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**Argentina Lithium & Energy Corp.**

*(An Exploration Stage Company)*

**CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

*(Expressed in Canadian Dollars)*

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## Independent Auditor's Report

To the Shareholders of Argentina Lithium & Energy Corp.

### Opinion

We have audited the consolidated financial statements of Argentina Lithium & Energy Corp. ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017 and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) 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 December 31, 2018 and December 31, 2017, 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 audit 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 audit 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 1 to the consolidated financial statements which describes the material uncertainty 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 audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information 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 in this auditor's report. 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Diana Huang.

A handwritten signature in black ink that reads "Crowe Mackay LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants  
Vancouver, Canada  
April 9, 2019**

**Argentina Lithium & Energy Corp.**  
*(An Exploration Stage Company)*  
**Consolidated Statements of Financial Position**  
*(Expressed in Canadian Dollars)*

	Note	December 31, 2018 \$	December 31, 2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		13,093	1,883,712
Accounts receivables		2,209	12,918
Prepaid expenses		33,628	106,178
<b>Total current assets</b>		<b>48,930</b>	<b>2,002,808</b>
<b>Non-current assets</b>			
Equipment	4	-	3,277
Exploration and evaluation assets	5	99,345	3,368,064
<b>Total non-current assets</b>		<b>99,345</b>	<b>3,371,341</b>
<b>Total Assets</b>		<b>148,275</b>	<b>5,374,149</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9	201,806	267,053
Interest payable	6	1,545	-
Loans payable	6	315,000	-
<b>Total liabilities</b>		<b>518,351</b>	<b>267,053</b>
<b>EQUITY (DEFICIENCY)</b>			
Share capital	7	21,183,677	19,928,411
Share subscriptions and warrant exercises received	7	-	103,500
Reserves	7	6,366,824	4,503,858
Deficit		(27,920,577)	(19,428,673)
<b>Total equity (deficiency)</b>		<b>(370,076)</b>	<b>5,107,096</b>
<b>Total Equity (Deficiency) and Liabilities</b>		<b>148,275</b>	<b>5,374,149</b>

**NATURE OF OPERATIONS AND GOING CONCERN (Note 1)**

**COMMITMENT (Note 12)**

**SUBSEQUENT EVENTS (Note 15)**

These consolidated financial statements are authorized for issue by the Board of Directors on April 9, 2019. They are signed on the Company's behalf by:

"Nikolaos Cacos" , Director

"David Terry" , Director

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

## Argentina Lithium & Energy Corp.

(An Exploration Stage Company)

### Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

		Year ended December 31,	
		2018	2017
	Note	\$	\$
<b>Expenses</b>			
Accounting and audit		37,520	22,300
Consulting fees	9	96,000	80,000
Corporate development and investor relations		554,311	524,549
Depreciation	4	3,277	3,575
Exploration	5	2,590,246	1,650,541
Legal and professional fees		40,637	69,354
Management fees	9	128,600	134,500
Office and sundry	9	55,104	51,809
Rent, parking and storage		13,462	12,302
Stock-based compensation	7,9	1,241,605	21,868
Transfer agent and regulatory fees		51,972	49,851
Travel		3,610	6,945
<b>Loss from operating activities</b>		<b>4,816,344</b>	<b>2,627,594</b>
<b>Other expenses (income)</b>			
Foreign exchange loss (gain)		104,936	(40,412)
Interest expense	6	1,545	-
Interest income		(16,221)	(13,806)
Impairment of exploration and evaluation assets	5	3,585,300	1
<b>Other items</b>		<b>3,675,560</b>	<b>(54,217)</b>
<b>Total loss and comprehensive loss</b>		<b>8,491,904</b>	<b>2,573,377</b>
<b>Basic and diluted loss per common share</b>	8	<b>0.45</b>	<b>0.19</b>

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

## Argentina Lithium & Energy Corp.

(An Exploration Stage Company)

### Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended December 31,	
	2018	2017
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the year	(8,491,904)	(2,573,377)
Adjustments for:		
Depreciation	3,277	3,575
Impairment of exploration and evaluation assets	3,585,300	1
Interest expense	1,545	-
Stock-based compensation	1,241,605	21,868
Changes in non-cash working capital items:		
Decrease in accounts receivables	10,709	39,349
Decrease (increase) in prepaid expenses	72,550	(36,057)
(Decrease) increase in accounts payable and accrued liabilities	(65,247)	89,824
Net cash used in operating activities	(3,642,165)	(2,454,817)
<b>Cash flows from investing activities</b>		
Expenditures on exploration and evaluation assets	(316,581)	(1,841,574)
Net cash used in investing activities	(316,581)	(1,841,574)
<b>Cash flows from financing activities</b>		
Issuance of common shares and warrants for private placements	1,690,497	2,326,355
Loans payable	315,000	-
Warrants exercised	159,000	1,311,491
Share subscriptions and warrant exercises received	-	103,500
Share issue costs	(76,370)	(137,204)
Net cash generated by financing activities	2,088,127	3,604,142
<b>Net decrease in cash during the year</b>	<b>(1,870,619)</b>	<b>(692,249)</b>
Cash at beginning of year	1,883,712	2,575,961
<b>Cash at end of year</b>	<b>13,093</b>	<b>1,883,712</b>

#### SUPPLEMENTARY CASH FLOW INFORMATION (Note 13)

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

## Argentina Lithium & Energy Corp.

(An Exploration Stage Company)

### Consolidated Statements of Changes in Equity (Deficiency)

(Expressed in Canadian Dollars)

	Share capital		Reserves				Share subscriptions and warrant exercises received	Deficit	Total
	Number of shares <sup>(1)</sup>	Amount \$	Contributed surplus \$	Equity settled share-based payments \$	Warrants \$				
<b>Balance at December 31, 2016</b>	12,707,885	16,996,990	2,296,883	30,207	1,585,679	-	(16,855,296)	4,054,463	
Private placement	1,762,384	1,557,824	-	-	768,531	-	-	2,326,355	
Share issue costs	-	(204,892)	-	-	-	-	-	(204,892)	
Agent warrants granted	-	-	-	-	67,688	-	-	67,688	
Stock options cancelled/expired	-	-	52,075	(52,075)	-	-	-	-	
Share subscriptions and warrant exercises received	-	-	-	-	-	103,500	-	103,500	
Warrants exercised	3,109,723	1,578,489	-	-	(266,998)	-	-	1,311,491	
Warrants and agent warrants expired	-	-	403,796	-	(403,796)	-	-	-	
Stock-based compensation	-	-	-	21,868	-	-	-	21,868	
Total comprehensive loss for the year	-	-	-	-	-	-	(2,573,377)	(2,573,377)	
<b>Balance at December 31, 2017</b>	17,579,992	19,928,411	2,752,754	-	1,751,104	103,500	(19,428,673)	5,107,096	
Private placement	1,355,676	1,171,757	-	-	617,740	(99,000)	-	1,690,497	
Share issue costs	-	(76,370)	-	-	-	-	-	(76,370)	
Agent warrants granted	-	(46,362)	-	-	46,362	-	-	-	
Warrants exercised	136,250	206,241	-	-	(42,741)	(4,500)	-	159,000	
Warrants and agent warrants expired	-	-	157,170	-	(157,170)	-	-	-	
Return stock to treasury <sup>(2)</sup>	(468,750)	-	-	-	-	-	-	-	
Stock-based compensation	-	-	-	1,241,605	-	-	-	1,241,605	
Total comprehensive loss for the year	-	-	-	-	-	-	(8,491,904)	(8,491,904)	
<b>Balance at December 31, 2018</b>	18,603,168	21,183,677	2,909,924	1,241,605	2,215,295	-	(27,920,577)	(370,076)	

<sup>(1)</sup> On October 10, 2018, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of four (4) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively restated.

<sup>(2)</sup> Refer to Note 5a for further information.

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

## **Argentina Lithium & Energy Corp.**

*(An Exploration Stage Company)*

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Argentina Lithium & Energy Corp. (the "Company") was incorporated on April 11, 2000 in the Province of British Columbia and was transitioned under the Business Corporations Act (BC) on June 17, 2004. In September 2016, the Company changed its name to Argentina Lithium & Energy Corp. (formerly Iron South Mining Corp.) trading on the TSX-V under the symbol "LIT". The address of the Company's registered office is Suite 312 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6.

The Company is a natural resource company engaged in the acquisition and exploration of resource properties in the Americas and Argentina. The Company presently has no proven or probable reserves and, on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

The amounts shown as exploration and evaluation assets represent costs incurred to date, less option payment proceeds and amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to advance the properties beyond the exploration stage, and future profitability of the properties.

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to consolidated financial statements and to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has experienced recurring operating losses and has an accumulated operating deficit of \$27,920,577 and shareholders' equity (deficiency) of (\$370,076) at December 31, 2018. In addition, the Company has working capital deficiency of (\$469,421) at December 31, 2018 and negative cash flow from operating activities of \$3,642,165. Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and to attain profitable operations. Management's plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

### **2. SHARE CONSOLIDATION**

On October 10, 2018, the Company received approval from the TSX Venture Exchange to consolidate its total common shares outstanding. Share consolidation has been completed on a one-post consolidation common shares for every four pre-consolidation common shares. All references to number of shares have been retroactively restated.

## Argentina Lithium & Energy Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### *Statement of compliance*

The Company's audited consolidated financial statement, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee, effective for the Company's reporting for the year ended December 31, 2018.

The policies set out below were consistently applied to all of the periods, except for the application of IFRS 9 Financial Instruments ("IFRS 9").

#### *Basis of preparation*

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

	Place of Incorporation	Principal Activity
Amera-Chile Sociedad Contractual Minera	Chile	Holding company
Amera Resources (BVI) Inc.	British Virgin Islands	Holding company
Argentina Litio Y Energia S.A.	Argentina	Exploration company
Hierros Del Sur S.A.C.	Peru	Holding company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Financial assets are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Cash is classified as fair value through profit or loss.

## **Argentina Lithium & Energy Corp.**

*(An Exploration Stage Company)*

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### *Foreign currencies*

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### *Equipment*

Equipment is recorded at cost less accumulated depreciation calculated using the straight-line method over its estimated useful life of 2 years for computer equipment. Depreciation of an asset begins once it is available for use.

#### *Exploration, Evaluation and Development Expenditure*

Exploration and evaluation expenditures are expensed as incurred, until the property reaches development stage. The development stage begins once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, which increase or extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Mineral property acquisition costs include cash costs and the fair market value of common shares, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments related to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment.

Exploration and evaluation assets are classified as intangible assets.

#### *Cash and Cash Equivalents*

Cash and cash equivalents are classified as FVTPL and include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places its deposits with financial institutions with high credit ratings.

#### *Impairment*

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

## **Argentina Lithium & Energy Corp.**

*(An Exploration Stage Company)*

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### *Valuation of Equity Units Issued in Private Placements*

The Company follows a pro rata allocation method with respect to the measurement of shares and warrants issued as private placement units. This values each component at fair value and allocates total proceeds received between shares and warrants based on the pro rata relative values of the components. The fair value of the common shares is based on the closing bid price on the issue date and the fair value of the common share purchase warrants is determined at the issue date using the Black-Scholes pricing model.

#### *Share-based Payment Transactions*

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Fair value is determined at the issue date using the Black-Scholes pricing model. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve. Charged stock options and warrants that have expired are transferred to contributed surplus.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

#### *Restoration, Rehabilitation, and Environmental Obligations*

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the legal or contractual obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

## **Argentina Lithium & Energy Corp.**

*(An Exploration Stage Company)*

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Company has no material restoration, rehabilitation and environmental obligations as of December 31, 2018 and 2017.

#### *Loss per Share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

#### *Income Taxes*

Income tax for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year-end applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

#### *Significant Accounting Estimates and Judgments*

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **Argentina Lithium & Energy Corp.**

*(An Exploration Stage Company)*

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

#### *Critical accounting judgments*

- i. Presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future, obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.
- ii. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- iii. The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- iv. Management is required to assess impairment in respect to the Company's intangible mineral property interests. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves.

During the year ended December 31, 2018, management has determined there were impairment indicators present with respect to the Company's exploration and evaluation assets. See Note 5 for further information.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Changes in Accounting Standards*

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

#### *i. Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Amounts receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders’ equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor the opening balance of accumulated comprehensive income on January 1, 2018.

#### *ii. Measurement*

##### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations and comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive income (loss) in the period in which they arise.

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### *Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

#### *iii. Derecognition*

##### *Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive income (loss).

The Company has also adopted these accounting standards effective January 1, 2018. The adoption of these accounting standards had no significant impact on the consolidated financial statements. These standards are:

*IFRS 15 – Revenue from Contracts with Customers*

*IFRIC 22 – Foreign Currency Transactions and Advance Consideration*

*Amendments to IFRS 2 – Share-based Payments*

#### *New Accounting Standards and Interpretations*

The International Accounting Standards Board (“IASB”) has issued new and amended standards and interpretations which have not yet been adopted by the Company. The following is a brief summary of the new and amended standards and interpretations:

##### *IFRS 16 – Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 is not expected to have a material impact on amounts recorded in the financial statements of the Company.

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### 4. EQUIPMENT

	Computer Equipment \$	Total \$
<b>Cost</b>		
Balance at December 31, 2016	7,150	7,150
Additions	-	-
Balance at December 31, 2017 and December 31, 2018	7,150	7,150
<b>Accumulated Depreciation</b>		
Balance at December 31, 2016	298	298
Depreciation	3,575	3,575
Balance at December 31, 2017	3,873	3,873
Depreciation	3,277	3,277
Balance at December 31, 2018	7,150	7,150
<b>Carrying Amount</b>		
At December 31, 2017	3,277	3,277
At December 31, 2018	-	-

### 5. EXPLORATION AND EVALUATION ASSETS

The schedules below summarize the acquisition costs and all exploration expenditures incurred to date for each exploration and evaluation asset that the Company holds title to as at December 31, 2018 and 2017:

#### Acquisition Costs

	Argentina				Total
	Arizaro \$	Incahuasi \$	Antofalla \$	Fierro \$	\$
Balance – December 31, 2016	1,526,490	-	-	1	1,526,491
Additions					
Option payments, staking costs, land payments and acquisition costs	1,763,775	77,799	-	-	1,841,574
Impairment of exploration and evaluation assets	-	-	-	(1)	(1)
Balance – December 31, 2017	3,290,265	77,799	-	-	3,368,064
Additions					
Option payments, staking costs, land payments and acquisition costs	37,455	-	279,126	-	316,581
Impairment of exploration and evaluation assets	(3,327,720)	-	(257,580)	-	(3,585,300)
Balance – December 31, 2018	-	77,799	21,546	-	99,345

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### 5. EXPLORATION AND EVALUATION ASSETS (continued)

#### Exploration Expenditures

	Argentina				Total \$
	Antofalla \$	Arizaro \$	Incahuasi \$	Other \$	
Cumulative exploration expenses					
December 31, 2017	-	1,607,044	157,207	-	1,764,251
Expenditures during the year:					
Assays	-	-	41,885	-	41,885
Drilling	-	-	657,717	-	657,717
Geophysics	1,623	89,942	26,338	-	117,903
Metallurgy and mineralogy	1,160	-	-	16,706	17,866
Office	2,902	8,848	73,690	-	85,440
Professional fees	1,849	17,262	76,974	1,569	97,654
Property maintenance payments	2,987	7,526	38,547	6,358	55,418
Salaries and contractors	621	58,884	231,519	-	291,024
Social and community	4,238	4,343	50,477	-	59,058
Supplies and equipment	7,014	48,623	524,579	-	580,216
Transportation	277	26,957	212,841	-	240,075
Statutory taxes	3,495	40,451	298,246	3,798	345,990
	26,166	302,836	2,232,813	28,431	2,590,246
Cumulative exploration expenses					
December 31, 2018	26,166	3,506,023	2,390,020	28,431	4,354,497

	Argentina		Total \$
	Arizaro \$	Incahuasi \$	
Cumulative exploration expenses			
December 31, 2016	113,710	-	113,710
Expenditures during the year:			
Assays	27,593	12,380	39,973
Drilling	434,548	-	434,548
Geophysics	26,443	30,319	56,762
Office	58,957	7,449	66,406
Professional fees	90,877	4,777	95,654
Property maintenance payments	25,146	18,536	43,682
Salaries and contractors	357,882	29,988	387,870
Social and community	22,683	732	23,415
Supplies and equipment	174,971	6,046	181,017
Transportation	86,360	27,202	113,562
Statutory taxes	187,874	19,778	207,652
	1,493,334	157,207	1,650,541
Cumulative exploration expenses			
December 31, 2017	1,607,044	157,207	1,764,251

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### 5. EXPLORATION AND EVALUATION ASSETS (continued)

#### a) Arizaro Lithium Brine Project

On October 28, 2016, the Company entered into an option agreement to acquire a 100% interest in the Arizaro lithium brine project located on the Arizaro Salar in the Province of Salta, Argentina. This agreement was amended on October 26, 2017. Under the terms of the option agreement, the Company may acquire a 100% interest in the Arizaro project by making cash payments to the vendor totaling US\$6,000,000, incurring exploration expenditures totaling US\$4,200,000 and issuing 2,500,000 common shares of the Company. On November 2, 2016, the Company issued the 2,500,000 common shares, which were restricted from trading and become free trading in four installments of 625,000 shares on December 2, 2017, and November 2, 2018, 2019, and 2020.

Date	Option Payment US\$	Exploration Expenditure Commitments US\$
November 2, 2016 (paid)	300,000	-
May 2, 2017 (paid)	500,000	-
November 2, 2017(paid)	200,000	500,000
December 2, 2017 (paid)	650,000	-
November 2, 2018	1,000,000	1,200,000
November 2, 2019	1,500,000	2,500,000
November 2, 2020	1,850,000	-
	6,000,000	4,200,000

During the year ended December 31, 2018, the Company determined that it would not be exploring the Arizaro property further based on exploration work done to the end of the period. The Company delivered notice to the vendor of its intension to terminate the option agreement, and impaired \$3,327,720 in acquisition costs. The Company also returned 468,750 common shares to treasury that had previously been issued in favor of the vendor.

#### b) Incahuasi Lithium Project

The Company owns a 100% interest in the Incahuasi lithium brine project totalling 23,700 ha, located in the Catamarca Province, Argentina.

#### c) Antofalla Lithium Project

On March 8, 2018, the Company entered into a combination of 100% owned property applications and properties with the option to earn 100% through a combination of cash payments and work commitments at the Antofalla lithium brine project totalling 14,000 ha, located in the Salta Province, Argentina. The Company applied for 100% interest in approximately 9,000 hectares of mining claims in the north end of the Salar de Antofalla ("Staked Properties"), all of which have been granted. The Company also entered into an option agreement to earn 100% interest in three additional properties totaling over 5,300 hectares ("Optioned Properties") situated adjacent to the Staked Properties. Subsequent to December 31, 2018, the Company delivered notice to the vendor of its intension to termination the option agreement, and impaired \$257,580 in acquisition costs for the year ended December 31, 2018.

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### 6. LOANS PAYABLE

At December 31, 2018, the Company had the following loans payable:

	December 31, 2018		
	Maturity	Currency	Amount
Unsecured, non-interest bearing (1)	On demand	Canadian dollar	\$165,000
Unsecured, non-interest bearing (2)	On demand	Canadian dollar	\$50,000
Unsecured, 12% annual interest rate (3)	On demand	Canadian dollar	\$100,000
			<u>\$315,000</u>

(1) \$165,000 Unsecured, non-arm's length & non-interest bearing

On October 2, 2018, the Company entered into a loan agreement with a non-arm's length lender. The principal amount of the loan is \$165,000 and is to be used for working capital purposes and is non-interest bearing. The principal balance of the loan shall become due and payable in full on demand.

(2) \$50,000 Unsecured, non-arm's length & non-interest bearing

On December 20, 2018, the Company entered into a loan agreement with a non-arm's length lender. The principal amount of the loan is \$50,000 and is to be used for working capital purposes and is non-interest bearing. The principal balance of the loan shall become due and payable in full on demand.

(3) \$100,000 Unsecured, 12% annual interest rate & finance expense

On November 14, 2018, the Company entered into a loan agreement with an arm's length lender. The principal amount of the loan is \$100,000 and is to be used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full on demand.

No loans were payable as at December 31, 2017.

### 7. CAPITAL AND RESERVES

#### Authorized Share Capital

The Company's authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

#### Capital Restructuring

On October 10, 2018, the Company received approval from the TSX Venture Exchange to consolidate its total common shares outstanding. Share consolidation has been performed on a one-post consolidation common shares for every four pre-consolidation common shares. All references to common shares, options, and warrants, including comparative periods have been retrospectively restated.

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### **7. CAPITAL AND RESERVES (continued)**

#### *Details of Issues of Common Shares in 2018*

On January 23, 2018, the Company completed the second tranche of a non-brokered private placement financing of 1,355,676 units at a price of \$1.32 per unit for gross proceeds of \$1,789,497. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at \$1.60 per share for two years from the date of issue, expiring on January 23, 2020. The Company is entitled to accelerate the expiry date of the warrants if the 5-day volume weighted average stock price of the Company trades \$2.40 or higher, then, on notice from the Company, the warrant holders will have 20 days to exercise their warrants; otherwise, the warrants will expire on the 21<sup>st</sup> day after the date of delivery of the notice. Finders' fees were \$76,370 in cash and 57,853 non-transferable warrants exercisable into common shares at \$1.60 for two years from the date of issue subject to accelerated exercise provisions as set out above. Fair value was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 1.75%; expected stock price volatility – 134.81%; dividend yield – 0%; and expected warrant life – 1.1 years.

During the year ended December 31, 2018, 136,250 warrants were exercised for gross proceeds of \$159,000. The Company issued 3,750 common shares in connection with 3,750 warrants with an exercise price of \$1.20 per warrant that were exercised for gross proceeds of \$4,500 received prior to December 31, 2017.

#### *Details of Issues of Common Shares in 2017*

On December 20, 2017, the Company completed the first tranche of a non-brokered private placement financing of 1,762,384 units at a price of \$1.32 per unit for gross proceeds of \$2,326,355. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at \$1.60 per share for two years from the date of issue, expiring on December 20, 2019. The Company is entitled to accelerate the expiry date of the warrants if the 5-day volume weighted average stock price of the Company trades \$2.40 or higher, then, on notice from the Company, the warrant holders will have 20 days to exercise their warrants; otherwise, the warrants will expire on the 21<sup>st</sup> day after the date of delivery of the notice. Finders' fees were \$137,204 in cash and 103,941 non-transferable warrants exercisable into common shares at \$1.60 for two years from the date of issue subject to accelerated exercise provisions as set out above. Fair value was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 1.61%; expected stock price volatility – 138.52%; dividend yield – 0%; and expected warrant life – 1.1 years.

During the year ended December 31, 2017, 3,109,723 warrants were exercised for gross proceeds of \$1,311,491.

As at December 31, 2017, \$99,000 in share subscriptions and \$4,500 in warrant exercises were received, but the shares had not yet been issued.

#### *Share Purchase Option Compensation Plan*

The Company has a share purchase option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The Plan is based on the maximum number of eligible shares equaling a rolling percentage of 10% of the Company's outstanding common shares, calculated from time to time. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately.

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### 7. CAPITAL AND RESERVES (continued)

The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price less allowable discounts in accordance with the policies of the TSX-V. Share purchase options granted generally vest immediately, and are subject to a four-month hold period and are generally exercisable for a period of up to five years.

The continuity of share purchase options for the year ended December 31, 2018 is as follows:

Expiry date	Exercise Price	December 31, 2017 <sup>(1)</sup>	Granted	Exercised	Expired/ cancelled	December 31, 2018 <sup>(1)</sup>	Options exercisable
January 26, 2023	\$2.00	-	1,142,500	-	-	1,142,500	1,142,500
		-	1,142,500	-	-	1,142,500	1,142,500
Weighted average exercise price (\$)		-	2.00	-	-	2.00	2.00
Weighted average contractual remaining life (years)		-	4.07	-	-	4.07	4.07

<sup>(1)</sup> On October 10, 2018, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of four (4) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively restated.

The continuity of share purchase options for the year ended December 31, 2017 is as follows:

Expiry date	Exercise Price	December 31, 2016 <sup>(1)</sup>	Granted	Exercised	Expired/ cancelled	December 30, 2017 <sup>(1)</sup>	Options exercisable
July 29, 2017	\$2.16	25,000	-	-	(25,000)	-	-
March 9, 2020	\$0.80	-	62,500	-	(62,500)	-	-
		25,000	62,500	-	(87,500)	-	-
Weighted average exercise price (\$)		2.16	0.80	-	1.20	-	-
Weighted average contractual remaining life (years)		0.60	-	-	-	-	-

<sup>(1)</sup> On October 10, 2018, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of four (4) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively restated.

The weighted average fair value of share purchase options granted during the year ended December 31, 2018 is \$1.09 (2017 - \$0.60).

Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Year ended December 31,	
	2018	2017
Risk-free interest rate	1.77%	0.84%
Expected option life in years	2.5	2.6
Expected share price volatility <sup>(1)</sup>	118%	140%
Grant date share price	\$1.72	\$0.80
Expected forfeiture rate	-	-
Expected dividend yield	Nil	Nil

(1) Expected share price volatility is calculated based on historical trading price.

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### 7. CAPITAL AND RESERVES (continued)

#### Warrants

The continuity of warrants for the year ended December 31, 2018 is as follows:

Expiry date	Exercise Price	December 31, 2017 <sup>(1)</sup>	Granted	Exercised	Expired/ Forfeited	December 31, 2018 <sup>(1)</sup>
October 26, 2019	\$1.20	2,502,520	-	(136,250)	(87,020)	2,279,250
December 20, 2019	\$1.60	1,866,325	-	-	-	1,866,325
January 23, 2020	\$1.60	-	1,413,529	-	-	1,413,529
		4,368,845	1,413,529	(136,250)	(87,020)	5,559,104
Weighted average exercise price (\$)		1.36	1.60	1.20	-	1.43

<sup>(1)</sup> On October 10, 2018, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of four (4) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively restated.

2,279,250 warrants that set to expire on October 26, 2018 were extended to October 26, 2019 during the year ended December 31, 2018. These warrants were originally issued on October 26, 2016 as part of the units issued under a private placement completed by the Company in October 2016 and are also subject to an accelerator. The exercise price of the warrants remains at \$1.20.

The continuity of warrants for the year ended December 31, 2017 is as follows:

Expiry date	Exercise Price	December 31, 2016 <sup>(1)</sup>	Granted	Exercised	Expired/ Forfeited	December 31, 2017 <sup>(1)</sup>
August 21, 2017	\$0.40	7,540,498	-	(3,025,223)	(4,515,275)	-
October 26, 2018	\$1.20	2,587,020	-	(84,500)	-	2,502,520
December 20, 2019	\$1.60	-	1,866,325	-	-	1,866,325
		10,127,518	1,866,325	(3,109,723)	(4,515,275)	4,368,845
Weighted average exercise price (\$)		0.60	1.60	0.44	-	1.36

<sup>(1)</sup> On October 10, 2018, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of four (4) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively restated.

### 8. BASIC AND DILUTED LOSS PER SHARE

The calculations of basic and diluted loss per share for the year ended December 31, 2018 and 2017 were based on the following:

	Year ended December 31,	
	2018	2017
Loss attributable to common shareholders (\$)	8,491,904	2,573,377
Weighted average number of common shares outstanding <sup>(1)</sup>	18,979,275	13,853,712

<sup>(1)</sup> On October 10, 2018, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of four (4) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively restated.

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### 8. BASIC AND DILUTED LOSS PER SHARE (continued)

Diluted loss per share did not include the effect of 1,142,500 (2017 – Nil) share purchase options and 5,559,104 (2017 – 4,368,845) warrants as they are anti-dilutive.

### 9. RELATED PARTY BALANCES AND TRANSACTIONS

*Grosso Group Management Ltd.*

On October 1, 2016, the Company entered into a Management Services Agreement (“Agreement”) with Grosso Group Management Ltd. (Grosso Group) to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group’s costs including its staff and overhead costs among the member companies. The fee is reviewed and adjusted quarterly based on the level of services required.

The Agreement contains termination and early termination fees in the event the services are terminated by the Company. The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of \$750,000. The early termination fees are the aggregate of the termination fee in addition to the lesser of the monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of \$1,000,000.

	Year ended December 31,	
	2018	2017
<b>Transactions</b>	\$	\$
Services rendered:		
Grosso Group Management Ltd.		
Management fees	128,600	134,500
Office & sundry	34,050	18,800
Total for services rendered	162,650	153,300

#### Key management personnel compensation

Key management personnel of the company are members of the Board of Directors, as well as the Executive Chairman, President and CEO, CFO and Vice President of Corporate Development.

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### 9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	Year ended December 31,	
	2018	2017
	\$	\$
<b>Transactions</b>		
Share-based compensation	719,967	-
SMG SRL <sup>(1)</sup> Option Payments	-	1,757,360
Consulting, salaries and professional fees to key management or their consulting corporations:		
Darren Urquhart CFO Salaries and employee benefits	12,000	12,000
David Terry Director/Consultant Salaries and employee benefits	48,000	48,000
SMG SRL <sup>(1)</sup> Exploration	37,369	108,375
<b>Total for services rendered</b>	<b>817,336</b>	<b>1,925,735</b>

(1) SMG SRL ("SMG") is a private company controlled by Mr. Nicholas Galli, a director of the Company.

	Year ended December 31,	
	2018	2017
	\$	\$
<b>Transactions</b>		
Amounts owed to related parties		
Payable to Golden Arrow Resources Corp. <sup>(1)</sup>	33,666	19,103
Payable to Oxbow International Marketing Ltd. <sup>(2)</sup>	4,470	-
Payable to Vinland Holdings Inc. <sup>(3)</sup>	-	4,200
<b>Total for amounts payable to related parties</b>	<b>38,136</b>	<b>23,303</b>

(1) A company related through common directors that receives reimbursement for shared office costs and overhead.

(2) A company owned by Joseph Grosso of Argentina Lithium & Energy Corporation.

(3) A company owned by David Terry of Argentina Lithium & Energy Corporation.

### 10. INCOME TAXES

The recovery of income taxes shown in the consolidated statements of loss and comprehensive loss differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2018	2017
Canadian statutory income tax rate	27.00%	26.00%
	\$	\$
Loss for the year	(8,491,904)	(2,573,377)
Income tax recovery at statutory rate	(2,292,815)	(669,078)
Effect on income taxes of:		
Non-deductible differences	779,305	6,399
Rate differential and other	(80,101)	(116,678)
Effect of tax rate change	133,231	14,786
Foreign exchange movement	172,168	-
Unrecognized deferred tax assets	1,288,212	764,571
<b>Income tax recovery</b>	<b>-</b>	<b>-</b>

## Argentina Lithium & Energy Corp.

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### 10. INCOME TAXES (continued)

The significant components of the Company's deferred tax assets are as follows:

	2018	2017
	\$	\$
Deferred income tax assets		
Resource deductions	1,422,000	1,118,000
Capital tax loss carry forward and investments	1,101,000	658,000
Non-capital tax loss carry forward	2,284,000	2,033,000
Share issue costs and others	50,000	44,000
	<u>4,857,000</u>	<u>3,853,000</u>
Unrecognized deferred tax assets	<u>(4,857,000)</u>	<u>(3,853,000)</u>
Deferred income tax asset	<u>-</u>	<u>-</u>

The realization of income tax benefits related to these potential tax deductions is uncertain and cannot be viewed as probable. Accordingly, no deferred income tax assets have been recognized for accounting purposes.

The Company has Canadian non-capital tax loss carry forwards of approximately \$8,356,000 that may be available for tax purposes. The losses expire as follows:

Expiry	\$
2026	1,081,000
2027	1,486,000
2028	1,536,000
2029	376,000
2030	607,000
2031	216,000
2032	330,000
2033	107,000
2034	41,000
2035	32,000
2036	312,000
2037	1,309,000
2038	923,000
	<u>8,356,000</u>

At December 31, 2018, the Company had net operating loss carry forward for Chile income tax purposes of approximately \$76,000 (2017 – \$76,000) that may be carried forward for five years and may only be applied to offset future taxable income from the Company's current Chile subsidiary. The Company also has approximately \$2,577,000 (2017 – \$1,389,000) resource pool, which may reduce income tax in Chile in future years.

The Company also has available mineral resources expenses that are related to the Company's exploration activities in Argentina and the United States of \$3,260,000 which may be deductible for Canadian tax purposes. These available tax losses may only be applied to offset future income taxable income from the Company's current Argentinean subsidiary.

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### 11. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in the Americas and Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the years ended December 31, 2018 and 2017.

The Company's total non-current assets are segmented geographically as follows:

	December 31, 2018		
		Argentina	Total
		\$	\$
Exploration and evaluation assets		99,345	99,345
		99,345	99,345

  

	December 31, 2017		
	Canada	Argentina	Total
	\$	\$	\$
Equipment	3,277	-	3,277
Exploration and evaluation assets	-	3,368,064	3,368,064
	3,277	3,368,064	3,371,341

### 12. COMMITMENT

*Management Services Agreement*

	1 Year	2 Years	3 Years	4-5 Years	More than 5 Years
	\$	\$	\$	\$	\$
Management Services Agreement	19,200	38,400	-	-	-

Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The current fee is \$1,600 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

### 13. SUPPLEMENTARY CASH FLOW

	Years ended December 31,	
	2018	2017
	\$	\$
<b>Non-cash investing and financing activities:</b>		
Private placement – issuance of warrants	617,740	768,531
Share issue cost – issuance of warrants to agents	46,362	67,688
Stock options cancelled/expired	-	52,075
Warrants exercised	42,741	266,998
Warrants and agents' warrants expired	157,170	403,796

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### 14. FINANCIAL RISK MANAGEMENT

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

#### (a) Fair Values

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, interest payable and loans payable. The fair value of cash, receivables, and accounts payable and accrued liabilities approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

At December 31, 2018, the Company's financial instruments measured at fair value are as follows:

	\$ Carrying amount December 31, 2018	Level 1 \$	Level 2 \$	Level 3 \$
		Fair value December 31, 2018		
<b>Recurring measurements</b>				
Financial Assets				
Cash	13,093	13,093	-	-

At December 31, 2017, the Company's financial instruments measured at fair value are as follows:

	\$ Carrying amount December 31, 2017	Level 1 \$	Level 2 \$	Level 3 \$
		Fair value December 31, 2017		
<b>Recurring measurements</b>				
Financial Assets				
Cash	1,883,712	1,883,712	-	-

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

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### **14. FINANCIAL RISK MANAGEMENT (continued)**

#### **(b) Financial Instrument Risk Exposure**

##### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company has reduced its credit risk by depositing its cash with financial institutions that operate globally.

As the majority of the Company's receivables are with the government of Canada in the form of sales tax, the credit risk is minimal. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from 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 has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and anticipates doing so again in the future. See Note 1 for further information.

##### ***Market risk***

###### **(i) *Currency risk***

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations in cash, accounts payable and loans payable usually denominated in US Dollars and Argentinean pesos. A 10% change in US dollar and the Argentinean peso exchange rates relative to Canadian dollar would have insignificant impact on the Company's net and comprehensive loss:

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$100.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$500.

###### **(ii) *Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears no interest. The fair value of cash approximates its carrying value due to the immediate or short-term maturity of this financial instrument.

Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing or have prescribed interest rates.

#### **(c) Capital Management**

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the exploration of evaluation and exploration assets and support any expansionary plans.

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### **14. FINANCIAL RISK MANAGEMENT (continued)**

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, reserves and deficit. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

To effectively manage the Company's capital requirements, management has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to develop the project and anticipates doing so again in the future.

The Company is monitoring market conditions to secure funding at the lowest cost of capital. The Company is exposed to various funding and market risks which could curtail its access to funds.

The Company is not subject to any external covenants. There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

Additional information regarding capital management is disclosed in Note 1.

### **15. SUBSEQUENT EVENTS**

#### *Loan Payable*

- The Company borrowed \$66,000 from a non-arm's length lender, and is to be used for working capital purposes. The principal balance of the loan is due and payable in full on demand.