



*international lithium corp.*  
Power of Blue Sky Discoveries + Green Technology

**FORM 51-102F1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021**

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The following management's discussion and analysis ("MD&A"), prepared as of November 29, 2021, should be read together with the unaudited condensed interim financial statements for the period ended September 30, 2021 and the audited financial statements for the year ended December 31, 2020 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available on the Company's website at [www.internationallithium.com](http://www.internationallithium.com) and SEDAR at [www.sedar.com](http://www.sedar.com).

## FORWARD LOOKING STATEMENTS

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking information or forward-looking statements may include: the effect of results of anticipated production rates, the timing and/or anticipated results of drilling on the Raleigh Lake or Avalonia projects, the expectation of resource estimates, preliminary economic assessments, feasibility studies, lithium or rubidium or caesium recoveries, modeling of capital and operating costs, results of studies utilizing various technologies at the company's projects, budgeted expenditures and planned exploration work on the Avalonia Joint Venture, satisfactory completion of the sale of mineral rights at Forgan Lake, increased value of shareholder investments, and assumptions about ethical behaviour by our joint venture partners where we have them. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained in this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of commodities;
- the availability of financing for the Company's development of projects on reasonable terms;
- the political and regulatory environment of countries in which the Company operates;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; and
- the ability to attract and retain skilled staff.

These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity prices, access to skilled mining development personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Additional risk factors are described in more detail hereinafter. **Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risks they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

## DESCRIPTION OF BUSINESS

International Lithium Corp. (the “Company” or “ILC”) was incorporated under the laws of the Province of British Columbia on March 26, 2009 and is in the process of exploring its resource properties. It became a listed public company on the TSX Venture Exchange in 2011 and trades under the stock symbol “ILC”.

The Company is in the process of exploring and developing its mineral properties located in Argentina, Canada and Ireland and it and its development partners have not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company and of its development partners to obtain necessary financing to complete the development of those reserves and upon future profitable production.

As an exploration company, ILC currently requires additional financing or sale of mineral assets to continue in business and is likely to continue to finance itself in this way for some time. There can be no assurance that such financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change and investors may suffer additional dilution. To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company.

## OVERALL PERFORMANCE

The Company earned a comprehensive income of \$8,460,222 (2020 – \$1,333,089 loss) during the nine months ended September 30, 2021. The difference is mainly due to unrealized gain of \$10,529,428 on remeasurement of the Company’s investment in Litio Minera Argentina S.A. following the signing of a contract to sell this stake (completed in October 2021).

### *Significant Events and Transactions*

Significant events and transactions during the period ended September 30, 2021 and to the date of this MD&A include the following:

- The Company issued 13,296,600 common shares on the exercise of the warrants for gross proceeds of \$703,728.
- The Company issued 14,350,000 common shares on the conversion of 2021 Series Convertible Debentures in the aggregate principal of \$717,500.
- The Company settled \$1,060,000 principal of the loans payable on June 30, 2022 and \$100,000 principal of the loans payable on September 30, 2023. As a result, 11,200,000 bonus warrants with an exercise price of \$0.05 and original expiry date of June 20, 2022 will now expire on January 26, 2022.
- On November 4, 2021, the Company granted 6,955,000 stock options to the directors and officers of the Company. The options have an exercise price of \$0.12 and a term of five years from the date of grant. The options vest one year from the date of grant.
- On October 22, 2021, the Company entered into a Share Purchase Agreement (the “SPA”) with Critical Resources Limited (“Critical Resources”) granting Critical Resources an option to acquire the Company’s whole 49% interest in the Mavis Lake Lithium Project (the “Project”). Critical Resources paid AU\$100,000 for an option period ending January 4, 2022. Under the terms of the SPA, Critical Resources may acquire the Company’s interest in the Project for a consideration comprising of AU\$750,000 cash and 34 million shares of Critical Resources valued at AU\$748,000. In addition, Critical Resources will make the milestone payments as follows:
  - AU\$750,000 on definition of a mineral resource estimate exceeding 5 million tonnes of which at least 50,000 tonnes of Li<sub>2</sub>O using a cut-off grade of 0.4%; and
  - A further AU\$750,000 on definition of a resource exceeding 10 million tonnes of which at least 100,000 tonnes of Li<sub>2</sub>O using a cut-off grade of 0.4% or, in case both milestones are defined at the same time, AU\$1,500,000 in total.

Upon exercise of the option by Critical Resources, the Company will relinquish its right to 1.5% NSR on the Project and Essential Metals will relinquish its right to acquire 29% of the Project from the Company.

- On October 19, 2021, the Company repaid the Exploration Loan principal of US\$2,000,000 and accrued interest of US\$1,180,973 owing to GFL International Co. Ltd.
- On September 20, 2021, the Company entered into a Sale Purchase Agreement (the “SPA”) with Ganfeng Lithium Netherlands Co., B.V. to sell the Company’s 8.58% interest in Lito for a purchase price (the “Purchase Price”) comprised of US\$10,000,000 plus additional sums equal to the principal and all accrued interest outstanding on the Exploration Loan as of the completion date. Under the terms of the SPA, the Company upon receipt of the Purchase Price will immediately repay the principal and all accrued interest outstanding on the Exploration Loan to GFL International Co. Ltd. As part of the consideration, the Company will relinquish its right to buy back 10% participating interest in the Mariana Property and will extend the Avalonia Lithium Project’s US\$10,000,000 exploration expenditure term from 10 years to 12 years.

On October 19, 2021, the Company completed the sale of its interest in Lito and received net cash consideration of US\$10,000,000 after repayment of the principal and accrued interest on the Exploration Loan.

- On August 11 and 25, 2021, the Company completed tranches of a non-brokered private placement consisting of 16,673,336 units at \$0.06 per unit for gross proceeds of \$1,000,400. Each unit comprised one common share and one-half of one share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of \$0.08 per share until June 30, 2024. A director of the Company participated in the private placement.
- On February 22, 2021, the Company completed a non-brokered private placement of secured convertible debentures in the principal amount of \$717,500. The debentures will mature on September 30, 2021 and bear interest at a rate of 15% per annum, payable quarterly. The debenture holder may convert at any time, all or a portion of the convertible debenture principal into common shares of the Company at a price of \$0.05 per common share. The convertible debentures are secured by a general security agreement against the Company’s assets. Certain 2018 Series 2 Convertible Debentures in the aggregate principal amount of \$447,500 with maturity date of June 30, 2020 and certain 2020 Series 2 Convertible Debentures in the aggregate principal amount of \$270,000 with maturity date of September 30, 2020 were settled to participate in the private placement.
- On February 3 and 19, 2021, the Company completed tranches of a non-brokered private placement consisting of 54,545,454 units at \$0.055 per unit for gross proceeds of \$3,000,000. Each unit comprised one common share and a half share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.08 per share until February 29, 2024. Five of the Company’s directors and officers participated in the private placement. The 2018 Series 1 Convertible Debentures principal of \$167,500, accrued fees of \$139,818, promissory notes principal of \$633,146, and promissory notes and convertible debenture interest of \$278,023 were settled to participate in the private placement.
- On January 26, 2021, the Company completed a non-brokered private placement consisting of 3,715,750 units at \$0.05 per unit for gross proceeds of \$185,788. Each unit comprised one common share and a half share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.075 per share until December 31, 2023. Five of the Company’s directors and officers participated in the private placement. The 2018 Series 2 Convertible Debentures principal of \$10,000, the 2020 Series 2 Convertible Debentures principal of \$3,750, accrued fees of \$145,007, and promissory notes and convertible debentures interest of \$27,031 were settled to participate in the private placement.
- On January 21, 2021, the Company entered into the Loan Agreements with directors and related parties of the Company to convert certain convertible debentures, accrued fees and interest into non-convertible loans with an aggregate principal of \$1,957,750. The loans bear interest of 12.5% per annum payable semi-annually and are due on September 30, 2023. The loans are secured by a general security agreement against the Company’s assets. Pursuant to the Loan Agreements, the Company issued 39,155,000 bonus share purchase warrants with expiry date of September 30, 2023. Each bonus warrant will entitle the holder to purchase one common share of the Company at an exercise price of \$0.05 per share. The loans may be repaid prior to their maturity without penalty; however, if a loan is reduced or repaid during the first year of its term, a pro rata number of the total bonus warrants will have their term reduced to the later of one year from issuance of the bonus warrants and 30 days from the reduction or repayment of the loan.
- On January 21, 2021, the Company entered into the Loan Agreements with directors and related parties of the Company to convert certain convertible debentures and interest into non-convertible loans with an aggregate principal of \$1,060,000.

The loans bear interest of 12.5% per annum payable semi-annually and are due on June 30, 2022. The loans are secured by a general security agreement against the Company's assets. Pursuant to the Loan Agreements, the Company issued 21,200,000 bonus share purchase warrants with the expiry date of June 30, 2022. Each bonus warrant will entitle the holder to purchase one common share of the Company at an exercise price of \$0.05 per share. The loans may be repaid prior to their maturity without penalty; however, if a loan is reduced or repaid during the first year of its term, a pro rata number of the total bonus warrants will have their term reduced to the later of one year from issuance of the bonus warrants and 30 days from the reduction or repayment of the loan.

## **EXPLORATION SUMMARY**

### **Raleigh Lake Lithium Pegmatite Project, Ontario, Canada**

The Company's wholly-owned Raleigh Lake project ("Raleigh Lake") is situated on the Trans-Canada Highway, within a 25 kilometre radius of the town of Ignace, Ontario and 235 kilometres west of Thunder Bay, ON. It is easily accessed by a well-maintained network of logging roads that branch south from Highway 17 (Trans-Canada Highway). The project distinguishes itself from other lithium projects in Canada by being situated on major public infrastructure; the Trans-Canada Highway, the mainline of the Canadian Pacific Railway, natural gas pipelines, and the hydropower line junction at Raleigh Lake are all within the Raleigh Lake project's claim boundary.

Previous exploration campaigns on the Raleigh Lake project included mapping, litho-geochemistry, trenching (1,500 m) and diamond core drilling (2,817.5m in 17 holes) resulting in the identification of several substantial pegmatites and numerous smaller ones (see Company news releases dated March 23, 2016 and July 13, 2016 for further details).

Mapping and litho-geochemical sampling indicate a highly fractionated rare-metals' pegmatite belt at least 5 km in length and 2 km in width now fully enclosed within the Company's expanded claim boundaries. The strength of the litho-geochemical signature in the host rock adjacent to known pegmatites will be a highly effective exploration tool to signal the location of hidden or blind pegmatites; pegmatites buried under soil cover or capped by another rock type.

#### ***Magnetic Survey Highlights***

On October 1, 2019 the Company announced the receipt of the final results from an unmanned aerial vehicle magnetometer ("UAV-MAG") survey conducted earlier in 2019. The survey was designed to collect high-resolution magnetic field data over the Raleigh Lake project area. The resulting magnetic images confirm that a geologic body with elevated magnetic response, previously interpreted to be a gabbroic intrusive hosting the lithium bearing pegmatites, continues onto the adjacent group of claims acquired by ILC in 2018. The survey covered a total of just under 500 line-kilometres using a 40-metre line spacing. The resultant data were merged with an earlier UAV-MAG survey conducted in 2016 resulting in almost 700 line-kilometres of continuously profiled magnetic data over the project area.

#### ***Drilling Highlights***

On April 19, 2021 the Company reported the completion of a maiden drill program at the Raleigh Lake Lithium project. A total of 1,504 metres of NQ core drilling were completed in eight holes (Table 1) to test the continuity of spodumene bearing pegmatites and their associated lithium, tantalum and cesium mineralization down dip and along strike from outcrop and previous operators' drilling.

The recent drilling focused on what the Company now refers to as Zone 1, an area of approximately one square kilometre (100 hectares) that hosts Pegmatites 1 and 3, two shallow dipping pegmatite dykes have been mapped at surface. Pegmatite 1 is exposed along strike for at least 300 metres and was intersected 400 metres down dip by drilling conducted prior to ILC's drilling campaign. Seven of ILC's eight widely dispersed holes, covering an area approximately 600 x 300 metres, intersected pegmatite.

On June 1, 2021 the Company announced that assay results have been received for the maiden diamond drilling program at the Raleigh Lake Lithium project near Ignace, Ontario, Canada.

The Company was highly encouraged by the results at Zone 1 of the Raleigh Lake claim grouping, and especially by the consistent and highly anomalous quantities of rubidium and caesium encountered in the first round of drilling. The chemical analysis of the samples as a whole found the ppm of Rb to be 52.7% of the ppm of Li and the ppm of Cs to be 7.2% of the ppm of Li.

These results are also reflected in surface geochemical samples collected in Zones 1, 2, 3 and 4 with the more recently acquired Zone 5 not yet having any coverage at all. The Company believes that there is a high probability of discovering more near surface mineralized pegmatites in future drilling campaigns.

**Highlights:**

- 7 of 8 holes intersected significant lithium, rubidium, caesium and tantalum mineralization.
- Rubidium, caesium and tantalum mineralization at Raleigh Lake is closely associated with lithium mineralization.
- RL21-03 intersected\*: 1.05 metres grading **2.69% Li<sub>2</sub>O** (11,900 ppm ) from 31.04 metres;  
1.18 metres grading **4210 ppm Rb** from 29.86 metres;  
0.55 metres grading **997 ppm Cs** from 33.09 metres; and  
1.00 metres grading **207 ppm Ta** from 32.09 metres downhole.  
The near surface interval is interpreted to be the downdip extent of Pegmatite 3, observed at surface and intersected by previous operators’ drilling. The entire 3.78 metre interval grades 1.72% Li<sub>2</sub>O, 2829 ppm Rb, 299 ppm Cs, and 85 ppm Ta from 29.86 metres downhole (Table 2).
- RL21-02 intersected Pegmatite 3 more than 100 metres from RL21-03 at a downhole depth of 91.25 metres and returned 3.3 metres of 1.29% Li<sub>2</sub>O, 2862 ppm Rb, 232 ppm Cs, and 118 ppm Ta indicating significant downdip continuity of the mineralized pegmatite system.

\* Based on the interpreted geometry of the pegmatite bodies, the orientation of the drill holes and structural measurements from oriented drill core, the reported drill intercept widths are deemed to be representative of the true width of the pegmatite bodies and associated mineralization.

A summary of recent drilling results is given in Table 2.

Table1: Summary of Drill Hole location and orientation at Raleigh Lake.

DDH ID	Easting	Northing	Elevation (m ASL)	Azimuth (deg)	Dip (deg)	Length (m)
RL21-01	576759	5473557	474	308	-70	170.0
RL21-02	576689	5473464	478	330	-70	209.0
RL21-03	576583	5473516	468	308	-70	170.0
RL21-04	576877	5473355	485	308	-70	185.0
RL21-05	576261	5473294	479	308	-70	173.0
RL21-06	576335	5473238	475	308	-70	176.0
RL21-07	576343	5473516	472	308	-70	167.0
RL21-08	576644	5473380	474	308	-70	254.0
<b>TOTAL</b>						<b>1504.0</b>

Table2: Summary of significant mineralized intersections at Raleigh Lake.

2021 Raleigh Lake Project Diamond Drilling Program											
Significant Intersections*											
Hole ID	From (m)	To (m)	Width (m)	Li (ppm)	Li2O (%)	Ta (ppm)	TaO2 %	Rb (ppm)	Rb2O %	Cs (ppm)	Cs2O (%)
RL21-01	139.88	144.90	5.02	3962	0.85	74	0.009	3038	0.33	161	0.017
RL21-02	91.25	94.55	3.30	5973	1.29	118	0.014	2862	0.31	232	0.025
RL21-02	185.00	195.00	10.00	3157	0.68	-	-	1452	0.16	298	0.032
incl.	185.00	187.58	2.58	1880	0.40	-	-	703	0.08	267	0.028
incl.	187.58	194	6.42	3761	0.81	45	0.005	1878	0.21	306	0.032
incl.	194	195	1.00	2574	0.55	-	-	666	0.07	325	0.034
RL21-03	29.86	33.64	3.78	7992	1.72	85	0.010	2829	0.31	299	0.032
incl.	29.86	33.09	3.23	9023	1.94	97	0.012	2923	0.32	180	0.019
incl.	33.09	33.64	0.55	1940	0.42	13	0.002	2280	0.25	997	0.106
RL21-03	149.76	153.45	3.69	1218	0.26	57	0.007	2761	0.30	170	0.018
RL21-05	13.25	14.5	1.25	1146	0.25	55	0.007	1899	0.21	316	0.033
RL21-05	85.48	87.63	2.15	2308	0.50	102	0.012	1938	0.21	239	0.025
RL21-05	104.61	106.79	2.18	1258	0.27	45	0.006	2158	0.24	466	0.049
RL21-06	62.22	62.95	0.73	2240	0.48	123	0.015	1820	0.20	127	0.013
RL21-06	126.58	127.94	1.36	2290	0.49	118	0.014	2630	0.29	106	0.011
RL21-06	144.36	148.5	4.14	1077	0.23	43	0.005	1048	0.11	167	0.018
incl.	144.36	146.89	2.53	1257	0.27	66	0.008	1246	0.14	120	0.013
incl.	146.89	148.5	1.61	795	0.17	8	0.001	737	0.08	243	0.026
RL21-07	81.38	84.67	3.29	3008	0.65	148	0.018	2364	0.26	137	0.014
RL21-07	97.76	100.52	2.76	4416	0.95	42	0.005	1538	0.17	371	0.039
RL21-07	103.06	104.69	1.63	2813	0.61	48	0.006	1139	0.12	158	0.017
RL21-08	217.88	224.78	6.9	1784	0.38	85	0.010	1946	0.21	110	0.012

\* Based on the interpreted geometry of the pegmatite bodies, the orientation of the drill holes and structural measurements from oriented drill core, the reported drill intercept widths are deemed to be representative of the true width of the pegmatite bodies and associated mineralization.

Logistics of the drill program were excellent as the project is road accessible and is just a short distance from the Trans Canada Highway. The Raleigh project is located less than 20 kilometres directly west of the Township of Ignace, Ontario.

John Wisbey, Chairman and CEO of International Lithium Corp. made the following comment:

*“The really significant news from these results, however, is not the lithium but rather the high level of rubidium found at Raleigh Lake together with a lower but still possibly valuable level of caesium. Rubidium in this analysis totals approximately 52% of the ppm of lithium while caesium oxide totals approximately 7.2% of the ppm for lithium. However, the Company notes that the market price of high quality rubidium carbonate per kg is 76 times the market price of lithium carbonate while that of high quality rubidium and caesium metal is more than 1000 times the market price of lithium metal (Table 3), so these discoveries are far more than useful by-products. It will take time to analyze fully the economic value of the rubidium and caesium to the Company, especially the cost of getting to a high level of purity of rubidium and caesium oxide and how we would do this, but at first sight this looks like an extraordinarily promising result.”*

Table 3: Comparative prices of Lithium, Rubidium and Caesium. Source: SMM (<https://www.metal.com/>), May 24, 2021.

Product	Price (USD)	Price Ratio to Lithium Carbonate
Lithium Metal (Li≥99%)	\$97,331/tonne (\$97/kg)	
Lithium Carbonate (99.5% Battery Grade)	\$13,971/tonne (\$13.97/kg)	1
Caesium (Cs≥99.5%)	\$109.89/g (\$109,890/kg)	
Caesium Carbonate(Cs2CO3≥99%)	\$133.44/kg	9.55
Rubidium (Rb≥99.5%)	\$125.60/g (\$125,600/kg)	
Rubidium Carbonate (Rb2CO3≥99%)	\$1059.65/kg	75.9

As well as a commercial analysis of the results so far, the Company plans to conduct more drilling at Raleigh Lake during 2021 in Zone 1 and in the other Zones 2-5.

On August 23, 2021 the Company announced that it expanded the Raleigh Lake project through staking from 3,027 hectares to over just over 17,000 hectares (170 square kilometres). The new claims were staked within the Raleigh Lake Greenstone Belt adjacent to the pre-existing Raleigh Lake claim grouping.

On October 25, 2021 the Company announced further expansion of the Raleigh Lake project through staking approximately 10,000 hectares (100 square kilometres) giving the project a total area of over 27,000 hectares (270 square kilometres).

The Company's ongoing investigations in the region determined that the surrounding greenstone belt is significantly underexplored and the potential to host additional mineral deposits is quite high. Previous exploration by Canadian Nickel Co Ltd. in the early 1970s had identified pegmatite in drill holes that were targeting nickel mineralization. The Company intends to conduct surface prospecting and geochemical sampling as the first phase of exploration on the newly acquired claims with airborne geophysical surveys and drilling to follow as soon as practical.

During the period ended June 30, 2021, the Company incurred exploration costs totaling \$384,884 on the Raleigh Lake Project.

### **Avalonia Project – Ireland**

The Avalonia lithium project is comprised of eight prospecting licenses totalling 292 square kilometres centred 80 km south of Dublin straddling Counties Carlow and Wicklow in southeastern Ireland. The property encompasses an extensive NE-SW oriented 50-kilometre-long rare metals pegmatite belt situated within the East Carlow Deformation Zone along the eastern side of the Leinster Granite. Since acquiring the licenses in 2009, the Company has conducted a series of exploration programs to advance the project. The Company has a 45% interest in the project with the remaining 55% held by GFL International Co. Ltd.

In 2016, a total of 23 diamond drill holes comprising 1,756 metres of NQ sized core were completed in the central part of the Avalonia project's lithium belt and entirely within County Carlow. Of these, 10 holes focussed on further delineating pegmatites in the Aclare area. Down-dip extension and infill drilling was used to delineate the distribution of lithium and rare metals in the system and identify thickening vectors of the pegmatite body.

Highlights of the drilling include three drill holes which intersected a previously unknown pegmatite 450 metres east of the main Aclare pegmatites. This new pegmatite is hosted in a granite sill parallel and adjacent to the granite sill hosting the main Aclare pegmatites where drill hole ACL13-04 intersected 2.23% Li<sub>2</sub>O over a drill width of 23.3 metres, including 3.43% Li<sub>2</sub>O over 6 metres (see Company news release dated June 25, 2013). All lengths reported are drill intercepts and have not been converted into true widths.

Spodumene bearing pegmatite boulders were discovered in field walls between the new pegmatite and the Aclare mineralization. These boulders contain spodumene crystals that are greater than 40 centimetres in length and some of the largest identified on the property to date.

#### ***Drilling Highlights*** (News release July 21, 2016)

- Most notable pegmatite intersection grading 2.33% Li<sub>2</sub>O over 4.62m at southern extent of Aclare pegmatite;
- Aclare pegmatite high-grade mineralization open along trend to the southwest and at depth;
- Improved understanding of mineral zonation to assist future targeting; and
- Plans to extend drill pattern at Aclare and initiate exploration in the vicinity of a high-grade spodumene boulder field at Moylisha in preparation for drilling.

Particularly encouraging results (ACL16-22) are from the southern extent of the drilling and show that mineralization is open to the southwest with significant widths and grades. Holes ACL16-15 and 22 determined that an area previously mapped as a fault-controlled break in the pegmatite is in fact a bend in the mineralized zone revealing that the pegmatite zone is continuous and is made up of several closely spaced parallel bodies in this area.



Table of significant lithium values from the 2016 Avalonia drilling program

Hole ID	From (m)	To (m)	Length* (m)	Li <sub>2</sub> O%
ACL16-15	68.18	78.83	10.65	1.07
including	70.87	75.97	5.10	1.62
including	70.87	72.12	1.25	2.50
ACL16-22	85.23	89.85	4.62	2.33
including	86.26	87.93	1.67	3.29
ACL16-09	46.10	48.45	2.35	1.58
including	46.10	47.03	0.93	2.99

\* All lengths reported are drill core intercepts and have not been converted into true width.

The area drill tested by the Company represents one of the main prospects located along the 42-kilometre lithium pegmatite belt that falls within the Avalonia licenses. A total of 23 targets have been identified to date by geochemical surveys and prospecting along the belt. Since its discovery in the late 1960s, the Aclare area has received more exploration activity and drilling than other targets and consequently is the most geologically understood part of the belt. This makes Aclare a valuable area for testing methods that will then be applied at other targets along the 42-km belt.

During 2018 Ganfeng Lithium drilled a total of 1947.6 metres of NQ diameter core drilling in fifteen drill holes spanning a strike length of approximately 400 metres at the Moylisha prospect of the Avalonia Project. The drilling to date suggests that the pegmatites, including spodumene pegmatites, are open to the northeast and southwest along strike and at depth.

Several of the drill holes have successfully intercepted multiple occurrences of spodumene bearing pegmatites as indicated in the table below.

Table of significant lithium results from the 2018 Avalonia Project Drill Program.

Hole ID	Grade (%Li <sub>2</sub> O)	Width* (m)	From (m)	To (m)
MOY18-04	1.12	0.34	93.93	94.27
MOY18-06	2.55	2.05	75.17	77.22
MOY18-06	1.17	0.74	97.46	98.20
MOY18-08	2.17	0.71	9.77	10.48
MOY18-10	1.56	2.15	31.43	33.58
MOY18-11	1.03	12.29	86.27	98.56
MOY18-11	1.27	1.88	100.32	102.20
MOY18-11	1.49	1.40	105.45	106.85
MOY18-11	1.04	3.28	121.42	124.70
MOY18-13	1.35	4.28	68.32	72.60
MOY18-14	2.13	1.85	108.77	110.62
MOY18-14	0.99	1.18	112.52	113.70
MOY18-16	1.69	1.44	21.63	23.07
MOY18-16	1.06	1.59	40.83	42.42
MOY18-16	1.32	1.62	67.65	69.27
MOY18-17	2.08	3.14	44.34	47.48
MOY18-17	1.11	1.15	50.70	51.85
MOY18-17	1.18	1.01	53.15	54.16
MOY18-18	1.38	0.72	22.08	22.80
MOY18-18	2.78	0.72	49.83	50.55
MOY18-18	1.95	0.64	55.64	56.28
MOY18-18	2.13	0.65	81.21	81.86

\* All lengths reported are drill core intercepts and have not been converted into true width.

## **Mariana Project – Salta, Argentina**

The Mariana property is comprised of 13 mining licenses, covering approximately 22,133 hectares' land over Salar de Llullaillaco, located in Salta Province, Argentina.

On September 20, 2021, the Company entered into a Sale Purchase Agreement (the "SPA") with Ganfeng Lithium Netherlands Co., B.V. to sell the Company's 8.58% interest in Litio Minera Argentina S.A. ("Litio") which holds title to the Property for a purchase price (the "Purchase Price") comprised of US\$10,000,000 plus additional sums equal to the principal and all accrued interest outstanding on the Exploration Loan as of the completion date. Under the terms of the SPA, the Company upon receipt of the Purchase Price will immediately repay the principal and all accrued interest outstanding on the Exploration Loan to GFL International Co. Ltd. As part of the consideration, the Company will relinquish its right to buy back 10% participating interest in the Mariana Property and will extend the Avalonia Lithium Project's US\$10,000,000 exploration expenditure term from 10 years to 12 years.

On October 19, 2021, the Company completed the sale of its interest in Litio and received net cash consideration of US\$10,000,000 after repayment of the principal and accrued interest on the Exploration Loan

As of the date of the MD&A, subsidiaries of Jiangxi Ganfeng Lithium Co., Ltd. ("GFL") own 100% interest in Litio.

## **Mavis Lake - Fairservice Project - Ontario, Canada**

The Mavis Lake - Fairservice Project ("Mavis Lake Lithium Project") is owned 49% by the Company and 51% by Essential Metals Limited (formerly Pioneer Resources Limited) ("Essential Metals") (ASX:ESS). It consists of a package of nineteen adjacent mineral claims which include thirteen unpatented mining claims (the Mavis Lake claims) and six patented mining leases (the Fairservice property). This package covers the lithium-tantalum core of the Mavis Lake Pegmatite Group adjacent to Mavis Lake near Dryden, Ontario, Canada.

### ***Mavis Lake Share Purchase Agreement***

On October 22, 2021, the Company entered into a Share Purchase Agreement (the "SPA") with Critical Resources Limited ("Critical Resources") granting Critical Resources an option to acquire the Company's whole 49% interest in the Mavis Lake Lithium Project (the "Project"). Critical Resources paid AU\$100,000 for an option period ending January 4, 2022. Under the terms of the SPA, Critical Resources may acquire the Company's interest in the Project for a consideration comprising of AU\$750,000 cash and 34 million shares of Critical Resources valued at AU\$748,000. In addition, Critical Resources will make the milestone payments as follows:

- AU\$750,000 on definition of a mineral resource estimate exceeding 5 million tonnes of which at least 50,000 tonnes of Li<sub>2</sub>O using a cut-off grade of 0.4%; and
- A further AU\$750,000 on definition of a resource exceeding 10 million tonnes of which at least 100,000 tonnes of Li<sub>2</sub>O using a cut-off grade of 0.4% or, in case both milestones are defined at the same time, AU\$1,500,000 in total.

Upon exercise of the option by Critical Resources, the Company will relinquish its right to 1.5% NSR on the Project and Essential Metals will relinquish its right to acquire 29% of the Project from the Company

### ***Mavis Lake Option Agreement***

During the year ended December 31, 2016, the Company entered into an option agreement and strategic alliance ("Agreement") with Essential Metals. Under the terms of the Agreement, Essential Metals may earn up to an 80% interest in the Mavis Lake Lithium Project.

*First Earn-in:* Essential Metals earned a 51% interest in the project by spending \$1,500,000 on exploration activities and paying to the Company a total of \$375,000, half in cash and half in shares. The Company was granted a 1.5% NSR, purchasable at any time for \$1,500,000.

*Second Earn-in:* Essential Metals has the option to earn an additional 29% by spending \$8,500,000 by 2025 ("Mavis Lake Second Earn-in"). Thereafter, the Company and Essential Metals will contribute on a pro-rata basis as to 20% and 80%

respectively. If the Company's interest in Mavis Lake falls below 15% owing to dilution it will be converted to a 1.5% net smelter royalty. Essential Metals has the right to buy back half of this second 1.5% net smelter royalty for \$750,000. This second 1.5% net smelter royalty would be in addition to the Company's existing 1.5% royalty entitlement that it would still retain.

### ***Mavis Lake Exploration***

On February 8, 2017, the Company announced that the first drill hole of the 2017 drill program at the Mavis Lake Lithium Project intersected a spodumene-bearing pegmatite. The first drill hole, MF-17-39, intersected 18m\* of spodumene-bearing pegmatite between 79.9m and 97.9m down-hole. The spodumene zone is described as exhibiting broken crystals with the largest observed spodumene crystal oriented parallel to the core axis and measuring approximately 45cm in length.

On April 11, 2017, the Company announced the analytical results from the winter drill program at the Mavis Lake Lithium Project. Drilling at the project commenced on February 4, 2017 under the direction of Essential Metals and was completed on March 2, 2017. In total, 12 oriented diamond core drill holes were completed for a total of 1,305 metres across three target areas: PEG006, PEG006.5 and PEG018.

On April 9, 2018, the Company announced the results of a successful drilling program at Mavis Lake. The program, targeting the Fairservice Pegmatite 6 Prospect, consisted of nine diamond core holes for a total of 1,591 metres, and delivered multiple intersections of spodumene-bearing pegmatite in all nine holes.

### **Forgan Lake Project, Ontario, Canada**

The Forgan Lake property is wholly owned by the Company and consists of certain claims covering an area of 256 hectares located in the Thunder Bay Mining District in Northwestern Ontario, Canada.

In 2018, the Company entered into a sale and royalty agreement with Ultra (TSXV: ULT) for Forgan Lake property. In 2019, the Company entered into an Amendment Agreement with Ultra. In accordance with the amended terms, Ultra may earn a 100% interest in the Forgan Lake property by spending \$500,000 on exploration expenditures and paying the Company a total of \$191,000 (paid), divided in cash and shares, over the period of three years from the date of underlying sale and royalty agreement. In addition, the Company will receive a 1.5% NSR on future production from the Forgan Lake property and from an adjoining property owned by Ultra.

During the year ended December 31, 2020, the Company received \$37,500 in cash and 493,968 shares valued at \$37,500 from Ultra recorded as recoveries in excess of carrying value.

*Patrick McLaughlin, PGeo, a Qualified Person under the meaning of NI 43-101 and a consultant of the Company, is responsible for the technical content of this MD&A.*

## MINERAL PROPERTIES AND COMMITMENTS

A detailed listing and narrative of the Company's properties is provided in the condensed interim financial statements for the period ended September 30, 2021, including the capitalized exploration and evaluation costs presented on a property-by-property basis.

Detailed exploration and evaluation expenditures (including acquisition costs) for the period ended September 30, 2021 are as follows:

	Mavis Lake / Fairservice Project	Raleigh Lake Project	Total
<b>Acquisition Costs</b>			
Balance, December 31, 2019 and 2020	\$ 193,500	\$ 56,000	\$ 249,500
Additions	<u>-</u>	<u>34,800</u>	<u>34,800</u>
Balance, September 30, 2021	193,500	90,800	284,300
<b>Exploration Costs</b>			
Balance, December 31, 2019 and 2020	1,006,005	92,140	1,098,145
Additions	<u>-</u>	<u>440,818</u>	<u>440,818</u>
Balance, September 30, 2021	1,006,005	532,958	1,538,963
<b>Exploration and Evaluation Asset, net</b>			
December 31, 2020	\$ 1,199,505	\$ 148,140	\$ 1,347,645
September 30, 2021	<u>\$ 1,199,505</u>	<u>\$ 623,758</u>	<u>\$ 1,823,263</u>

Deferred exploration costs were as follows:

	Raleigh Lake Project
<b>Period ended September 30, 2021</b>	
Assays and laboratory	\$ 8,482
Drilling	293,460
Exploration expense	11,780
Geology and geophysics	114,099
Travel and accommodation	<u>12,997</u>
Total	<u>\$ 440,818</u>

## OUTLOOK

The Company's primary focus for the foreseeable future will be exploring the potential of the Raleigh Lake lithium pegmatite project. In addition, it will follow up on work with strategic partner GFL to advance exploration programs on its Avalonia lithium (Ireland) rare metals pegmatite project. It is also seeking out new project opportunities globally.

## SUMMARY OF QUARTERLY RESULTS

### For the Quarters Ended

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Total assets	\$ 20,730,028	\$ 9,781,583	\$ 10,517,044	\$ 9,002,021
Investment	16,290,365	5,760,937	5,760,937	5,760,937
Exploration and evaluation assets	1,823,263	1,737,479	1,634,232	1,347,645
Working capital (deficiency)	12,053,767	(1,472,806)	(253,519)	(6,040,993)
Long-term debt	1,139,804	4,972,694	5,575,164	3,846,070
Shareholders' equity (deficiency)	14,952,623	3,258,621	3,786,039	(904,824)
Comprehensive income (loss)	9,558,394	(508,334)	(578,118)	(373,105)
Basic and diluted profit (loss) per share	0.05	(0.00)	(0.00)	(0.00)

  

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Total assets	\$ 9,127,996	\$ 9,072,191	\$ 8,963,271	\$ 8,897,824
Investment	5,760,937	5,760,937	5,760,937	5,760,937
Exploration and evaluation assets	1,347,645	1,347,645	1,347,645	1,347,645
Working capital (deficiency)	(5,623,035)	(5,368,955)	(4,934,773)	(4,567,247)
Long-term debt	3,962,920	3,980,079	4,072,596	3,663,642
Shareholders' (deficiency) equity	(532,533)	(327,000)	(108,818)	559,429
Comprehensive income (loss)	(209,610)	(396,974)	(726,505)	(521,348)
Basic and diluted profit (loss) per share	(0.00)	(0.00)	(0.01)	(0.00)

Changes in key financial data over the periods presented can be attributed to the Company exploring mineral properties in Argentina, Canada and Ireland.

The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance project exploration and advancement.

## RESULTS OF OPERATIONS

### *Nine months ended September 30, 2021*

The Company earned a comprehensive income of \$8,460,222 (2020 - \$1,333,089 loss) during the nine months ended September 30, 2021.

Significant changes are as follows:

- Unrealized gain on remeasurement of investment in Litio of \$10,529,428 (2020 - \$nil).
- Consulting fees increased to \$363,130 (2020 - \$280,895) due to increase in CEO's consulting fee and increase in consultant engagement.
- Foreign exchange resulted in a loss of \$11,416 relative to loss of \$98,489 in corresponding period 2020. The Company is exposed to foreign exchange movements on liabilities denominated and settled in foreign currencies including the Exploration Loan and convertible debentures.
- Interest and bank charges of \$1,135,576 (2020 - \$868,720) relate to interest accruing on the Company's exploration loan with GFL, loans payable, convertible debentures, promissory notes and additional financing costs. The increase is due to

accretion expense on loans payable.

- Depreciation expense decreased to \$nil (2020 - \$43,413) due to termination of right-of-use assets and leases.
- Professional fees increased to \$143,270 (2020 - \$73,088) due to increase in professional engagements and audit fee.
- Shareholder communications expense of \$119,404 (2020 - \$64,167) relates to investor relations activities.
- Share-based payments of \$nil (2020 - \$63,871) relate to the stock options vesting in the period.
- The Company realized a gain of \$nil (2020 - \$145,427) from change in fair value of the embedded derivatives.
- Recoveries in excess of carrying value of \$nil (2020 - \$75,000)

#### *Three months ended September 30, 2021*

The Company earned a comprehensive income of \$9,558,394 (2020 - \$209,610 loss) during the three months ended September 30, 2021.

Significant changes are as follows:

- Unrealized gain on remeasurement of investment in Litio of \$10,529,428 (2020 - \$nil).
- Consulting fees increased to \$161,275 (2020 - \$90,500) due to increase in CEO's consulting fee and increase in consultant engagement.
- Foreign exchange resulted in a loss of \$109,208 relative to gain of \$73,303 in corresponding period 2020. The Company is exposed to foreign exchange movements on liabilities denominated and settled in foreign currencies including the Exploration Loan and convertible debentures.
- Interest and bank charges of \$488,311 (2020 - \$289,597) relate to interest accruing on the Company's exploration loan with GFL, loans payable, convertible debentures, promissory notes and additional financing costs. The increase is due to accretion expense on loans payable.
- Depreciation expense decreased to \$nil (2020 - \$14,471) due to termination of right-of-use assets and leases.
- Professional fees increased to \$78,017 (2020 - \$23,142) due to increase in professional engagements and audit fee.
- Shareholder communications expense of \$68,897 (2020 - \$10,711) relates to investor relations activities. The increase is a result of increase in investor relations consulting expenses.
- The Company realized a gain of \$nil (2020 - \$86,234) from change in fair value of the embedded derivatives.
- Recoveries in excess of carrying value of \$nil (2020 - \$75,000).

## LIQUIDITY AND CAPITAL RESOURCES

To date, the Company has not yet realized profitable operations. As an exploration company, ILC will require additional financing to continue in business and is likely to continue to require such additional financing for some time. There can be no assurances that such financing will be available or if available, will be on reasonable terms.

The condensed interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. The Company will endeavor to raise funds for future use from equity or debt financings, sales of mineral assets and other methods as contemplated by management to satisfy its capital requirements and will continue to depend heavily upon these financing and asset disposal activities..

The following table provides information regarding the Company's working capital and accumulated deficit as at September 30, 2021 and December 31, 2020.

	September 30, 2021	December 31, 2020
Working capital (deficiency)	\$ 12,053,767	\$ (6,040,993)
Deficit	\$ (5,616,154)	\$ (14,641,410)

At September 30, 2021 the Company had \$315,457 (December 31, 2020 - \$1,906) in cash. This had increased very significantly by the end of October following the sale of the Company's Mariana stake, and the Company now has sufficient cash to invest in its mineral properties for some time to come as well as acquire new mineral properties.

Net cash used by operating activities during the period ended September 30, 2021 was \$1,361,600 (2020 – \$209,696). The cash used in operating activities for the period consists of the operating loss net of non-cash items and changes in non-cash working capital.

Net cash outflow from investing activities during the period ended September 30, 2021 was \$470,194 (2020 – cash inflow of \$37,500). Exploration and evaluation expenditures paid were \$470,194 (2020 - \$nil) and option payments received were \$nil (2020 - \$37,500).

Financing activities provided net cash receipts of \$2,145,345 during the period ended September 30, 2021 (2020 – \$149,918). The Company received \$2,759,482, net of issuance costs, for shares issued (2020 - \$nil), received \$nil, net of issuance cost, from convertible debentures issued (2020 – \$50,000), received share subscriptions of \$24,408 (2020 - \$nil), received promissory notes proceeds of \$nil (2020 - \$117,688), repaid convertible debentures totalling \$2,637 (2020 - \$nil), and paid interest of \$635,908 (2020 - \$nil) with respect to the convertible debentures and loans payable.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of lithium and rare earth metals or interests related thereto. The economics of developing and producing mined material are affected by many factors including the cost of operations and the market price of the mined material. Depending on the market price of mined material, the Company may determine that it is impractical to continue commercial production (once commenced).

## RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

Transaction	Relationship	September 30, 2021	September 30, 2020
IT Support Services	CONVENDIA Ltd. - John Wisbey, Director and CEO	\$ 31,608	\$ 21,488
Professional fees	KSI CPA Inc. – Muhammad Memon, Corporate Secretary	82,500	67,500
Consulting fees	John Wisbey, Director and CEO	162,000	90,000
	Maurice Brooks, Director and CFO	67,500	67,500
	Blacksmith Metals Exploration Ltd. - Anthony Kovacs, Director and COO	108,000	108,000
	Nancy La Couvee, former Corporate Secretary	24,855	15,395
Directors' fees	John Wisbey	45,000	45,000
	Maurice Brooks	22,500	22,500
	Ross Thompson	22,500	22,500
	Nicholas Davies	22,500	22,500
Share-based payments	Directors	-	63,871
		<u>\$ 588,963</u>	<u>\$ 546,254</u>

At September 30, 2021, due to related parties consisted of \$34,500 (December 31, 2020 - \$666,898) to various directors, officers and related companies for services detailed above and is included in accounts payable and accrued liabilities.

At September 30, 2021, convertible debentures with a face value of \$nil were due to five directors of the Company or their related companies (December 31, 2020 - \$2,664,993 and GBP 254,000), loans with a face value of \$2,417,750 were payable to five directors of the Company or their related companies (December 31, 2020 - \$nil), and a promissory note in the amount of \$nil was due to an officer and director of the Company (December 31, 2020 - \$633,146) (*See Notes 11, 13 and 14 of the financial statements*).

### ***Loans payable***

On January 21, 2021, the Company entered into the Loan Agreements with directors and related parties of the Company to convert certain convertible debentures, accrued fees and interest into non-convertible loans with an aggregate principal of \$1,957,750. The loans bear interest of 12.5% per annum payable semi-annually and are due on September 30, 2023. The loans are secured by a general security agreement against the Company's assets. Pursuant to the Loan Agreements, the Company issued 39,155,000 bonus share purchase warrants with expiry date of September 30, 2023. Each bonus warrant will entitle the holder to purchase one common share of the Company at an exercise price of \$0.05 per share. The loans may be repaid prior to their maturity without penalty; however, if a loan is reduced or repaid during the first year of its term, a pro rata number of the total bonus warrants will have their term reduced to the later of one year from issuance of the bonus warrants and 30 days from the reduction or repayment of the loan. During the period ended September 30, 2021, the Company settled \$100,000 principal of the loans payable on September 30, 2023. As at September 30, 2021, the face value of the loans payable on September 30, 2023 is \$1,857,750.

On January 21, 2021, the Company entered into the Loan Agreements with directors and related parties of the Company to convert certain convertible debentures and interest into non-convertible loans with an aggregate principal of \$1,060,000. The loans bear interest of 12.5% per annum payable semi-annually and are due on June 30, 2022. The loans are secured by a general security agreement against the Company's assets. Pursuant to the Loan Agreements, the Company issued 21,200,000 bonus share purchase warrants with the expiry date of June 30, 2022. Each bonus warrant will entitle the holder to purchase one common share of the Company at an exercise price of \$0.05 per share. The loans may be repaid prior to their maturity without penalty; however, if a loan is reduced or repaid during the first year of its term, a pro rata number of the total bonus warrants will have their term reduced to the later of one year from issuance of the bonus warrants and 30 days from the reduction or repayment of the loan. During the period ended September 30, 2021, the Company settled \$500,000 principal of the loans payable on June 30, 2022. As at September 30, 2021, the face value of the loans payable on June 30, 2022 is \$560,000.



## ***Convertible debentures***

### ***2020 Series 1 Convertible Debenture***

On February 4, 2020, the Company completed a non-brokered private placement of a convertible debenture, known as 2020 Series 1 Convertible Debenture, in the principal amount of GBP 254,000 with a related party. The debenture was set to mature on September 30, 2020 and bears interest at the rate of 12% per annum, payable quarterly. The debenture holder had the right to redeem the debentures on March 31, 2020. The debenture holder may convert at any time, all or a portion of the convertible debenture principal into common shares of the Company at a price of \$0.05 per common share until maturity. The convertible debenture was secured by a general security agreement against the Company's assets. The 2019 Series Convertible Debenture in the principal amount of GBP 246,016 and accrued interest of GBP 7,984 were settled to participate in the private placement.

During the period ended September 30, 2021, the 2020 Series 1 Convertible Debenture principal of GBP 254,000 was converted into non-convertible loans.

### ***2020 Series 2 Convertible Debentures***

On February 4, 2020, the Company completed a non-brokered private placement of secured convertible debentures, known as 2020 Series 2 Convertible Debentures, in the principal amount of \$1,027,500. The debentures were set to mature on September 30, 2020 and bear interest at a rate of 12% per annum, payable quarterly. The debenture holders had the right to redeem the debentures on March 31, 2020. The debenture holders may convert at any time, all or a portion of the convertible debenture principal into common shares of the Company at a price of \$0.05 per common share until maturity. The convertible debentures were secured by a general security agreement against the Company's assets. Directors and officers of the Company participated in the private placement. Certain 2018 Series 2 Convertible Debentures in the aggregate principal amount of \$205,000 with maturity date of September 30, 2019, promissory notes and convertible debenture accrued interest of \$283,275, and accrued fees of \$274,225 were settled to participate in the private placement.

During the period ended September 30, 2021, certain convertible debentures in the aggregate principal amount of \$751,113 were converted into non-convertible loans, certain debentures in the aggregate of \$2,637 were repaid, certain debentures in the aggregate of \$3,750 were settled as share subscriptions towards share private placement, and certain debentures in the aggregate of \$270,000 were settled as subscriptions towards 2021 Series Convertible Debentures private placement.

### ***2019 Series Convertible Debenture***

On February 13, 2019, the Company completed a non-brokered private placement of a convertible debenture, known as 2019 Series Convertible Debenture, in the principal amount of GBP 240,000 with a related party. The debenture was set to mature on May 31, 2019 and bore interest at the rate of 15% per annum. The debenture holder may convert at any time, all or a portion of the convertible debenture principal into common shares of the Company at a price of \$0.07 per common share until maturity. The debenture was secured by a general security agreement against the Company's assets. On May 31, 2019, the Company entered into an Amending Agreement to extend the maturity date to September 15, 2019 and amend the interest to 10% per annum. Accrued interest of GBP 6,016 was converted into principal. All other terms remained the same.

During the year ended December 31, 2020, the 2019 Series Convertible Debenture principal of GBP 246,016 was settled to participate in the 2020 Series 1 Convertible Debenture private placement.

### ***2018 Series 2 Convertible Debentures***

On May 3, 2018, June 15, 2018, and July 14, 2018, the Company completed tranches of a non-brokered private placement of secured convertible debentures known as the 2018 Series 2 Convertible Debentures to raise proceeds of \$1,800,000. The debentures matured on June 30, 2019. The Company entered into Amending Agreements to extend the maturity date to June 30, 2020. The 2018 Series 2 Convertible Debentures bore interest at a rate of 15% per annum, payable quarterly. The debenture holders who subscribed to the \$1,007,750 tranche may convert at any time, all or a portion of the convertible debenture principal into common shares of the Company at a price of \$0.085 per common share in the first year and \$0.10 per common share thereafter until maturity. The debenture holders who subscribed to the \$792,250 tranche may convert at any time, all or a portion of the convertible debenture principal into common shares of the Company at a price of \$0.085 per common share until the maturity date. The debentures were secured by a general security agreement against the Company's assets. Directors and officers of the Company participated in the private placement.

On March 25, 2019 and June 28, 2019, the Company entered into an Amending Agreement with certain 2018 Series 2 Convertible Debentures holders. Pursuant to the Amending Agreement, the debentures in the aggregate amount of \$1,184,993 was set to mature on June 30, 2020 and the debentures in the aggregate amount of \$265,000 was set to mature on September 30, 2019 (\$205,000 matured on September 30, 2019). The debenture holders may convert at any time, all or a portion of the

convertible debenture principal into common shares of the Company at a price of \$0.065 until maturity. An accrued interest of \$22,993 was converted into principal. All other terms remained the same.

During the year ended December 31, 2020, certain 2018 Series 2 Convertible Debentures in the aggregate principal amount of \$205,000 with maturity date of September 30, 2019 were settled as subscriptions towards 2020 Series 2 Convertible Debentures private placement.

During the period ended September 30, 2021, certain convertible debentures in the aggregate principal amount of \$727,493 were converted into non-convertible loans, certain debentures in the aggregate of \$10,000 were settled as share subscriptions towards share private placement, and certain debentures in the aggregate of \$447,500 were settled as subscriptions towards 2021 Series Convertible Debentures private placement.

#### *2018 Series 1 Convertible Debenture*

On April 18, 2018, the Company completed a non-brokered private placement of convertible debenture, known as 2018 Series 1 Convertible Debenture, in the principal amount of \$1,180,000 with a director who is also an officer of the Company. The debenture matured on June 30, 2019. The Company entered into Amending Agreement to extend the maturity date to June 30, 2020. The 2018 Series 1 Convertible Debenture bore interest at the rate of 15% per annum, payable quarterly. The debenture holders may convert at any time, all or a portion of the convertible debenture principal into common shares of the Company at a price of \$0.065 per common share until maturity. The Company has the right to repay the convertible debentures on notice. The convertible debenture was secured by a general security agreement against the Company's assets.

During the period ended September 30, 2021, the 2018 Series 1 Convertible Debenture principal of \$1,012,500 was converted into non-convertible loans and principal of \$167,500 and accrued interest of \$117,485 were settled as share subscriptions towards share private placements.

#### ***Promissory notes***

During the year ended December 31, 2018, the Company received a total of \$515,857 from an officer and director of the Company under a promissory note. The note is payable on demand and bears interest at the rate of 15% per annum. The promissory note is secured by a general security agreement against the Company's assets (*Note 11 of the financial statements*).

Balance, December 31, 2019	\$ 573,412
Advances received	103,308
Lease payment on behalf of the Company	10,030
Interest expense	89,358
Interest settled	(53,604)
Balance, December 31, 2020	722,504
Principal settled	(633,146)
Interest settled	(89,358)
Balance, September 30, 2021	\$ -

#### ***Share capital***

During the period ended September 30, 2021, the Company issued 12,000,000 common shares on the exercise of warrants for gross proceeds of \$600,000.

On August 11 and 25, 2021, the Company completed tranches of a non-brokered private placement consisting of 16,673,336 units at \$0.06 per unit for gross proceeds of \$1,000,400. Each unit comprised one common share and one-half of one share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of \$0.08 per share until June 30, 2024. A director of the Company participated in the private placement

On February 3 and 19, 2021, the Company completed tranches of a non-brokered private placement consisting of 54,545,454 units at \$0.055 per unit for gross proceeds of \$3,000,000. Each unit comprised one common share and a half share purchase

warrant. Each warrant is exercisable into one common share at an exercise price of \$0.08 per share until February 29, 2024. Five of the Company's directors and officers participated in the private placement. The 2018 Series 1 Convertible Debentures principal of \$167,500, accrued fees of \$139,818, promissory notes principal of \$633,146, and promissory notes and convertible debenture interest of \$278,023 were settled to participate in the private placement.

On January 26, 2021, the Company completed a non-brokered private placement consisting of 3,715,750 units at \$0.05 per unit for gross proceeds of \$185,788. Each unit comprised one common share and a half share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.075 per share until December 31, 2023. Five of the Company's directors and officers participated in the private placement. The 2018 Series 2 Convertible Debentures principal of \$10,000, the 2020 Series 2 Convertible Debentures principal of \$3,750, accrued fees of \$145,007, and promissory notes and convertible debentures interest of \$27,031 were settled to participate in the private placement.

## SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the following events occurred:

- a) The Company completed the sale of its interest in Litio Minera Argentina S.A. The Company received net cash consideration of US\$10,000,000 after repayment of the principal and accrued interest on the Exploration Loan to GFL (*Note 7 and 15 of condensed interim financial statements*).
- b) On October 22, 2021, the Company entered into a Share Purchase Agreement (the "SPA") with Critical Resources Limited ("Critical Resources") granting Critical Resources an option to acquire the Company's whole 49% interest in the Mavis Lake Lithium Project (the "Project"). Critical Resources paid AU\$100,000 for an option period ending January 4, 2022. Under the terms of the SPA, Critical Resources may acquire the Company's interest in the Project for a consideration comprising of AU\$750,000 cash and 34 million shares of Critical Resources valued at AU\$748,000. In addition, Critical Resources will make the milestone payments as follows:
  - AU\$750,000 on definition of a mineral resource estimate exceeding 5 million tonnes of which at least 50,000 tonnes of Li<sub>2</sub>O using a cut-off grade of 0.4%; and
  - A further AU\$750,000 on definition of a resource exceeding 10 million tonnes of which at least 100,000 tonnes of Li<sub>2</sub>O using a cut-off grade of 0.4% or, in case both milestones are defined at the same time, AU\$1,500,000 in total.

Upon exercise of the option by Critical Resources, the Company will relinquish its right to 1.5% NSR on the Project and Essential Metals will relinquish its right to acquire 29% of the Project from the Company (*Note 9 of condensed interim financial statements*).

- c) The Company settled \$560,000 principal of the loans payable on June 30, 2022. As a result, 11,200,000 bonus warrants with an exercise price of \$0.05 and original expiry date of June 20, 2022 will now expire on January 26, 2022.
- d) The Company issued 1,296,600 common shares on the exercise of the warrants for gross proceeds of \$103,728.
- e) The Company issued 680,000 common shares on the exercise the stock options for gross proceeds of \$40,800.
- f) The Company granted 6,955,000 stock options to the directors and officers of the Company. The options have an exercise price of \$0.12 and a term of five years from the date of grant. The options vest one year from the date of grant.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

Please refer to Note 20 of the financial statements for the period ended September 30, 2021, for further details.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at the date of this report.

## CRITICAL ACCOUNTING POLICIES

The preparation of these condensed interim financial statements requires management to make judgments and estimates and form 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. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

The most significant judgments relate to the functional currency of the Company, significant influence over associates, recognition of deferred tax assets and liabilities, and impact of COVID-19.

### *Functional currency*

Judgment is involved in the assessment of the functional currency of the Company and its equity investment. Management reviews the guidance provided under IAS 21 (discussed above) in determining its functional currency.

### *Significant influence over associates*

Management deems the Company to have significant influence over an associate when the Company is able to influence the financial and operating decisions of the associate. The Company has determined that its investment in Blackstairs Lithium Limited is an investment in associate.

### *Deferred tax assets and liabilities*

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry forwards. Changes in these assumptions could significantly affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

### *Impact of COVID-19*

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

The most significant estimates relate to the calculation of share-based payments, recoverability of exploration and evaluation assets, valuation of investment in Lito Minera Argentina S.A. ("Lito"), and embedded derivatives.

### *Share-based payments*

Share-based payments, as measured with respect to stock options granted and re-priced, are estimated by reference to the Black-Scholes pricing model; a detailed discussion of management's estimates with respect to the pricing model is found in Note 17.

### *Recoverability of exploration and evaluation assets*

Recorded costs of exploration and evaluation assets and deferred exploration and evaluation costs are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Management is required, at each reporting date, to review its exploration and evaluation assets for signs of impairment. This is highly subjective process taking into consideration exploration results, metal prices, economics, financing prospects and sale or option prospects. Management makes these judgements based on information available, but there is no certainty that a property is or is not impaired. Although the Company has taken steps to verify title to mineral properties in which it has

an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

#### *Valuation of investment*

The Company held a 8.58% interest in Litio as at September 30, 2021 (December 31, 2020 - 11.243%). In assessing the value of this investment, the Company took full account of the contracted sale price for the Litio asset (sale completed in October 2021).

The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of, and near-term business outlook for, the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

The determinations of fair value of the Company's investments at other than initial cost are subject to certain limitations. Financial information for privately-held company investments may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

#### *Embedded derivatives*

As part of assessing whether an instrument is a hybrid financial instrument and contains an embedded derivative, significant judgement is required in evaluating whether the host contract is more akin to debt or equity and whether the embedded derivative is clearly and closely related to the underlying host contract. The Company concludes that the host instrument of the convertible debentures is a debt host due to the holder's right to redeem the instrument for cash at a point in time in the future. The Company determines that the conversion option is not closely related to the debt host, and that the conversion option is required to be separated from the host instrument and accounted for as an embedded derivative due to the variability in the number of shares issuable under the convertible debentures. In applying its judgement, the Company relies primarily on the economic characteristics and risks of the instrument as well as the substance of the contractual arrangements.

The initial fair values of the embedded derivative conversion options and subsequent re-measurements at fair value at each reporting date are determined by using the Black-Scholes pricing model which required exercise of judgment in relation to variables such as expected volatilities in share price and foreign exchange rates.

## **OUTSTANDING SHARE DATA**

The following table summarizes the outstanding share capital, convertibles, stock options, and warrants as of the date of the MD&A:

	<b>Number of shares issued or issuable</b>
Common shares	235,857,043
Stock options	16,680,000
Warrants	103,325,672
<b>Total if all converted or exercised</b>	<b>355,862,715</b>

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes that such estimates have been based on careful judgments and have been properly reflected in the financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## BUSINESS RISKS

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as liquidity, operational, market and regulatory risks. There are also legal risks and risks where we are relying on partners to make key decisions which affect the future of the Company's projects.

- Liquidity risk, in particular funding risk, has historically been seen by the Board as a key risk issue. Following the completion of the sale of Mariana this is now seen as much less of a risk in 2021 and 2022. The Company, as an exploration company, has no or insignificant income, and has expenditure to develop its properties as well as normal operating costs and debt service costs. Consequently, it has required and will at some point again in the future require additional financing to continue in business and this may continue for some time. There can be no assurance that future financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change, and investors may suffer additional dilution.

To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental laws and regulations, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and to the best of its knowledge adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Market risks include commodity prices, interest rates and the Canadian dollar, United States dollar, Argentinean Peso and Euro exchange rates, all of which are beyond the Company's control.
- Regulatory risks include possible delays in the Company or its partners getting regulatory approval to the transactions that the Board of Directors believe to be in the best interests of the Company, and also on a much smaller scale include increased fees for filings and the introduction of any additional reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.
- Partner risks can exist, and might exist in the future, where the Company's partner has different interests or capabilities from those of the Company and is unable or unwilling to progress projects at the same speed that the Company would like to. The Company has mitigated its credit or liquidity risk by choosing a strong company, Ganfeng Lithium, as its key partner, but there is no guarantee that Ganfeng will prioritize Avalonia for development over other projects even though the Board might wish that they do.
- Legal risks: In the mining industry there is always a risk over contractual interpretation of royalty rights and obligations, and it is possible that the Company's interpretation of its rights and obligations could be different from other parties' interpretation of them. This carries litigation risk.

For information on additional risks, please refer to the Company's condensed interim financial statements for the period ended September 30, 2021.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

### *Changes in Internal Control over Financial Reporting (“ICFR”)*

In connection with National Instrument 52-109, Certification of Disclosure in Issuer’s Annual and Interim Filings (“NI 52-109”) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the condensed interim financial statements and the audited annual financial statements and respective accompanying Management’s Discussion and Analysis. The Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.