided in three equal parts, two of which are directors of the Company - Mr. Waldo Perez and Mr. Gabriel Pindar, founders of the project.

(Expressed in Canadian Dollars)

9. Accounts payable and accrued liabilities

	As at December 31, 2016
Accounts payable	$ 496,691
Accrued liabilities	322,600
	$ 819,291

10. Share capital

Authorized – Unlimited number of common shares without par value. Common shares issued and fully paid are as follows:

	Number of common shares	Amount
Balance, January 15, 2016 (i)	1	$ 1
Cancellation of the share issued on January 15, 2016 (ii)	(1)	(1)
Private placement on February 9, 2016 (ii)	14,000,000	140
Private placement on March 11, 2016 (iii)	13,000,000	1,300,000
Private placement on May 12, 2016 and May 27, 2016 (iv)	11,700,000	11,700,000
Valuation of broker warrants (iv)	-	(305,571)
Transaction costs (iv)	-	(1,180,777)
Conversion of POCML shares (v)	20,000,000	7,000,000
Conversion of POCML shares and consideration for RTO (note 11)	6,370,000	6,370,000
Exercise of stock options	782,600	128,974
Reclassification of fair value of stock options exercised	-	649,340
Balance, December 31, 2016	65,852,600	$ 25,662,106

(i) On January 15, 2016 the Company incorporated under the laws of Ontario issuing one common share.

(ii) On February 9, 2016 the Company completed a non-brokered private placement for gross proceeds of $140 and issued a total of 14,000,000 common shares at a price of $0.0001 per common share. On the same day, the Board approved the cancellation of the 1 common share issued at inception. No purchase warrants were issued as a result of this private placement.

(iii) On March 11, 2016, the Company completed a non-brokered private placement for gross proceeds of $1,300,000 and issued a total of 13,000,000 common shares at a price of $0.10 per share. The Company initially received $599,000 of the proceeds as promissory notes. The amount received as promissory notes was applied to the private placement at a price of $0.10 per share. Therefore, no gain or loss was recorded. No purchase warrants had been issued as a result of this private placement.

(Expressed in Canadian Dollars)

10. Share capital (continued)

(iv) On May 12, 2016, the Company completed a brokered private placement financing for gross proceeds of $11,450,000 and issued a total of 11,450,000 common shares at a price of $1.00. In connection with the private placement the Company paid $687,000, 6% of the gross proceeds to the participating brokers and issued 572,500 broker's warrants, 5% of the gross proceeds. Each broker warrant entitles the holder thereof to purchase one common share at a price of $1.00 per share over a 24 month period. The fair value of the broker's warrants was determined to be $305,571 with the following assumptions: expected dividend yield of 0%, expected volatility of 102.43%, risk-free interest rate of 0.56% and an expected life of two years. The share issuance costs were $493,777. In addition, on May 27, 2016, as part of this private placement the Company raised gross proceeds of $250,000 on a non-brokered basis and issued a total of 250,000 common shares at a price of $1.00.

(v) On July 18, 2016, Old Neo Lithium and POCML completed the Amalgamation whereby former shareholders of each company received one post Amalgamation common share of Neo Lithium for each common share of Old Neo Lithium and POCML held. Prior to the completion of the Transaction, the common shares of POCML were consolidated on a 0.91:1 basis. pursuant to the Amalgamation.

In connection with the Amalgamation, on April 8, 2016, POCML completed a private placement (the "POCML Private Placement") of subscription receipts ("Subscription Receipts"). Pursuant to the POCML Private Placement, POCML issued 20,000,000 Subscription Receipts at a price of $0.35 each for total gross proceeds of $7,000,000. Each Subscription Receipt converted into one post-Consolidation common share of POCML for no additional consideration immediately prior to the Amalgamation, and the proceeds of the POCML Private Placement were released from escrow. The agent to the POCML Private Placement and in connection with the Transaction, was issued broker warrants entitling it to acquire 1,341,990 common shares of the Company, at a price of $0.35 per share for a period of 12 months.

11. Reverse takeover

The share capital of each company prior to the RTO was as follows:

POCML

	Number of common shares	Amount
Balance, July 31, 2015 and July 18, 2016	6,370,000	$ 628,415

Old Neo Lithium

	Number of common shares	Amount
Balance, January 15, 2016 (date of incorporation)	1	$ 1
Balance, July 18, 2016	38,700,000	$ 11,513,792

11. Reverse takeover (continued)

On July 18, 2016, Old Neo Lithium and POCML completed the Amalgamation whereby former shareholders of each company received one post Amalgamation common share of Neo Lithium for each common share of Old Neo Lithium and POCML held. Prior to the completion of the Transaction, the common shares of POCML were consolidated on a 0.91:1 basis. pursuant to the Amalgamation.

In accordance with IFRS 3, Business Combination, the substance of the transaction is a reverse takeover of a non-operating company. The transaction does not constitute a business combination as POCML does not meet the definition of a business under the standard. As a result, the transaction is accounted for as a capital transaction with Old Neo Lithium being identified as the acquirer and the equity consideration being measured at fair value. The resulting consolidated statement of financial position is presented as a continuance of Old Neo Lithium.

IFRS 2, Share-based Payment, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Because Old Neo Lithium would have issued shares with a value in excess of the assets received, the difference is recognised in comprehensive loss as a transaction cost. The amount assigned to the transaction cost of $7,880,552 is the difference between the fair value of the consideration and the net identifiable assets of POCML acquired by Old Neo Lithium and included in the consolidated statements of loss and comprehensive loss.

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the amalgamated entity after the transaction. This represents the fair value of the shares that Old Neo Lithium would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of Old Neo Lithium acquiring 100% of the shares in POCML. The fair value of the consideration in the RTO is equivalent to the fair value of the 6,370,000 Neo Lithium shares controlled by original POCML shareholders, 782,600 stock options to POCML stock options holders and 1,341,990 broker warrants to POCML broker warrant holders. The fair value of the shares controlled by original POCML shareholders was estimated to be $6,370,000 based on the fair market value of $1.00 per share on the date of July 18, 2016. The fair value of the stock options was estimated to be $649,340 using the Black-Scholes valuation model on the following assumptions: share price of $1, dividend yield 0%; volatility 71.83%; exercise price of $0.165, risk-free interest rates of 0.49%; and expected lives of 0.25 years. The fair value of the broker warrants was estimated to be $878,152 using the Black-Scholes valuation model on the following assumptions: share price of $1, dividend yield 0%; volatility 110.78%; exercise price of $0.35, risk-free interest rate 0.56%; and an expected life of 0.72 years.

(Expressed in Canadian Dollars)

11. Reverse takeover (continued)

Based on the statement of financial position of POCML at the time of the RTO, the net assets at estimated fair value that were acquired by the Company were $16,940 and the resulting transaction cost charged to the consolidated statements of loss and comprehensive loss are as follows:

Consideration	
Shares	$ 6,370,000
Broker warrants	878,152
Stock options	649,340
Total consideration	$ 7,897,492

Identifiable assets acquired	
Cash	$ 6,997,333
HST receivable	21,243
Accounts payable	(1,636)
Subscription receipts	(7,000,000)
	16,940
Transaction cost	7,880,552
Total net identifiable assets and transaction cost	$ 7,897,492

12. Broker warrants

The following table reflects the continuity of broker warrants for the period presented:

	Number of broker warrants	Weighted average exercise price
Balance, January 15, 2016	-	$ -
Issued in private placement on May 12, 2016 (note 10(iv))	572,500	1.00
Issued as consideration for the RTO (note 11)	1,341,900	0.35
Balance, December 31, 2016	1,914,400	$ 0.54

The following table summarizes the broker warrants outstanding at December 31, 2016:

Number of broker warrants outstanding	Exercise price	Weighted average remaining contractual life (years)	Expiry date
572,500	$ 1.00	1.36	May 12, 2018
1,341,900	0.35	0.27	April 8, 2017
1,914,400	$ 0.54	0.60	

(Expressed in Canadian Dollars)

13. Stock options

The following table reflects the continuity of stock options for the period presented:

	Number of stock options	Weighted average exercise price
Balance, January 15, 2016	-	$ -
Granted (i)(ii)	3,100,000	1.02
Issued as consideration for the RTO (note 11)	782,600	0.17
Exercised	(782,600)	0.17
Balance, December 31, 2016	3,100,000	$ 1.02

(i) On July 18, 2016, the Company granted 3,000,000 stock options to certain officers, directors and consultants. Each option is exercisable into one common share of the Company at an exercise price of $1.00 for a period of five years. The fair value of these stock options was estimated to be $2,279,012 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 104.18%; risk-free interest rate 0.62%; and an expected life of 5 years. These options vest as to one-third on the date of grant, one-third on the first anniversary of the grant and one-third on the second anniversary of the grant. During the period ended December 31, 2016, the Company recorded share-based compensation of $1,236,461 in the consolidated statements of loss and comprehensive loss and share-based compensation of $42,637 in the property rights and evaluation and exploration costs.

(ii) On July 1, 2016 (the "Grant Date"), the Company engaged Spinnaker Capital Markets Inc. ("Spinnaker") as its investor relations advisor. The agreement is for an initial term of six months commencing July 1, 2016 to December 31, 2016. Under the terms of the agreement, the Company has granted 100,000 share options to the principal of Spinnaker. The options will be exercisable at a price of $1.631 per share. 1/5 of the options shall become vested and exercisable on the Grant Date; 1/5 of the options shall become vested and exercisable on the third month anniversary of the Grant Date; 1/5 of the options shall become vested and exercisable on the sixth month anniversary of the Grant Date; 1/5 of the options shall become vested on the ninth month anniversary of the Grant Date and the remaining 1/5 of the options shall become vested on the one year anniversary of the Grant Date. The options expire 5 years from the Grant Date. The fair value of these stock options was estimated to be $69,324 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 104.44%; risk-free interest rate 0.55%; and an expected life of 5 years. During the period ended December 31, 2016, the Company recorded share-based compensation of $54,991 in the consolidated statements of loss and comprehensive loss.

The following table summarizes the stock options outstanding as at December 31, 2016:

Number of stock options outstanding	Number of stock options exercisable	Exercise price	Weighted average remaining contractual life (years)	Expiry date
100,000	40,000	1.63	4.50	July 1, 2021
3,000,000	1,000,000	1.00	4.55	July 18, 2021
3,100,000	1,040,000	$ 1.02	4.55	

(Expressed in Canadian Dollars)

14. Segmented information

The Company operates in one reportable and geographical segment. The Company's lithium project is in the exploration stage. The Company's geographic information is summarized in the following table:

	Canada	Argentina	Total
As at December 31, 2016			
Current assets	$ 12,812,099	$ 1,077,281	$ 13,889,380
Equipment	28,003	864,982	892,985
Property rights and evaluation and exploration costs	-	3,515,598	3,515,598
Current liabilities	576,046	243,245	819,291
For the period from January 15 to December 31, 2016			
Net loss for the period	$ (10,421,672)	$ (585,005)	$ (11,006,677)

15. Related party transactions

During the period ended December 31, 2016, the Company incurred the following related party transactions:

(i) $451,542 in legal fees to a law firm, Fasken Martineau DuMoulin LLP, of which a partner is a director of the Company as well as the legal counsel of the Company. $51,734 was owed by the Company to this law firm as at December 31, 2016 and was included in accounts payable and accrued liabilities.

(ii) $145,690 in fees to the CEO of the Company pursuant to a service contract. As at December 31, 2016, $622 remained payable. The Company also accrued $117,000 bonus to the CEO which remained payable as at December 31, 2016.

(iii) $28,000 in fees to the former Chief Financial Officer ("CFO") and $40,000 in fees paid to a company controlled by the current CFO of the Company pursuant to service contacts and $50,500 salaries was paid to the current CFO. The Company also accrued $43,875 bonus to the CFO which remained payable as at December 31, 2016.

(iv) The 3Q Project is subject to a royalty of 1.5% of gross sales to be divided in three equal parts, two of which are directors of the Company - Mr Waldo Perez and Mr. Gabriel Pindar, founders of the project (see note 8).

(v) The Company accrued $60,000 consulting fees for a company controlled by the Chairman of the Company and also accrued $37,800 bonus for the director which remained payable as at December 31, 2016.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian Dollars)

15. Related party transactions (continued)

Compensation of key management personnel of the Company:

	For the period from January 15 (date of incorporation) to December 31, 2016
Salaries and benefits	$ 522,865
Share-based payments	$ 1,279,098

As at December 31, 2016, accounts payable and accrued liabilities included $268,320 owing to directors and officers.

16. Income tax

(i) Income tax expense

The Company does not have any current income tax expense. The following table reconciles the expected income tax recovery at the statutory income tax rate of 26.5% (2015 - 26.5%) to the expense in the consolidated statement of loss and comprehensive loss:

	2016
Net loss for the period	$ (11,006,677)
Expected income tax recovery at statutory income tax rates	(2,916,769)
Permanent differences	2,235,741
Change in tax benefits not recognized	681,028
Income tax expense	$ -

(ii) Unrecognized deferred tax asset

The temporary differences that give rise to the future income tax asset or future income tax liability at the substantively enacted tax rate of 26.5% are as follows:

	2016
Non-capital losses carried-forward	$ 1,503,059
Share issuance costs	1,004,393
Unrealized foreign exchange gain	(39,560)
Eligible capital property	62,463
Unrecognized deferred tax asset	$ 2,530,355

The deferred tax asset has not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize benefits. The Company's Canadian non-capital tax losses carried forward will expire in 2036. Share issue and financing cost will be fully amortized in 2021.

17. Financial instruments and risk management

Risks Arising from Financial Instruments and Risk Management

The Company's activities expose it to a variety of financial risks: such as market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks.

Market Risk

Foreign exchange risk
The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company primarily operates in Argentina. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's risk management policy is to review its exposure to non-Canadian dollar forecasts operating costs on a case-by-case basis. The majority of the Company's forecast operating costs are in Argentinean pesos and Canadian dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Company's foreign currency denominated monetary assets and liabilities are as follows in Canadian dollars:

	As at December 31, 2016	
	Assets	**Liabilities**
Argentinean pesos	$ 1,077,281	$ 245,166
United States dollars	9,541,076	151,625
	$ 10,618,357	$ 396,791

17. Financial instruments and risk management (continued)

Sensitivity

Based on the financial instruments held at December 31, 2016, had the Canadian dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the Company's post-tax loss for the period would have been $1,022,157 higher/lower as a result of foreign exchange gains/losses on translation of non-Canadian dollar denominated financial instruments as detailed above. The Company's deficit would have been $1,022,157 higher/lower had the Canadian dollar weakened/strengthened by 10% as a result of foreign exchange gains/losses on translation of non-Canadian dollar denominated financial instruments.

Cash flow fair value interest rate risk

The Company does not have any variable interest-bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the funds invested in the Company's bank accounts.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the group. Credit risk arises from cash and cash equivalents with banks and financial institutions as well as credit exposures to outstanding receivables.

It is management's opinion that the Company is not exposed to significant credit risk arising from these financial instruments.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash at all times, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

At December 31, 2016, the Company had net working capital of $13,070,089 and anticipates this is sufficient to provide at least 12 months of planned activity. Furthermore, as at December 31, 2016 the long-term debt carried by the Company was nil.

Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying values of cash and cash equivalents, accounts receivables and payables are assumed to approximate their fair values due to their short-term nature.

Capital Management

The Company defines capital that it manages as its shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and provide increased shareholder value. As at December 31, 2016, the total managed capital was $17,478,672.

The Company achieves its objectives by assessing economic conditions, its plans regarding development of its assets, and its obligations, and utilizing capital markets to raise equity when required.

18. Subsequent events

(i) On February 22, 2017, the Company completed the "bought deal" private placement financing (the "Offering") announced on January 31, 2017.

The Company issued 22,731,819 units (the "Units") in the Offering at a price of $1.10 per Unit for aggregate gross proceeds to the Company of $25,005,000.90. Each Unit comprised one common share of the Company, and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant" and collectively, the "Warrants"). Each whole Warrant is exercisable for one common share at a price of $1.40 per share (the "Exercise Price") for a period of 18 months from the date hereof, provided that in the event that the Common Shares trade on the TSX Venture Exchange at a closing price greater than the Exercise Price for a period of 20 consecutive trading days, the Company may give notice to holders of Warrants requiring that they exercise the Warrants within a period of 30 days from the date of notice, failing which the Warrants shall expire.

The underwriters received a cash commission in connection with the Offering equal to 5% of the aggregate gross proceeds raised. In addition, the Underwriters received that number of broker warrants (the "Broker Warrants") equal to 2% of the number of Units issued in the Offering. Each Broker Warrant is exercisable to purchase one common share at a price of $1.10 for 18 months.

(ii) On March 3, 2017, the Company granted to directors, officers and consultants of the Company stock options to purchase a total of 4,150,000 common shares at a price of $1.49 per common share. The options are exercisable for a period of 5 years