

# **STRIA LITHIUM INC.**

## **Consolidated Financial Statements**

September 30, 2019 and 2018

*(in Canadian dollars)*

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# Independent Auditor's Report



To the Shareholders of Stria Lithium Inc.:

## Opinion

We have audited the consolidated financial statements of Stria Lithium Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and September 30, 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019 and September 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$240,581 during the year ended September 30, 2019 and, as of that date, the Company has a negative working capital of \$262,071 and an accumulated deficit of \$3,241,295. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Wright.

Ottawa, Ontario

December 20, 2019

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

**Stria Lithium Inc.**

## Consolidated Statements of Financial Position

As at September 30th

*(in Canadian dollars)*

		<u>2019</u>	<u>2018</u>
		\$	\$
<b>ASSETS</b>			
Current assets			
Cash		533	111,206
Sales tax recoverable		2,194	13,099
Tax credits and credit on duties receivable		344,180	92,305
Prepaid expenses		11,145	15,932
		<u>358,052</u>	<u>232,542</u>
Mineral exploration properties	Note 6	352,475	352,475
Exploration and evaluation assets	Note 6	1,067,858	667,111
		<u>1,778,385</u>	<u>1,252,128</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities		377,007	170,518
Deferred premium on flow-through shares	Note 7	180,798	-
Amounts due to related parties	Note 11	62,318	5,944
		<u>620,123</u>	<u>176,462</u>
Amounts due to related parties		17,399	23,966
		<u>637,522</u>	<u>200,428</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	Note 8	3,648,682	3,430,733
Warrants	Note 9	262,233	248,436
Contributed surplus		471,243	373,245
Deficit		(3,241,295)	(3,000,714)
		<u>1,140,863</u>	<u>1,051,700</u>
		<u>1,778,385</u>	<u>1,252,128</u>

Going concern (Note 2)

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

On behalf of the Board

(signed) "Gary Economo"  
Gary Economo, Director

(signed) "Jeffrey York"  
Jeffrey York, Director

**Stria Lithium Inc.**

## Consolidated Statements of Comprehensive Loss

For the years ended September 30

*(in Canadian dollars)*

	<b>2019</b>	2018
Expenses		
Consulting fees	<b>53,974</b>	56,655
Stock-based compensation	<b>40,620</b>	111,204
Travel and promotion	<b>40,033</b>	67,847
Professional fees	<b>17,329</b>	36,747
Filing fees	<b>15,396</b>	12,262
Insurance	<b>21,250</b>	18,952
Agent fees	<b>6,348</b>	15,585
Rent Expense	<b>6,000</b>	3,600
Supplies Expense	<b>12,017</b>	16,431
Other expenses	<b>10,967</b>	10,867
Re-assessed government tax credits	<b>16,861</b>	8,246
	<b>(240,795)</b>	(358,396)
Other income		
Interest and other income	<b>214</b>	22
Net loss and total comprehensive loss	<b>(240,581)</b>	(358,374)
Basic and diluted loss per common share	<b>(0.003)</b>	(0.006)
Basic and diluted weighted average number of common shares outstanding	<b>70,200,095</b>	59,565,985

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

**Stria Lithium Inc.**Consolidated Statements of Changes in Equity  
(in Canadian dollars)

	Share capital		Warrants	Contributed		Total
	Number of shares	\$		Surplus	Deficit	
		\$	\$	\$	\$	\$
<b>Balance, September 30, 2017</b>	<b>47,710,369</b>	<b>2,838,748</b>	<b>159,866</b>	<b>262,041</b>	<b>(2,642,340)</b>	<b>618,315</b>
Shares issued for cash	14,550,000	740,000	-	-	-	740,000
Warrant issued	-	(61,500)	61,500	-	-	0
Shares issued on exercise of warrants	200,000	10,000	-	-	-	10,000
Share issuance costs	-	(96,515)	27,070	-	-	(69,445)
Stock-based compensation	-	-	-	111,204	-	111,204
Net loss and total comprehensive loss	-	-	-	-	(358,374)	(358,374)
<b>Balance, September 30, 2018</b>	<b>62,460,369</b>	<b>3,430,733</b>	<b>248,436</b>	<b>373,245</b>	<b>(3,000,714)</b>	<b>1,051,700</b>
Shares issued for cash	10,000,000	500,000	-	-	-	500,000
Flow through share premium	-	(180,798)	-	-	-	(180,798)
Stock-based compensation	-	-	-	40,620	-	40,620
Warrants issued	-	(69,202)	71,175	-	-	1,973
Expiry of warrants	-	-	(57,378)	57,378	-	-
Shares issuance costs	-	(32,051)	-	-	-	(32,051)
Net loss and total comprehensive loss	-	-	-	-	(240,581)	(240,581)
<b>Balance, September 30, 2019</b>	<b>72,460,369</b>	<b>3,648,682</b>	<b>262,233</b>	<b>471,243</b>	<b>(3,241,295)</b>	<b>1,140,863</b>

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

**Stria Lithium Inc.**

Consolidated Statements of Cash Flow  
For the years ended September 30  
(in Canadian dollars)

	<u>2019</u>	2018
OPERATING ACTIVITIES		
Net loss	<b>(240,581)</b>	(358,374)
Adjustment for:		
Stock based compensation	<b>40,620</b>	111,204
Changes in working capital items	<b>271,988</b>	32,910
	<hr/>	<hr/>
Cash flows from (used in) operating activities	<b>72,027</b>	(214,260)
INVESTING ACTIVITIES		
Exploration and evaluation costs	<b>(652,622)</b>	(398,149)
Cash flows from (used in) investing activities	<b>(652,622)</b>	(398,149)
FINANCING ACTIVITIES		
Proceeds from private placements	<b>500,000</b>	740,000
Warrants exercised	-	10,000
Share issuance costs	<b>(30,078)</b>	(69,445)
	<hr/>	<hr/>
Cashflows from (used in) financing activities	<b>469,922</b>	680,555
	<hr/>	<hr/>
Increase (decrease) in cash	<b>(110,673)</b>	68,146
Cash, beginning of the period	<b>111,206</b>	43,060
	<hr/>	<hr/>
Cash, end of the period	<b>533</b>	111,206
	<hr/>	<hr/>

*Supplemental information*

Changes in working capital items consist of the following:

Sales tax recoverable	<b>10,905</b>	(6,036)
Amounts due to related parties	<b>63,451</b>	
Prepaid expenses	<b>4,787</b>	99,972
Accounts payable and accrued liabilities	<b>192,845</b>	(61,026)
	<hr/>	<hr/>
	<b>271,988</b>	32,910
	<hr/>	<hr/>

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

## **Stria Lithium Inc.**

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

*(in Canadian dollars)*

### **1. NATURE OF OPERATIONS**

Stria Lithium Inc. (the “Company” or “Stria”) was incorporated on May 24, 2011 under the Canada Business Corporations Act. The Company’s shares are listed on the TSX Venture Exchange under the symbol SRA. The head office of the Company is located at 945 Princess Street Box 118, Kingston, Ontario.

The Company is engaged in the acquisition, exploration and development of mineral properties in Quebec, Canada, as well as the development of processes to purify and recover lithium metal directly from ore and from brine liquids.

### **2. GOING CONCERN ASSUMPTION**

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is in the exploration stage and has not earned revenue from operations. During the year ended September 30, 2019, the Company incurred a net loss of \$240,581. In addition, the Company has a working capital deficit of \$262,071 and a deficit of \$3,241,295.

The above factors indicate material uncertainties, which may cast significant doubt about the Company’s ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company’s own resources and external market conditions.

The Company’s ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business in fiscal year 2020, meet its corporate administrative expenses and continue its exploration and research activities, is dependent upon Management’s ability to obtain additional financing, through various means including but not limited to equity financing and loans from related and unrelated parties. No assurance can be given that any such additional financing will be available or that it can be obtained on terms favourable to the Company.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying amount of assets and liabilities, the reported expenses, and the statement of financial position classifications used.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Basis of presentation and statement of compliance with IFRS**

These consolidated financial statements have been prepared on a historical cost basis and are expressed in Canadian dollars, which is also the Company’s functional currency. The consolidated financial statements have been prepared in accordance with IFRS as issued by the international Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Board of Directors on December 20th, 2019.

## **Stria Lithium Inc.**

Notes to the Consolidated Financial Statements  
September 30, 2019 and 2018  
(in Canadian dollars)

### **b) Judgments, estimates and assumptions**

When preparing the consolidated financial statements, Management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

#### Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

#### *Recognition of deferred income tax assets and measurement of income tax expense*

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires Management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, Management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

#### *Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

#### *Tax credits and mining duties*

The Company is eligible to claim certain credits on eligible exploration expenditures; determining the eligibility of the amounts and the credit to be received requires management's judgement.

#### Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### *Impairment of mineral exploration properties and exploration and evaluation assets*

Determining if there are any facts and circumstances indicating impairment or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of mineral exploration properties and exploration and evaluation assets requires Management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment or a reversal of an impairment loss exists, the recoverable amount of the individual asset or cash-generating units must be estimated.

## Stria Lithium Inc.

Notes to the Consolidated Financial Statements  
September 30, 2019 and 2018  
(in Canadian dollars)

### Share based payments

The estimation of stock-based compensation and warrants requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the estimated life of stock options and warrants granted and the time of exercise of those stock options and warrants. The valuation model used by the Company is the Black-Scholes model.

The Company allocates values to share capital and to warrants on the residual basis when the two are issued together as a unit. As this allocation is based upon the share price at the time of issuance and the stock is thinly-traded, the actual value of the components may differ from this allocation.

### c) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiary. Stria Lithium Inc. is the ultimate parent company of the consolidated group. Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Control is established when the Company has the power to govern the financial and operating policy decisions of the entity so as to obtain benefits from the entity's activities, and generally exists where more than 50% of the voting power of the entity is held by the Company. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All material intercompany transactions and balances are eliminated in full upon consolidation.

Where the ownership of a subsidiary is less than 100%, and a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if it results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The subsidiaries of the Company and their principal activities as at September 30, 2019 were as follows:

Name of subsidiary	Place of incorporation	Ownership as at September 30,		Principal activity
		2019	2018	
Pueblo Lithium LLC	United States	100%	100%	Inactive

### d) Financial Instruments

#### Recognition, initial measurement and derecognition

On October 1, 2018, the Company adopted IFRS 9 – Financial Instruments (“IFRS 9”) which replaced IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking ‘expected loss’ impairment model IFRS 9 also includes significant changes to hedge accounting.

The Company adopted the standard using the retrospective approach outlined in the standards. IFRS 9 did not impact the Company's measurement and carrying amounts of financial assets and liabilities at the transition date.

## Stria Lithium Inc.

Notes to the Consolidated Financial Statements  
September 30, 2019 and 2018  
(in Canadian dollars)

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial Assets/Liabilities</b>	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>
Cash	Loans and receivables	Amortized cost
Trade payables	Other financial liabilities	Amortized cost
Amounts due to related parties	Other financial liabilities	Amortized cost

### *Measurement – initial recognition*

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

### *Classification of financial assets*

#### Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- (i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

#### Fair value through other comprehensive income ("FVTOCI"):

Financial assets that meet the following conditions are measured at FVTOCI:

- (i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### Financial assets measured subsequently at fair value through profit or loss ("FVTPL"):

By default, all other financial assets are measured subsequently at FVTPL.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

### *Classification of financial liabilities and equity:*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and

## **Stria Lithium Inc.**

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(in Canadian dollars)

deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

### *Impairment*

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

### **e) Cash**

Cash is comprised of cash balances held at a major financial institution.

### **f) Government assistance**

Government grants and assistance are recognized when there is reasonable assurance that the grant or assistance will be received, and all attached conditions will be complied with. Government grants or assistance relating to an expense item are recognized within Government assistance in the statements of comprehensive loss.

When government assistance is received which relates to expenses of future periods, the amount is deferred and amortized to income as the related expenditures are incurred.

### **g) Investment tax credits**

Refundable investment tax credits related to eligible research and development are recognized within Government assistance in the consolidated statements of comprehensive loss. Refundable investment tax credits are accrued in the year the eligible expenditure is incurred provided receipt of such claims is reasonably assured.

### **h) Interest income**

Interest income is reported on an accrual basis using the effective interest method.

### **i) Research expenses**

Costs related to research activities are expensed as incurred. Costs that are directly attributable to a project's development phase are recognized as intangible assets, provided they meet the following recognition requirements: (i) the development costs can be measured reliably; (ii) the project is technically and commercially feasible; (iii) the Company intends to and has sufficient resources to complete the project; (iv) the Company has the ability to use or sell the product or equipment; and (v) it is probable that the product, equipment or process will generate future economic benefits. Development cost not meeting all these criteria are expensed as incurred. To date, no development costs have been capitalized.

### **j) Mineral exploration properties and exploration and evaluation assets**

Mineral exploration properties include the cost of acquiring mining rights. Exploration and evaluation assets include expenses directly related to the exploration and evaluation activities. These costs are capitalized as intangible assets and are carried at cost less any impairment loss recognized. Costs incurred before the legal right to undertake exploration and evaluation activities on a project is acquired, are expensed in the statement of comprehensive loss.

## **Stria Lithium Inc.**

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(in Canadian dollars)

Mining rights and expenses related to exploration and evaluation activities are capitalized on a property by property basis pending determination of the technical feasibility and commercial viability of the project. No amortization is recognized during the exploration and evaluation phase. Costs capitalized may include drilling, project consulting, geophysical, geological and geochemical studies, as well as other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, mining rights and expenses related to exploration and evaluation activities of the related mining property are transferred to mining assets under construction. Before the reclassification, mineral exploration properties and exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

Upon transfer of exploration and evaluation assets into mining assets under construction, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized with mining assets under construction. After the development stage, all assets included in mining assets under construction are transferred to mining assets and amortized over the expected productive lives of the assets.

### **k) Impairment of non-financial assets**

Impairment assessment and testing is done at the level of a cash generating unit ("CGU"). The Company considers each mineral property to be a separate CGU, and therefore assesses for indicators of impairment individually for each mineral property.

The Company assesses non-financial assets including mineral exploration properties and exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of the asset may not exceed its recoverable amount, being the higher of the value in use and the fair value less costs of disposal. Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the assets of the mineral property are tested for impairment before these items are transferred to mining assets under construction. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment recognized immediately in profit or loss.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in profit or loss.

### **l) Provision and contingent liabilities**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

At September 30, 2019 and September 30, 2018, there were no provisions in the statements of financial position.

## **Stria Lithium Inc.**

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(in Canadian dollars)

### **m) Equity-settled share-based payment transactions**

The Company provides an equity-settled share-based remuneration plan (stock option plan) for directors, officers, employees and certain consultants. The Company's plan does not feature any options for a cash settlement. Occasionally, the Company may issue warrants to brokers.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. The fair value is measured at the grant date and if applicable, recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting. Share-based payment expense incorporates an expected forfeiture rate.

All share-based payments under the plan (except warrants issued to agents or brokers) are ultimately recognized as an expense in profit or loss with a corresponding credit to contributed surplus, in equity. At the same time, upon exercise of a stock option, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in contributed surplus are then transferred to share capital. Warrants issued to brokers are recognized as issuance costs of equity instruments with a corresponding credit to warrants, in equity. Upon exercise, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the warrants are then transferred to share capital.

### **n) Equity**

#### Share capital

Share capital represents the amount received on the issue of shares. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of share capital. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus. In addition, if shares are issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they are measured at the fair value of the assets or services received, if such fair value is determinable.

#### Flow-through financings

Issuance of flow-through units represents in substance an issue of ordinary shares, warrants (if applicable) and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between share capital, warrants issued and the liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to the fair value of the warrants at the time of issuance and any residual in the proceeds is allocated to the liability. The fair value of the warrants is estimated using the Black-Scholes valuation model. The liability component recorded initially on the issuance of shares is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in other income related to flow-through shares.

#### Unit placements

Under the residual method, proceeds are first allocated to shares according to the quoted prices of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

## **Stria Lithium Inc.**

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### Warrants

Warrants include charges related to the issuance of warrants until such equity instruments are exercised, expire or are forfeited.

### Contributed Surplus

Contributed surplus includes charges related to stock-based compensation until such equity instruments are exercised, as well as expired or forfeited warrants.

### Deficit

Deficit includes all current and prior period profits or losses.

## **o) Income taxes**

Tax expense recognized in profit or loss comprises the sum of deferred and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax basis.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

## **p) Loss per share**

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. The diluted loss per share is equal to the basic loss per share because the effect of warrants and stock options described in Notes 9 and 10 is antidilutive.

Shares held in escrow, other than where their release is subject only to the passage of time, have not been included in the calculation of the weighted average number of common shares outstanding for basic or diluted loss per share.

## Stria Lithium Inc.

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### 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

#### *IFRS 16, Leases (“IFRS 16”)*

In January 2016, the IASB issued IFRS 16, completing its project to improve the financial reporting of leases. The new standard will replace IAS 17 “Leases” (IAS 17), and it sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. For lessees, IFRS 16 eliminates the classification of leases as either operating or finance leases that exist under IAS 17, and requires recognition of assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements under IAS 17. IFRS 16 is to be applied retrospectively, using either a full retrospective approach or a modified retrospective approach, for annual periods beginning on or after January 1, 2019.

The Company will adopt IFRS 16 as at October 1, 2019 using the modified retrospective approach and there is no expected impact on the Company’s consolidated financial statements as the only outstanding lease is of low value.

### 5. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

#### *Financial instruments*

The Company's financial instruments at September 30, 2019 consist of cash, accounts payable and accrued liabilities and amounts due to related parties. The fair value of these financial instruments approximates their carrying value due to their short-term nature except for the long-term portion of amounts due to related parties where the fair value approximates its carrying value due to being subject to market rate interest

#### *Carrying amounts of financial assets and liabilities*

##### **Financial assets**

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Measured at amortized cost		
Cash	533	111,206

##### **Financial liabilities**

Measured at amortized cost		
Accounts payable and accrued liabilities	377,007	170,518
Amounts due to related parties	79,717	29,910

#### *Risk management*

The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

#### *Credit risk*

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company’s only significant financial asset exposed to credit risk is cash and maximum exposure is equal to the carrying value of this asset. The Company’s cash is held at a Canadian chartered

## Stria Lithium Inc.

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bank. It is Management's opinion that the Company is not exposed to significant credit risk. There has been no change to Management's assessment of credit risk compared with the prior year.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business as well as any anticipated transactions. The Company has a working capital deficit of \$262,071 at September 30, 2019, including \$533 in cash and current liabilities totalling \$439,325, due within the next 12 months. There has been no change to Management's assessment of liquidity risk compared with the prior year.

	<b>LIABILITIES</b>			
	<b>Within 1 year</b>	<b>1 to 3 years</b>	<b>4 to 5 years</b>	<b>Total</b>
September 30, 2019	439,325	17,399	-	456,724
September 30, 2018	176,462	13,821	10,145	200,428

### Capital management

The Company manages its capital to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders. In the management of capital, the Company includes the components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets. The Company is not subject to any external capital requirements, neither regulatory nor contractual. In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

## 6. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS

	<b>September 30, 2019</b>		<b>September 30, 2018</b>	
	<b>Mineral exploration properties</b>	<b>Exploration and evaluation assets</b>	<b>Mineral exploration properties</b>	<b>Exploration and evaluation assets</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Pontax-Lithium	<b>352,475</b>	<b>1,067,858</b>	352,475	667,111

### a) Pontax-Lithium

On December 6, 2013, the Company acquired a 100% interest in the Pontax-Lithium property from Khalkos Exploration Inc. ("Khalkos") in consideration for a cash payment of \$100,000 and the issuance of 833,333 common shares. The property was recorded at a value of \$350,000 upon initial recognition, based on the fair value of the property received and consideration paid. The Pontax-Lithium property is comprised of a group of 68 contiguous mining claims located in the James Bay Territory of Northern Quebec. Other acquisition costs of \$2,475 have been included in the cost of the property.

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There was no change to mineral exploration properties between October 1, 2017 to September 30, 2019.

The following table reflects changes to exploration and evaluation assets between October 1, 2017 to September 30, 2019:

	Year ended September 30, 2019	Year ended September 30, 2018
	\$	\$
Balance, beginning of the period	667,111	361,267
Additions		
Drilling	-	391,473
Metallurgical analysis	650,000	-
Property maintenance	2,623	6,676
	<b>652,623</b>	<b>398,149</b>
Tax credits and credit on duties	<b>(251,876)</b>	<b>(92,305)</b>
Balance, end of the period	<b>1,067,858</b>	<b>667,111</b>

## 7. FLOW-THROUGH AND TAX EXPENSE

The Company is permitted, under Canadian income tax legislation, to renounce flow-through related resources expenditures to investors in advance of the Company incurring all of the expenditures. In accordance with this legislation, the Company has twelve months following the effective date of renunciation to incur the remaining expenditures. The Company begins incurring interest charges for unspent funds after two months following renunciation.

In November and December 2017, the Company completed flow-through private placements for gross proceeds of \$477,500. In February 2018, the related tax deductions were renounced to investors with an effective date of December 31, 2017. The Company incurred all the required flow through expenditures by the December 31, 2018 deadline and incurred an amount of \$1,769 for Part XII.6 tax and deemed expenses in Quebec, which is calculated on the monthly balance of unspent flow through funds.

In December 2018 the Company completed flow through private placements for gross proceed of \$500,000. In February 2019, the related tax deductions were renounced to investors with an effective date of December 31, 2018. As at September 30, 2019 the Company has not incurred any of the required flow through expenditures and has until December 31, 2019 to incur the remaining expenditures.

- (1) On December 12, 2018, the Company closed a flow-through private placement (Note 8) for gross proceeds of \$150,000. The proceeds from the financing were allocated between share capital (\$75,000), warrants (\$19,875) and a deferred liability (\$55,125) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors. Further to the renunciation of the tax deductions to investors in February 2019, the Company will proportionately reduce the initial liability by the percentage of the required exploration expenditures which have been incurred. As at September 30, 2019, the remaining liability is \$55,125.

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- (2) On December 27, 2018, the Company closed a flow-through private placement (Note 8) for gross proceeds of \$350,000. The proceeds from the financing were allocated between share capital (\$175,000), warrants (\$49,327) and a deferred liability (\$125,673) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors. Further to the renunciation of the tax deductions to investors in February 2019, the Company will proportionately reduce the initial liability by the percentage of the required exploration expenditures which have been incurred. As at September 30, 2019, the remaining liability is \$125,673.

The Company entered into a core drilling contract with a contractor who has been engaged to complete a drilling program by December 31, 2019.

### 8. SHARE CAPITAL

Unlimited number of common shares, voting, participating and without par value

#### Issued and fully paid

Common shares

	Number of Shares	\$
<b>Balance, September 30, 2017</b>	<b>47,710,369</b>	<b>2,838,748</b>
Shares issued for cash	14,550,000	740,000
Warrants	-	(61,500)
Shares issued on exercise of warrants	200,000	10,000
Share issuance costs	-	(96,515)
<b>Balance, September 30, 2018</b>	<b>62,460,369</b>	<b>3,430,733</b>
Shares issued for cash	10,000,000	500,000
Warrants	-	(69,202)
Flow through share premium	-	(180,798)
Share issuance costs	-	(32,051)
<b>Balance, September 30, 2019</b>	<b>72,460,369</b>	<b>3,648,682</b>

- (1) On November 9, 2017, the Company completed a flow-through private placement for gross proceeds of \$307,500. The private placement was comprised of 6,150,000 flow-through units at a price of \$0.05 per unit. Each flow-through unit consists of one flow-through common share and one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.05 until November 9, 2021. The proceeds from the financing (\$307,500) were allocated between share capital (\$246,000) and warrants (\$61,500), after which there existed no residual to allocate to the flow-through liability. The fair value of the shares was determined based on the trading price of the Company's shares on the TSX-V. Other share issuance costs total \$17,331 and were presented as a reduction of share capital. Directors of the Company participated in the private placement for a total amount of \$150,000.
- (2) On December 8, 2017, the Company completed a flow-through private placement for gross proceeds of \$170,000. The private placement was comprised of 3,400,000 flow-through units at a price of \$0.05 per unit. Each flow-through unit consists of one flow-through common share and one common share

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purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.05 until December 9, 2021. In connection with the financing, the Company paid cash finders' fees of \$8,400 and issued, as additional consideration, 168,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.05 until December 8, 2021. The proceeds from the financing (\$170,000) were allocated to share capital (\$170,000), and after which there existed no residual to allocate to warrants or the flow-through liability. The fair value of the shares was determined based on the trading price of the Company's shares on the TSX-V. The warrants issued as commissions have been recorded at a value of \$6,520 based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.05, risk-free interest rate of 1.62%, expected life of warrants of 4 years, annualized volatility of 120% and dividend rate of 0%. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total \$11,243 and were presented as a reduction of share capital.

- (3) On January 22, 2018, the Company completed a private placement for gross proceeds of \$262,500. The private placement was comprised of 5,000,000 units at a price of \$0.0525 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.07 until January 22, 2022. In connection with the financing, the Company paid cash finders' fees of \$18,375 and issued, as additional consideration, 350,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.07 until January 22, 2021. The proceeds from the financing (\$262,500) was allocated entirely to share capital using the residual method. The fair value of the shares was determined based on the trading price of the Company's shares on the TSX-V. The warrants issued as commissions have been recorded at a value of \$20,550 based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.075, risk-free interest rate of 1.86%, expected life of warrants of 3 years, annualized volatility of 125.56% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last three years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total \$14,096 and were presented as a reduction of share capital.
- (4) On December 12, 2018, the Company completed a flow-through private placement for gross proceeds of \$150,000. The private placement was comprised of 3,000,000 flow-through units at a price of \$0.05 per unit. Each flow-through unit consists of one flow-through common share and one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.055 until December 12, 2020. The proceeds from the financing (\$150,000) were allocated to share capital (\$75,000), warrants (\$19,875) and after which \$55,125 residual was allocated to the flow-through liability. The fair value of the shares was determined based on the trading price of the Company's shares on the TSX-V. The fair value of the warrants issued as a part of the private placement have been recorded at a value of \$19,875 based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.025, risk-free interest rate of 2.05%, expected life of warrants of 2 years, annualized volatility of 86.25% and dividend rate of 0%. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total \$1,218 and were presented as a reduction of share capital. The entire amount of the proceeds was raised from directors of the Company.
- (5) On December 27, 2018, the Company completed a flow-through private placement for gross proceeds of \$350,000. The private placement was comprised of 7,000,000 flow-through units at a price of \$0.05 per unit. Each flow-through unit consists of one flow-through common share and one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.055 until December 27, 2020. In connection with the financing, the Company paid cash finders' fees of \$14,000 and issued, as additional consideration, 280,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.055 until December 27, 2020. The proceeds from the financing (\$350,000) were allocated to share capital (\$175,000), warrants (\$49,327) and after which \$125,673 residual was allocated to the

## Stria Lithium Inc.

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flow-through liability. The fair value of the shares was determined based on the trading price of the Company's shares on the TSX-V. The fair value of the warrants issued as a part of the private placement and commissions have been recorded at a value of \$49,327 and \$1,973 respectively. This is based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.025, risk-free interest rate of 1.90%, expected life of warrants of 2 years, annualized volatility of 89.37% and dividend rate of 0%. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total \$4,044 and were presented as a reduction of share capital. \$175,000 of the proceeds raised were from directors of the Company.

### 9. WARRANTS

Outstanding warrants entitle the holders thereof to subscribe to an equivalent number of common shares.

The following table reflects the continuity of warrants:

	Number of Warrant	Weighted average exercise price
Balance, September 30, 2017	28,671,000	0.06
Issued	15,068,000	0.06
Exercised	(200,000)	0.05
Balance, September 30, 2018	43,539,000	0.06
Issued	10,280,000	0.06
Expired	(4,646,000)	0.10
Balance, September 30, 2019	49,173,000	0.06

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As at September 30, 2019, the following warrants were issued and outstanding:

Number of Warrants	Issue date fair value \$	Exercise price \$	Epiry date
1,890,000	37,800	0.07	October 23,2019
7,100,000	-	0.05	April 13, 2021
8,880,000	-	0.05	January 27, 2022
640,000	32,307	0.05	January 27, 2022
5,000,000	25,000	0.05	July 20, 2020
315,000	7,381	0.05	July 20, 2020
6,150,000	61,500	0.05	November 9 ,2021
3,400,000	-	0.05	December 9, 2021
168,000	6,520	0.05	December 8, 2021
5,000,000	-	0.07	January 22, 2022
350,000	20,550	0.07	January 22, 2021
3,000,000	19,875	0.055	December 12, 2020
280,000	1,973	0.055	December 27, 2020
7,000,000	49,327	0.055	December 27, 2020
<u>49,173,000</u>	<u>262,233</u>		

As at September 30, 2018, the following warrants were issued and outstanding:

Number of Warrants	Issue date fair value \$	Exercise price \$	Epiry date
4,646,000	57,378	0.10	20-Mar-19
1,890,000	37,800	0.07	October 23,2019
7,100,000	-	0.05	April 13, 2021
8,880,000	-	0.05	January 27, 2022
640,000	32,307	0.05	January 27, 2022
5,000,000	25,000	0.05	July 20, 2020
315,000	7,381	0.05	July 20, 2020
6,150,000	61,500	0.05	November 9 ,2021
3,400,000	-	0.05	December 9, 2021
168,000	6,520	0.05	December 8, 2021
5,000,000	-	0.07	January 22, 2022
350,000	20,550	0.07	January 22, 2021
<u>43,539,000</u>	<u>248,436</u>		

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### 10. STOCK OPTIONS

On May 21, 2019, the Company adopted an incentive stock option plan in accordance with the policies of the TSX Venture Exchange (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares, which are exercisable for a period to be determined by the Board at the time the option is granted. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted.

The following table reflects the continuity of stock options:

Balance, September 30, 2017	1,578,451	0.08
Expired	(300,000)	0.05
Granted (1)	3,200,000	0.06
Balance, September 30, 2018	4,478,451	0.07
Expired	(50,000)	0.05
Granted (2)	2,500,000	0.05
Balance, September 30, 2019	6,928,451	0.06

- (1) On April 9, 2018, 3,210,000 stock options were granted to Directors, Officers, employees and consultants at an exercise price of \$0.06 per share, expiring on April 9, 2022.
- (2) On April 10, 2019, 2,500,000 stock options were granted to a Directors, Officers, employees and consultants at an exercise price of \$0.05 per share, expiring on April 9, 2024.

As at September 30, 2019, the following stock options were outstanding and exercisable:

Exercise prices	OUTSTANDING			EXERCISABLE		
	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average outstanding exercise price	Number vested	Weighted average vested exercise price	
\$ 0.06	3,150,000	2.53	\$ 0.06	3,150,000	\$ 0.06	
\$ 0.10	1,028,451	2.36	\$ 0.10	1,028,451	\$ 0.10	
\$ 0.05	2,500,000	4.30	\$ 0.05	2,500,000	\$ 0.05	
	6,678,451	3.21	0.06	6,678,451		0.06

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As at September 30, 2018, the following stock options were outstanding and exercisable:

Exercise prices	OUTSTANDING			EXERCISABLE		
	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average outstanding exercise price	Number vested	Weighted average vested exercise price	
\$ 0.05	250,000	3.04	\$ 0.05	250,000	\$ 0.05	\$ 0.05
\$ 0.06	3,200,000	3.53	\$ 0.06	3,200,000	\$ 0.06	\$ 0.06
\$ 0.10	1,028,451	3.36	\$ 0.10	1,028,451	\$ 0.10	\$ 0.10
	4,478,451	3.46	0.07	4,478,451		0.07

The following table reflects the weighted-average fair value of stock options granted and the related Black-Scholes option pricing model inputs that were used in the calculations:

	Year ended September 30, 2019	Year ended September 30, 2018
Stock options granted	2,500,000	3,210,000
Weighted average grant-date fair value	0.02	0.03
Weighted-average exercise price	0.05	\$0.06
Weighted-average market price at date of grant	0.025	\$0.05
Expected life of stock options (years)	5.00	4.00
Expected stock price volatility	100%	126%
Risk-free interest rate	1.67%	1.97%
Expected dividend yield	-	-

The underlying expected stock price volatility is based on historical data of similar companies, as the Company has limited historical data itself on which it could be based.

The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the options.

In total, \$40,620 of stock-based payments (all of which relate to equity-settled stock-based payment transactions) were included in profit or loss for the year ended September 30, 2019 (2018 - \$111,204) and credited to contributed surplus.

## 11. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these financial statements are as follows:

Unless otherwise stated, none of these transactions incorporated special terms and conditions and no guarantees were given or received.

## Stria Lithium Inc.

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### Focus Graphite Inc.

During the year ended September 30, 2019, the company was charged \$Nil (September 30<sup>th</sup>, 2018 - \$5,000) by Focus Graphite Inc. ("Focus"), which shares common management, for a portion of a consultant's travel expenses.

As at September 30, 2019, \$Nil is included in accounts payable and accrued liabilities (September 30<sup>th</sup>, 2018 - \$1,475).

### Grafoid Inc.

During the year ended September 30, 2019, the company was charged \$15,965 (September 30<sup>th</sup>, 2018 - \$Nil) by Grafoid Inc., which shares common management, for consulting fees.

As at September 30, 2019, \$17,545 is included in accounts payable and accrued liabilities (September 30<sup>th</sup>, 2018 - \$2,385).

### MuAnalysis.

During the year ended September 30, 2019, the company was charged \$6,000 (September 30<sup>th</sup>, 2018 - \$Nil) by MuAnalysis, which shares common management, for rent expenses. As at September 30, 2019, \$4,956 is included in accounts payable and accrued liabilities (September 30<sup>th</sup>, 2018 - \$Nil).

### Loan from Officer

As at September 30, 2019, included in amounts due to related parties is an amount of \$30,229 due to an Officer of the Company (September 30<sup>th</sup>, 2018 - \$29,910). The amount due at September 30, 2019 is composed of a balance owing for the loan agreement of \$28,479 and \$1,750 of unpaid interest. The loan agreement entered by the Company and the Officer on December 22, 2017 from converting an outstanding balance of consulting fees of \$33,995 as at December 1, 2017 due to the Officer. The loan is repayable on December 1, 2022. The loan bears interest at a rate of 10% per annum and one time 2% setup fee due on the inception of the loan agreement and is secured by all assets of the Company. During the year ended September 30, 2019, the company has been charged \$2,486 in interest charges (September 30<sup>th</sup>, 2018 - \$3,095) and \$2,000 in financing fees for a loan issued and repaid during the current fiscal year.

### Key management compensation

The following table reflects compensation of key management personnel (Directors and Officers of the Company):

	Year ended September 30 2019	Year ended September 30 2018
	\$	\$
Stock-based compensation	35,664	79,679
Consulting fees (1)	12,000	36,000
	<b>47,664</b>	115,679

(1) As at September 30, 2019, \$25,794 is included in accounts payable and accrued liabilities (September 30<sup>th</sup>, 2018 - \$10,199).

The costs noted above include an allocation of compensation paid to key management personnel.

## Stria Lithium Inc.

Notes to the Consolidated Financial Statements

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(in Canadian dollars)

### 12. INCOME TAXES

#### *Relationship between expected tax expense and accounting profit or loss*

The relationship between the expected tax expense (recovery) based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statements of comprehensive loss can be reconciled as follows:

	2019	2018
	\$	\$
Accounting loss before income tax	(240,581)	(358,374)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 25% (2018 - 26.8%)	(63,754)	(96,044)
Adjustments for the following items:		
Tax impact of temporary difference for which no deferred tax asset was recorded	(59,037)	3,136
Change in enacted tax rates	-	(22,810)
Stock-based compensation	10,764	29,803
Other	5,828	4,868
Tax effect of issuance of flow-through shares	106,198	81,049
Tax effect of reversal of other liabilities relating to flow through shares	-	-
Deferred income tax expense (recovery)	-	-

#### *Deferred tax assets and liabilities and variation of recognized amounts during the period*

The following differences between the carrying amounts and tax bases from timing differences, unused tax loss and unused tax credits give rise to the following recognized and unrecognized deferred taxes, and the following unrecognized timing differences, unused tax losses and unused tax credits:

## Stria Lithium Inc.

Notes to the Consolidated Financial Statements  
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(in Canadian dollars)

	Balance September 30, 2018	Recognized in profit or loss	Recognized in equity	Balance September 30, 2019
	\$	\$	\$	\$
Mineral exploration properties and exploration and evaluation assets	(176,424)	(103,743)	-	(280,167)
Non-capital losses and other	176,424	103,743	-	280,167
	-	-	-	-

  

	Balance September 30, 2017	Recognized in profit or loss	Recognized in equity	Balance September 30, 2017
	\$	\$	\$	\$
Mineral exploration properties and exploration and evaluation assets	(96,820)	(79,604)	-	(176,424)
Non-capital losses and other	96,820	79,604	-	176,424
	-	-	-	-

As at September 30, 2019 and 2018, the Company had the following temporary differences. No deferred tax assets were recorded for these temporary differences.

	2019	2018
	\$	\$
Share issuance costs	167,396	225,242
Research and development expenditures deducted for accounting purposes in excess of tax, net of investment tax credits	319,492	331,973
Mineral exploration properties and exploration and evaluation assets	306,049	306,049
Non-capital losses	1,943,805	1,964,839
	<u>2,736,742</u>	<u>2,828,103</u>

As at September 30, 2019, the Company has the following non-capital losses for which no deferred tax asset was recorded. These carry forward balances expire as follows:

	\$
2035	459,149
2036	528,629
2037	367,253
2038	320,366
2039	268,408
	<u>1,943,805</u>

## **Stria Lithium Inc.**

Notes to the Consolidated Financial Statements

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*(in Canadian dollars)*

The temporary difference relating to the share issuance costs which the Company has not recognized will be deductible until the year 2023.

The Company claims research and development deductions and related investment tax credits for income tax purposes, based on Management's interpretation of applicable legislation in the Income Tax Act of Canada. These claims are subject to review by the Canada Revenue Agency. During the year, the Company recognized refundable investment tax credits of \$Nil (2018 - \$Nil), which are included in Government assistance in the consolidated statements of comprehensive loss.

The Company has unclaimed scientific research and experimental development expenditures of \$260,874 (2018 - \$260,874) that are available to reduce future years' taxable income. These unclaimed expenditures can be carried forward indefinitely.

The Company has unused investment tax credits of \$58,618 (2018 - \$58,618) and \$15,821 (2018 - \$12,481) to offset against future federal and provincial income taxes, respectively. The credits begin to expire in 2035.

### **13. COMPARATIVE FIGURES**

Comparative figures have been restated to conform with current period presentation.

Consolidated statements of cash flow:

The exploration and evaluation costs have been grossed up to include the tax credit receivable in the September 30, 2019 consolidated financial statements.

The warrants and shares issued in private placements are presented as proceeds from private placements in the September 30, 2019 consolidated financial statements.

Consolidated statements of comprehensive loss:

The rent expense of \$3,600 and the supplies expense of \$16,431 were presented as other expenses in the September 30<sup>th</sup>, 2018 consolidated financial statements.