

# ADVANTAGE LITHIUM CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2019

This discussion and analysis of financial position and results of operation is prepared as at November 28, 2019 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended July 31, 2019 and 2018 of Advantage Lithium Corp. ("Advantage" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management's discussion and analysis ("MD&A") are quoted in Canadian dollars.

### Forward Looking Statements

This document may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual consolidated financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### Company Overview

The Company was incorporated under the laws of the Province of British Columbia on March 1, 2007. On July 5, 2016 the Company changed its name from North South Petroleum Corp. to Advantage Lithium Corp. The Company's common shares trade on the TSX Venture Exchange ("TSXV") as a Tier 1 Company under the symbol "AAL" and on the OTCQB under the symbol "AVLIF". The Company's head office is located at # 789 – 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2, Canada.

On September 24, 2018 the Company filed a National Instrument ("NI") 43-101 technical report entitled "*Preliminary Economic Assessment of the Advantage Lithium Project, Jujuy Province, Argentina*" prepared by Worley Parsons resources and energy and Flo Solutions dated August 31, 2018 (the "Preliminary Economic Assessment").

As of the date of this MD&A, the Company has not earned any production revenue, nor found any proven reserves on any of its properties.

### Exploration Projects

#### The Cauchari Project

##### *Property Description, Location and Access*

The Cauchari Project is located in the Puna region of the province of Jujuy, Argentina. The project is located at an altitude of ~4,000 m above sea level some 230 km west of the capital city of Jujuy. The project site sits astride the paved highway which leads

to Chile approximately 80 km further to the west (Jama Pass). This road continues on to the major mining center of Calama and the port of Mejillones in northern Chile which is a major port for the export of mineral commodities and importation of mining and other goods. There are a number of local communities around the project area including the villages of Olaroz Chico, Olacapato, and Catua. The regional administrative center of Susques (population ~2000) is one hour's drive northeast of the project site.

A joint venture is in place between the Company and La Frontera for the Cauchari Project. The Company has funded an initial work program of US \$5,000,000 and increased interest in Cauchari from 50% to 75% in December 2017. From January 2018, La Frontera will contribute 25% of project expenditure.

### ***Exploration and Exploitation Licenses***

The Company, through SAS Argentina, owns 27,771 ha of mining properties (tenements or claims) over the Cauchari salar. These claims host brine containing elevated concentrations of lithium and potassium.

The Cauchari Project claims consist of 22 "minas" (exploitation licenses). Independent legal review has confirmed the property obligations have been maintained to keep the properties in good standing.

### ***Surface Rights and Legal Access***

Surface ownership of the property claims are held by local communities such as Catua, Sey, and Pastos Chicos. Mineral rights are granted by the provinces pursuant to Argentina legislation except for a few minerals belonging to surface owners. Article 13 of the Argentine Mining Code states that "the exploitation of mines, their exploration, concession and other consequent acts, have the nature of public benefit". Based on this principle the exploration and mining permits have primacy over the surface rights provided certain legal requirements are met; this essentially consists of due compensation for damages or the lodging of a surety when the amount of the compensation is not agreed with the surface owner or when the works to be done are urgent. Therefore the applicant for an exploitation permit such as for the Cauchari Project has the right to access and carry out exploration activities provided that the pertinent environmental impact assessment is approved.

### ***Environmental Liabilities***

The Cauchari tenements are not subject to any known environmental liabilities. However there has been isolated ulexite/borax mining and there is some limited borate mining adjacent to the Cauchari Project tenements in the north of the salar. The borax mining operations are limited to within three metres of the surface and it is assumed the workings will naturally reclaim when mining is halted, due to wet season inflows.

### ***Permit Status***

Exploration and mining activities on "minas" are subject to regulatory authority approval of an environmental impact report ("EIR") before the commencements of the activities. The Company has all necessary permits in place for the current work programs.

### ***Royalties***

The Argentine federal government regulates ownership of mineral resources, although mineral properties are administered by the provinces. In 1993 the Federal Government established a limit of 3% on mining royalties to be paid to the provinces as a percentage of the "pit head" value of extracted minerals. The Company is subject to a 3% royalty payable to the Jujuy government based on earnings before tax.

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

### ***Exploration and Development Activities – Overview***

#### **Phases I-II – 2017/2018**

In May 2017, the Company initiated a Phase I drill program at Cauchari consisting of 5 rotary holes and 8 diamond drill holes ("DDH"). The Phase I work program successfully completed the earn-in of US \$5,000,000 to increase the Company's ownership of the Cauchari Project to 75%.

A Phase II drill program was completed at the end of May 2018 and provided the basis for an updated mineral resource for the project with an increase to 3 million tonnes of Lithium Carbonate Equivalent ("LCE") in Inferred resource category as reported in Company news release May 28, 2018 and lodged as a NI 43-101 report on 27 June 2018.

#### **Phase III – 2018**

The recently completed Phase III work program, commenced upon completion of Phase II, and focused on:

- (i) the North-West (“NW”) Sector testing the lateral and depth extent of sediments hosting brine aquifers and increasing the drilling and sampling density to upgrade the resource classification ; and
- (ii) the South-East (“SE”) Sector with the goal of expanding the depth of the existing resource and upgrading the resource classification.

The Company previously completed installation of five pumping test wells with initial pumping tests together with completion of eight diamond drill holes. As of the end of April 2019 the Company has conducted a total of 10,073m of diamond drilling and 2,464m of rotary drilling at Cauchari.

A total of 172 porosity test results were received from the porosity laboratory in the United States, where core samples were analysed for drainable porosity characteristics and along with historical measurements used in the June 2018 resource estimate. The porosity testing has confirmed the favourable drainable porosity characteristics of the sandy sediments encountered in drilling in the NW Sector, where sandy and gravelly sediments are predominant.

Based on phase III results, it was announced on March 7, 2019 that the Company more than doubled the Cauchari Project resource in Argentina to 4.8 Mt LCE Measured and Indicated and 1.5 Mt Inferred categories. The full resource report will be lodged on Sedar in early April 2019.

### ***Exploration and Development Activities to date***

#### **Drilling**

Drilling in the SE sector now comprises 11 diamond holes and 4 rotary holes, while drilling in the NW sector now comprises 11 holes (10 diamond, 1 rotary installed as a pumping well) for a total of 26 resource holes, without including wells installed to monitor pumping tests at the sites CAU07 and CAU11.

Drilling has now confirmed that elevated lithium in brine concentrations continue from the northern property boundary with the Sales de Jujuy (Olaroz) properties, through to south of CAU29, 25 km further south, with the brine mineralisation open to the south of this hole in the JV properties. All the holes in the NW Sector have intersected sandy and gravelly sediments, with porosity and permeability characteristics which are positive for future brine production. The thickness of the sand and gravel sequence has increased in holes CAU28 and 29.

During November and December, 30-day pumping tests were carried out on production well CAU11 in the SE sector and CAU07 in the NW sector. These tests were evaluated using three monitoring wells installed at different levels at each site, using level sensors and manual measurements. The tests provided important information on aquifer characteristics as an input to the three-dimensional groundwater model that is being developed to estimate lithium reserves and to develop a production schedule for the project.

In summary:

#### **NW Sector**

##### **(i) Hole CAU17**

CAU17 was drilled in the NW Sector, 2.6 km west of CAU18 for which results were released on April 9, 2018. CAU17 was pre-collared with surface casing cemented to a depth of 140 m through the shallow fresh / brackish groundwater of the Archibarca alluvial (gravel) Fan that overlies the deeper brine in this area. Brine is estimated to extend from above 140 m depth to the base of the hole at 237.5 m depth. CAU17 intersected an extensive sequence of gravel and sand dominated units in drill core from 146 m to 210 m depth, with gravel and sand units intersected from surface in the pre-collar. A clay / silt dominated unit was encountered near the bottom of the hole between 210 and 237 m depth. Brine sampling in CAU17 was conducted with a bailer device and three samples were obtained within the gravel unit at 178, 185 and 203 m depth. The lithium concentrations ranged between 549 and 606 mg/l and averaged 571 mg/l lithium and 4,488 mg/l potassium. The Mg/Li ratio of these samples was 2.3:1, identical to the producing Olaroz project to the north.

Brine chemistry results from CAU17 are very positive and suggest brine with elevated lithium concentrations may extend close to the base of the outcropping sediments on the west of the Cauchari salar.

##### **(ii) Hole CAU18**

CAU18 was drilled and cased through the upper gravel and sandy gravel units of the Archibarca alluvial Fan to a depth of 130 m. CAU18 was continued as a diamond core hole from 130 m to a total depth of 359 m. Sand dominated and halite dominated units were encountered from 130 m to 260 m depth. The interval between 260 m and 359 m intersected mostly clay and silt dominated units. Brine assays were received from 9 bailed samples over a depth range from 165-320 m, returning an average of 476 mg/l Lithium and 3,775 mg/l Potassium over this 155 m interval.

The brine mineralisation, shows an excellent Mg/Li ratio of 2.5:1, and confirms the extension of elevated lithium concentrations from the northern property boundary with Orocobre (Sales de Jujuy) through to CAU15, where brine mineralisation remains open to the south. CAU18 is located 3.6 km north of CAU07 and 15 km north of CAU15. Results from CAU15 (NW Sector) and CAU11 (in the SE Sector) suggest the brine body continues south of these holes, and this area will be evaluated further following the upcoming resource estimate, providing potential for future resource expansion.

(iii) Hole CAU20

A resource hole drilled in the northern part of the NW sector between previous holes CAU07, CAU17 and CAU 18. CAU20 confirms the high quality of the brine resource in this area with 629 mg/l lithium and 4,537 mg/l potassium from 113-318 m depth, with very consistent results throughout the hole and a maximum value of 702 mg/l.

The brine samples have a very low average Mg/Li ratio of 2.1:1 low SO<sub>4</sub>/Li ratio of 42:1, similar to Advantage test production well CAU07. Results are similar to those of the adjacent Olaroz project of Orocobre, Lithium Americas Corp and Ganfeng in Cauchari. Similarity of brine characteristics across these properties confirms the Cauchari-Olaroz brine is very extensive and relatively homogenous and very suitable for conventional processing.

(iv) Hole CAU 21

A resource hole drilled in the northern part of the NW Sector between previous holes CAU07 and CAU16. CAU21 further confirms the high quality of the brine resource in this area with 607 mg/l lithium and 4,691 mg/l potassium from 125-265 m, also displaying consistent results throughout the hole, with a maximum of 705 mg/l Li.

Similar to CAU20 the boron and calcium concentrations are also low and excellent for conventional brine processing.

(v) Hole CAU 24

The hole has been completed in the NW Sector intersecting a sequence of gravels and sandy sediments below a surficial clay unit and underlying salt (halite) unit. The porosity and permeability characteristics of these sediments are expected to be positive and consistent with previous observations in holes such as CAU 15 and CAU 16. Sampling has returned brine with positive characteristics.

(vi) Hole CAU 23

The hole was drilled between CAU15 and CAU24 in the West Fan area of the properties and confirmed similar grades to hole CAU24, with the hole intersecting an extensive sequence of sand and interbedded silt units, beneath the upper 35 m of the hole which consist of predominantly clay. The hole does not contain any halite intervals and appears to have excellent hydraulic characteristics for brine extraction.

(vii) Hole CAU 28

This hole was drilled close to the Porvenir project camp site in the West Fan geological unit and intersected an extensive sequence of sands, terminating in gravels at 303.5 m. The hole does not contain any halite intervals and appears to have excellent hydraulic characteristics for brine extraction in what appears to be an expansion of the West Fan in this area. Bedrock was not intersected and may be more than 100 m deeper than the hole, based on observations from CAU29.

(viii) Hole CAU 29

This hole was the most southerly hole drilled for the resource estimate and like CAU28 is drilled in the West Fan geological unit where it intersected an extensive sequence of sands, terminating in gravels at 404 m. The hole does not contain any halite intervals and appears to have excellent hydraulic characteristics for brine extraction in what appears to be an expansion of the West Fan in this area, with the depth to bedrock in this area not known.

SE Sector

(ix) Hole CAU06 (2011 – 2012)

This hole was drilled in the south of the SE Sector, in the vicinity of the southern limit of the 2Q18 resource, where it intersected units of clay and halite with subordinate intervals of sand. This hole was not included in the resource estimate, as assays were not available.

(x) Hole CAU11

CAU11 is located in the SE Sector of the property; 5.6 km southeast of CAU09. This drill hole intersected sediments comprising halite, clay and some sand to 405 m depth. An important interval of sand dominated material was

encountered from 405 m to 480 m depth and corresponds to a deeper sand unit which the company was exploring for. Further exploration will be undertaken to evaluate the extent and thickness of this sand dominated unit.

The initial constant rate pumping test conducted on hole CAU11 sustained a flow rate of 19 l/s over a period of 48 hours, which is promising for future brine production. This flow rate was at the upper limit of the pump capacity used for the test. A total of 18 brine samples were taken during the pumping test, with the average concentration of 515 mg/l Lithium and 4,577 mg/l Potassium and a Mg/Li ratio of 2.6:1. An extended constant rate pumping test commenced on this hole in late October and completed in December.

(xi & xii) Holes CAU12/13 and CAU12 and 13 DA

The original holes CAU12 and CAU13 in the south of the SE Sector area intersected a sequence of halite and clay dominated units that are interbedded with sand dominated units. Sand dominated units were intersected in CAU12 from 358 m depth to the base of the hole at 413 m, and in CAU13 from 407 m depth to the end of the hole at 449 m. These sand dominated units are thought to correlate with the sand units intersected in the base of rotary hole CAU11 and also CAU19 further south. These holes were re-drilled as CAU12DA and CAU13DA, to further evaluate the sand unit encountered in the base of both of these holes.

Hole CAU12DA was drilled to a depth of 609, where the hole was completed in a sequence of coarse to very coarse sands. The hole was in sand, with minor interbeds of clay from 360 m depth, representing a sequence of more than 249 m of sand, a very significant sequence, which appears likely to have excellent porosity and permeability characteristics, with the sand becoming coarser with depth. Despite difficulties obtaining samples from these holes due to the very fluid character of the sands brine grades are expected to be similar to those from pumping of CAU11.

Brine chemistry analyses from CAU13 averaged 435 mg/l lithium and 4,088 mg/l potassium over the interval from 39 m to 281 m depth; no samples were successfully obtained from the deeper sand unit. Brine chemistry analyses of CAU12 averaged 305 mg/l lithium and 3,048 potassium from the depth interval between 25 m to 169 m; no samples were successfully obtained from the deeper sand unit. The Mg/Li ratio of these brines averages 2.7:1 and 2.5:1 respectively, marginally higher than in holes further to the north. Additional deeper drilling is planned for the SE Sector to provide additional information on the deeper sand unit. The re-drill of this hole as CAU13DA reached a depth of 497 m, confirming the extension of sandy material over thickness of greater than 100 m in CAU13DA with both holes terminated in the sand.

(xiii) Hole CAU14

Diamond hole CAU14 was completed during the year and brings to completion Phase 2 of the work program at Cauchari. Phase 3 drilling started during May 2018 with new drilling equipment mobilized to site.

(xiv) Hole CAU 19

CAU19 has been completed in the southwest of the SE Sector to a depth of 519.5 m. This hole intersected the deep sand unit from 434 m to 519.5 m (a thickness of >85 m), with sandy units continuing at the end of the hole. CAU19 is close to the southern boundary of the property and confirms the extension of the deep sand into this area, with assays in the sand unit from 435 to 472 m averaging 611 mg/l Lithium.

(xv) Hole CAU 22

This hole was drilled after the reporting period and is a resource hole drilled along the eastern side of the SE sector. The brine analyses confirm the high quality of the brine in this area averaging 549 mg/l lithium and 3,630 mg/l potassium from 146.5 – 290.5 M depth, with consistent results throughout the hole.

(xvi) Hole CAU 25

Hole CAU25 was drilled in the north of the SE Sector, to the north of CAU22. CAU25 intersected a sequence of clay, halite and interbedded fine sand units to a depth of 427 m. Brine sampling of the hole returned an average concentration of 497 mg/l Li and 4,045 mg/l K from 169 m to 345 m depth with a low Mg/Li ratio of 2.6:1.

(xvii) Hole CAU 26

Hole CAU26 was drilled to a record depth of 617 m and intersected a thick sequence of halite and interbedded clay units, intersecting sand units interbedded with halite in the lower part of the hole and from 609 m intersected interbedded friable sand and silt units to the end of the hole.

(xviii) Hole CAU 27

Hole CAU27 was drilled to a depth of 473 m in the eastern area of the eastern properties and intersected a sequence of halite and clay with intervals of interbedded sand.

- (xviii) Holes CAU28 and CAU29 were the last holes drilled in the drilling campaign 2018-2019 to test the depth extent of the favourable sand units in the West Fan unit.

### ***2018 Resource Estimate***

On May 23, 2018 the Company announced an updated inferred resource estimate for the Cauchari Project based on the Phase II drilling results. The NI43-101 report providing the details of the study was subsequently released dated 27 June 2018. The update, prepared by FloSolutions S.A.C., increased the inferred resource to a volume of approximately 1,200 million cubic metres of brine at average grades of 450 mg/l lithium and 4,028 mg/l potassium for 3.0 Mt of Lithium Carbonate Equivalent (“LCE”). Locally higher grades were encountered in the NW Sector in areas such as production hole CAU07 (601 mg/l during 48 hr pumping test) and in the Deep Sand unit in CAU11 (515 mg/l during 48 hr pumping test).

Please refer to the Independent Technical Report “Lithium and Potassium Resources, Cauchari Project” prepared by FloSolutions with effective date June 27 2018 and which can be sourced on Sedar.

### **PEA Study Completion**

In September 2018, the Company announced the results of an independent preliminary economic assessment (PEA), prepared by Worley Parsons Chile S.A. (“WorleyParsons”), for the for the Cauchari Joint-Venture project in the province of Jujuy, Argentina. The PEA was based on aggregate Inferred Resources of 3 Million tonnes described above. The PEA envisages a 25-year mine life at an annual average production rate of 20,000 tonnes with an after-tax Net Present Value (“NPV”) of US\$830 million, an Internal Rate of Return (“IRR”) of 24.0% and a capital payback period from start of production of three years.

For further information on the results of the PEA, please see the Company’s news release dated September 25, 2018 and a National Instrument (NI) 43-101 technical report titled “Updated Preliminary Economic Assessment of the Advantage Lithium Project, Jujuy province, Argentina” dated effective August 31, 2018 both of which are available on the Company’s website ([www.advantagelithium.com](http://www.advantagelithium.com)) and SEDAR. The structure and content of the PEA uses National Instrument 43-101, Standards of Disclosure for Mineral Projects (NI 43-101) guidelines. The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them to be categorized as Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. There is no certainty that the PEA will be realized. Marek Dworzanowski of Worley Parsons is a “Qualified Person” as the term is defined by National Instrument 43-101 and is independent of Advantage.

### ***Phase III Activities***

The Phase III resource definition drilling program completed prior to the end of 2018 included additional diamond holes in the NW and SE Sectors in order to provide a combined borehole density sufficient to upgrade the earlier inferred resources to Indicated and Measured categories. The Phase III drilling was also aimed at further defining resources in the Deep Sand unit.

The Company commenced the Environmental Baseline Study in May 2018 and this has now been completed as an input to the project Environment Impact study. The Environmental Impact Study was submitted to the Argentine authorities for assessment during the reporting period.

Updated Resource Estimate, March 2019

On March 7<sup>th</sup> 2019, the company announced an updated resource based on the results of the Phase II and Phase III drilling programs. The update, prepared by FloSolutions SpA, increased the resource to a volume of approximately 1,800 million cubic meters of brine at an average concentration of 476 mg/l lithium, for 4.8 Mt of Lithium Carbonate Equivalent (LCE) in the Measured and Indicated Categories and approximately 600 million cubic meters of brine at an average grade of 473 mg/l lithium for 1.5 Mt of LCE in the Inferred category.

The following table provides a summary of this updated resource with an effective date of March 3, 2019:

	Measured (M)	Indicated (I)	M+I	Inferred
<b>Aquifer volume (km3)</b>	9.7	20.9	30.7	10.7
<b>Mean specific yield</b>	6%	6%	6%	6%
<b>Brine volume (km3)</b>	0.6	1.2	1.9	0.6
<b>Li mean grade (g/m3)</b>	35	26	29	27
<b>Li mean concentration (mg/l)</b>	527	452	476	473
<b>Resource (tonnes)</b>	<b>345,000</b>	<b>550,000</b>	<b>900,000</b>	<b>290,000</b>
<b>Lithium Carbonate Equivalent</b>	<b>1,850,000</b>	<b>2,950,000</b>	<b>4,800,000</b>	<b>1,500,000</b>

Please see news release released on March 7<sup>th</sup> 2019 for further details. An Independent Technical Report was released within 45 days of this news release and submitted on the Sedar site.

### ***Pumping Tests over 30 Days***

Results of the brine chemistry analysis carried out to date indicate that the Cauchari brine is similar in composition to the brine in the adjacent Olaroz Salar from which Orocobre is successfully producing lithium carbonate using conventional lithium processing technology.

Pumping tests from the NW Sector and Deep Sand unit in the SE Sector have produced excellent flows with lithium concentration >500 mg/l lithium as reported by the Company on the February 6, 2018 and March 5, 2018 and those reported from the Company on January 30, 2019 with the completion of the CAU07 pumping test.

In the NW Sector, a 30-day constant rate pumping test was carried out on hole CAU07 at a rate of 22 l/s throughout the test. Results of brine analyses over the 30 days averaged 650 mg/l Li and 4,970 mg/l K with Mg/Li of 2.2:1. The 30 day test showed no drawdown in piezometers located above and at the top of the brine body. The dynamic level in the pumping well showed 40 m of drawdown over the test. Overall the CAU07 pumping test results were very favorable.

In the SE Sector, a 30-day constant rate pumping test was completed on test production well CAU11 in the deep sand unit. The constant-rate pumping test was completed on November 24. The test was carried out at an average pumping rate of 18.4 l/s with the lower part of the well screened in the Deep Sand unit. Brine samples collected during the pumping test indicate that lithium and potassium concentrations remained constant throughout the test and averaged 512 mg/l Li and 4,735 mg/l K. Brine concentrations were monitored throughout the test in addition to water levels in the pumping well and a network of surrounding observation wells. Results of the brine analyses averaged 512 mg/l throughout the 30-day test.

### ***Pre-Feasibility Study***

In April 2019, the Company initiated a PreFeasibility Study (“PFS”) on its Cauchari JV following the doubling of its mineral resource and successful conversion to Measured and Indicated categories announced on March 7th 2019i. Given such a significant resource increase, the PFS is designed to assess alternatives to unlock additional value.. A key goal of the PFS will be delivery of a mineral reserve backed by an economic analysis demonstrating the viability of the project.

The Company selected WorleyParsons Chile S.A to complete the Pre-Feasibility Study (“PFS”) and independent NI 43-101 Technical Report on its Cauchari Lithium Project in Jujuy, Argentina. The PFS will evaluate value options and complete a range analysis for up to 30Ktpa final Lithium product, including Lithium Hydroxide, and is scheduled for completion in Q3-Q4 2019.

The Company will continue to work with hydrogeology consultants FloSolutions to complete a dynamic groundwater model for the project which will be used to simulate a range of production cases based on the recent significantly expanded resource. This is a key input to the PFS in order to support a reserve estimate, extraction plan and determine the optimum project size.

### ***Early Stage Exploration Assets***

Additional project details are as follows:

#### ***Antofalla Project (16,653 ha)***

The Antofalla salar is a north-south oriented closed basin which straddles the provinces of Catamarca to the south and Salta to the North. The project is located in the northern region of the salar, in Salta province. On September 12, 2016 Albemarle Corporation (“Albemarle”) announced it has entered into an agreement with Bolland Minera S.A. to acquire its Salar de Antofalla project, which Albemarle states that it anticipates to be the largest lithium resource in Argentina. The Hombre Muerto Salar, where FMC Corporation currently produces lithium is located approximately 60 km to the southeast. A Brazilian major, Vale SA, previously spent several years defining potash and lithium resources on the project, drilling holes for resource estimation and pump testing of flow rates from the halite sequence hosting brine.

In June 2017 the Company added approximately 3,000 ha, through a new property, known as Antofallita XX, included in total above. This property is strategically located adjacent to properties held by Albemarle. The Company considers Antofallita XX of importance for its geological setting beside a prominent, deep-seated “suture” zone of regional fracturing along which numerous hot springs are developed, that could have deposited lithium in the property. No significant work was completed on these properties during the period, although a geophysical survey is planned for the project.

**Incahuasi Project (9,843ha)**

The project is located near the border with Chile in the province of Salta, approximately 100 km to the southwest of Cauchari and 100 km to the southeast of the Salar de Atacama in Chile where both SQM and Albemarle produce lithium from brine. No significant work was completed on this property during the period, with the Cauchari property the key focus for the Company. Historical exploration in adjacent properties by third parties (Lithium Americas Corp, Pepinnini Minerals) has reported lithium concentrations of around 300 mg/l and potassium of around 8,000 mg/l.

**Guayatayoc Project (21,276ha)**

The Guayatayoc Project is located in the province of Jujuy, approximately 100 km north-east from Cauchari. Guayatayoc is a potassium discovery with lower grade lithium. Pit sampling shows potassium grades averaging 4,635 mg/l K (ranging from 39 mg/l K to 7,464 mg/l K) over the property. Potassium grades are high and potentially of economic interest. The Company is continuing to advance with community relation activities on this project. No other significant work was completed on this property during the period, with the Cauchari property the key focus for the Company.

A summary total of all the Company’s holdings in Argentina is as follows:

<b>Property</b>	<b>Province</b>	<b>Area (ha)</b>	<b>Interest</b>
Cauchari	Jujuy	27,771	75%
Antofalla	Salta	16,653	100%
Incahuasi	Salta	9,843	100%
Guayatayoc	Jujuy	21,276	100%

\*\* Antofalla property includes Antofallita area

**Nevada Sunrise Project**

On June 16, 2016, as amended and extended, the Company entered into a binding agreement (the “Nevada Sunrise Agreement”) with Nevada Sunrise Gold Corp. (“Nevada Sunrise”) in which the Company paid a non-refundable cash payment of \$100,000 to Nevada Sunrise and was granted an option to earn working interests of up to 70% in three lithium exploration projects, known as Jackson Wash, Clayton Northeast and Aquarius, and 50% interests in two lithium properties, known as Gemini and Neptune, (collectively the “Optioned Properties”) located in the Clayton Valley and Lida Valley regions of Nevada, USA, and an option to acquire the State of Nevada Water Permit 44411 (the “Water Permit”).

In order to fully earn its interest in the above properties the Company was required to fund work programs totaling \$3,000,000 over a four year period ending in August 2020. An initial 51% in the Jackson Wash, Clayton Northeast and Aquarius properties can be earned by funding \$1,500,000, with the balance of interests to be earned by funding a further \$1,500,000. During fiscal 2017 the Company met all of the requirements and obligations to earn its initial 51% interests in each of the Clayton Northeast, Jackson Wash, Gemini and Aquarius properties. In August 2017 the Company surrendered its interests in the Jackson Wash, Aquarius, Gemini and Neptune properties.

On November 1, 2017 the Company and Nevada Sunrise entered into an asset purchase agreement with Pure Energy Minerals Limited (“Pure Energy”) to sell their interests in the Clayton Northeast property for a total of 7,000,000 Pure Energy common shares. Prior to closing the Company fully exercised its option to earn an additional 19% interest, for a total 70% interest in the Clayton Northeast property. On December 5, 2017 the asset purchase agreement was completed and the Company received 4,900,000 Pure Energy common shares for its 70% interest and Nevada Sunrise received 2,100,000 Pure Energy common shares for its 30% interest.

On November 30, 2016 the Company was advised that the Nevada State Engineer issued a ruling of forfeiture against the Permit. The Company has determined not to make any payments or share issuances under the Water Rights option at this time. Nevada Sunrise is appealing the ruling and the Company has the right to maintain the Water Rights Option, pending the outcome of the appeal but will have no obligation to make any payments to maintain the Water Rights Option pending the decision of the courts. On August 3, 2018, the Company entered into a Termination Agreement with Nevada Sunrise whereby the parties agreed that the Water Permit Option Agreement (the "Option Agreement") be terminated and have no further force or effect. In consideration for the termination of the Option Agreement, Nevada Sunrise issued from treasury to the Company, an aggregate of 1,700,000 common shares in the capital of Nevada Sunrise valued at \$127,500, (the "Termination Shares"), subject to hold periods that expire, with respect to:



- (i) 425,000 Termination Shares, on August 3, 2018 (received and valued at \$31,875);
- (ii) 425,000 Termination Shares, on February 3, 2019 (received and valued at \$31,875);
- (iii) 425,000 Termination Shares, on August 3, 2019 (received and valued at \$31,875); and
- (iv) 425,000 Termination Shares, on February 3, 2020 (received and valued at \$31,875).

### Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Fiscal Years Ended July 31,		
	2019 \$	2018 \$	2017 \$
<b>Operations:</b>			
Expenses	(3,944,364)	(5,326,422)	(9,484,017)
Other items	73,835	(805,431)	(3,615,938)
Net loss	(3,870,529)	(6,131,583)	(13,099,955)
Other comprehensive income	Nil	(1,706,742)	12,826
Comprehensive loss	(3,870,529)	(7,838,595)	(13,087,129)
Basic and diluted loss per share	(0.02)	(0.06)	(0.17)
Dividend per share	Nil	Nil	Nil
<b>Balance Sheet:</b>			
Working capital	1,281,003	16,301,236	16,320,130
Total assets	63,490,298	67,501,725	56,346,895
Total long-term liabilities	Nil	Nil	Nil

The following selected financial information is derived from the unaudited condensed interim financial statements of the Company.

Three Months Ended	Fiscal 2019				Fiscal 2018			
	Jul. 31, 2019 \$	Apr. 30, 2019 \$	Jan. 31, 2019 \$	Oct. 31, 2018 \$	Jul. 31, 2018 \$	Apr. 30, 2018 \$	Jan. 31, 2018 \$	Oct. 31, 2017 \$
<b>Operations:</b>								
Expenses	(452,428)	(623,484)	(1,388,210)	(1,480,242)	(1,163,043)	(1,424,100)	(1,755,780)	(983,499)
Other items – gain (loss)	286,459	(669,596)	229,783	227,189	(775,607)	(53,371)	28,616	(5,069)
Net loss	(165,969)	(1,293,080)	(1,158,427)	(1,123,053)	(1,938,650)	(1,477,471)	(1,727,164)	(988,568)
Other comprehensive (loss) income	Nil	Nil	Nil	Nil	(575,268)	(1,277,408)	94,080	51,854
Comprehensive loss	(203,332)	(1,314,175)	(1,192,301)	(1,317,055)	(2,513,918)	(2,754,879)	(1,633,084)	(936,714)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)
<b>Balance Sheet</b>								
Working capital	1,281,003	1,935,345	3,949,768	10,096,097	16,301,236	10,638,553	13,170,745	13,380,518
Total assets	63,490,298	65,054,971	65,960,214	66,992,828	67,501,725	56,980,721	58,851,197	56,515,490
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### Results of Operations

#### Year Ended July 31, 2019 Compared to Year Ended July 31, 2018

##### Operations

During the year ended July 31, 2019 the Company reported a net loss of \$3,870,529, compared to a net loss of \$6,131,853 for the year ended July 31, 2018. The fluctuation was primarily attributed to the following:

During the year ended July 31, 2019, the Company:

- (i) incurred a total of \$193,489 (2018 - \$244,926) for advertising and promotion for raising awareness of the Company.
- (ii) incurred a total of \$100,681 (2018 - \$50,930) for 2018 audit and 2019 accruals during the current period.
- (iii) incurred \$318,068 (2018 - \$279,478) for office expenses due to increase in activities and operations in Argentina where exploration and development activities required additional supporting office expenses.
- (iv) incurred \$278,284 (2018 - \$255,435) for professional services, including services relating to the identification and assessment of various corporate and financing opportunities for the Company.
- (v) incurred \$178,172 (2018 - \$138,375) for legal expenses for preparation and review of property agreements and ongoing share financing matters.
- (vi) incurred \$231,612 (2018 - \$357,947) in travel expenses. During the 2019 period had numerous trips were made by Company management to identify, review and negotiate property and business opportunities and to pursue financing opportunities.
- (vii) incurred \$704,165 (2018 - \$1,886,795) for public relations primarily as a result of cost saving effort in the Company.
- (viii) incurred salaries and benefits of \$133,085 (2018 - \$79,461) paid to employees for the operations in Argentina.

*Exploration and Evaluation Assets*

During the year ended July 31, 2019, the Company incurred a total of \$12,352,934 (2018 - \$12,628,974) for acquisition, exploration and evaluation expenditures on its lithium mineral interests, of which \$767,993 (2018 - \$2,648,027) was incurred for the acquisition, options payments, associated finders' fees, claims staking and mineral claims purchases and \$11,584,941 (2018 - \$9,980,947) for exploration activities. All subsequent costs are being funded by the Company and La Frontera based on their respective interests. See also "Exploration Projects" and "Financial Condition/Capital Resources".

	<b>As at July 31, 2019</b>		
	<b>Acquisition Costs \$</b>	<b>Deferred Exploration Costs \$</b>	<b>Total \$</b>
Argentina - Cauchari Projects	31,595,335	23,322,540	54,917,875
Argentina - Argentine Properties	<u>6,051,231</u>	<u>35,521</u>	<u>6,086,752</u>
	<u>37,646,566</u>	<u>23,358,061</u>	<u>61,004,627</u>
	<b>As at July 31, 2018</b>		
	<b>Acquisition Costs \$</b>	<b>Deferred Exploration Costs \$</b>	<b>Total \$</b>
Argentina - Cauchari Projects	30,887,827	11,773,120	42,660,947
Argentina - Argentine Properties	<u>5,990,746</u>	<u>-</u>	<u>5,990,746</u>
	<u>36,878,573</u>	<u>11,773,120</u>	<u>48,651,693</u>

	<b>Argentina</b>		
	Cauchari Project	Argentine Properties	Total
<b>Balance at July 31, 2018</b>	\$ 42,660,947	\$ 5,990,746	\$ 48,651,693
<b>Exploration costs</b>			
Consulting	\$ 309,150	\$ 29,100	\$ 338,250
Drilling	5,243,446	-	5,243,446
Field support	2,160,606	1,816	2,162,422
Geochemical	283,837	-	283,837
Geological	2,115,504	-	2,115,504
Geophysics	90,226	-	90,226
Other	10,347	2,196	12,543
Salaries and benefits	1,266,998	-	1,266,998
Travel	69,306	2,409	71,715
	<u>\$ 11,549,420</u>	<u>\$ 35,521</u>	<u>\$ 11,584,941</u>
<b>Acquisition costs</b>			
Option payments			
Cash	\$ -	\$ 54,239	\$ 54,239
Other	707,508	6,246	713,754
	<u>\$ 707,508</u>	<u>\$ 60,485</u>	<u>\$ 767,993</u>
<b>Balance, July 31, 2019</b>	<u>\$ 54,917,875</u>	<u>\$ 6,086,752</u>	<u>\$ 61,004,627</u>

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

#### *Financing Activities*

During the year ended July 31, 2019, the Company:

- (i) issued 150,000 shares pursuant to the exercise of options for proceeds of \$75,000, and accordingly, the Company allocated \$49,500 of share-based payment reserve to share capital.
- (ii) issued 169,680 shares pursuant to the exercise of warrants for proceeds of \$88,646, and accordingly, the Company allocated \$42,194 of share-based payment reserve to share capital.
- (iii) issued 800,000 shares pursuant to the vested restricted share units valued at \$376,000.

These funds were used for working capital to allow the Company to finance anticipated corporate overheads, as well as work program commitments toward earn-in obligations and systematically advancing assets of the Company's portfolio of projects.

## Financial Condition / Capital Resources

As at July 31, 2019 the Company had working capital in the amount of \$1,281,003. To date the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Although management considers that the Company has adequate resources to maintain its core operations and planned exploration programs on its existing exploration and evaluation assets for the next twelve months, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future.

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Proposed Transactions

The Company has no proposed transactions.

## Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

A detailed summary of all the Company's significant accounting policies is included in Note 4 to the July 31, 2019 and 2018 annual financial statements.

## Changes in Accounting Policies

There are no changes in accounting policies.

## Related Party Transactions

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

During the years ended July 31, 2019 and 2018 the following compensation was incurred:

Number	2019	2018
Fees and compensation	\$ 832,104	\$ 1,055,932
Office	51,078	-
Professional fees	95,000	-
Rent	68,731	-
Share-based compensation	516,200	205,110
	<u>\$ 1,563,113</u>	<u>\$ 1,261,042</u>

During the year ended July 31, 2019, the Company:

- i) paid or accrued directors and officers compensations of \$832,104 (2018 - \$1,038,432) to officers, directors, a former officer, and former directors of the Company.
- ii) paid or accrued professional fees of \$23,750 (2018 - \$17,500) to a relative of a director of the Company.
- iii) paid or accrued professional fees of \$95,000 in accounting and CFO fees, rent of \$45,000, and office and administrative expenses \$51,078 to a company owned by the director and former CEO of the Company.
- iv) paid or accrued \$nil (2018 - \$64,408) for accounting and administration services provided by a private company owned by the Company's former CFO.

- v) paid or accrued \$5,000 (2018 - \$nil) for accounting services provided by a partnership in which the Company's CFO has an interest.
- vi) recorded \$516,200 (2018 - \$205,110) of share-based compensation related to issuance of vested restricted share units and stock options to officers and directors of the Company.
- vii) paid or accrued \$nil (2018 - \$38,721) to the relative of a director of the Company of which \$nil (2018 - \$26,660) was for legal services and \$23,731 (2018 - \$12,061) for rental of office space.
- viii) paid or accrued \$282,385 (2018 - \$185,301) for equipment rental provided by a private company controlled by a director of the Company.

As at July 31, 2019, \$142,672 (July 31, 2018 - \$172,967) remained unpaid and has been included in accounts payable and accrued liabilities.

As at July 31, 2019, \$9,754 (July 31, 2018 - \$Nil) of advances has been included in prepaids.

### **Risk and Uncertainties**

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company believes that it is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's mineral properties are located in Argentina and consequently the Company is subject to certain risks, including currency fluctuations which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by governmental regulations relating to the mining industry.

### **Management Changes**

On March 17, 2019, the Company announced that Mr. David Sidoo has taken a temporary leave of absence from his executive role as President of the Company. Mr. Callum Grant, P.Eng, currently a Director and Technical Advisor to the Company will assume Mr. Sidoo's responsibilities in the role of Interim Chief Executive Officer (CEO).

### **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares without par value.

As at November 28, 2019, the Company had the following securities issued and outstanding:

Common shares: 162,806,792 shares

## Options:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date
600,000	600,000	\$0.50	19-Jan-20
200,000	200,000	0.50	7-Feb-20
200,000	200,000	0.80	24-Aug-20
600,000	600,000	0.99	19-Apr-21
950,000	783,333	0.50	30-May-22
2,325,000	2,325,000	0.50	8-Jun-22
400,000	316,667	0.50	14-Aug-22
300,000	300,000	0.60	25-Oct-22
450,000	300,000	1.07	11-Dec-22
150,000	100,000	1.00	4-Apr-23
500,000	166,666	0.59	30-Oct-23
350,000	350,000	0.41	28-Dec-23
7,025,000	6,241,666		