NEO LITHIUM CORP.

CONSOLIDATED

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of Neo Lithium Corp.:

Opinion

We have audited the consolidated financial statements of Neo Lithium Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of (loss) income and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MNP LLP

Toronto, Ontario
April 30, 2021

Chartered Professional Accountants
Licensed Public Accountants

MNP

Neo Lithium Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2020	As at December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	$ 32,908,070	$ 31,175,696
Receivables (note 6)	112,685	98,347
Prepaid expenses	54,586	49,246
Total current assets	33,075,341	31,323,289
Non-current assets		
Equipment (note 7)	2,712,826	3,657,081
Property rights and evaluation and exploration costs (note 8)	33,911,486	30,859,889
Right-of-use assets (note 9)	19,249	59,319
Total non-current assets	36,643,561	34,576,289
Total assets	$ 69,718,902	$ 65,899,578
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	$ 2,910,717	$ 1,000,579
Income tax payable (note 17)	22,036	-
Lease liability (note 11)	18,602	42,203
Total current liabilities	2,951,355	1,042,782
Non-current liabilities		
Lease liabilities (note 11)	-	18,602
Deferred tax liability (note 17)	17,077	2,741,163
Total liabilities	2,968,432	3,802,547
Shareholders' equity		
Share capital (note 12)	103,000,441	94,810,612
Share-based payments reserve (note 14)	5,871,226	9,329,174
Accumulated other comprehensive loss	(44,374,449)	(26,852,939)
Accumulated earnings (deficit)	2,253,252	(15,189,816)
Total shareholders' equity	66,750,470	62,097,031
Total liabilities and shareholders' equity	$ 69,718,902	$ 65,899,578

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

Nature of operations (note 1)
Subsequent events (note 19)

Approved on behalf of the Board:

(signed) Constantine Karayanopoulos, Chairman

(signed) Thomas Pladsen, Director

Neo Lithium Corp.

Consolidated Statements of Income and Comprehensive Loss
(Expressed in Canadian Dollars, except share numbers)

Years ended December 31,	**2020**	**2019**
Expenses		
Net foreign exchange (gain)/loss	$ (125,845)	$ 3,564,561
Professional fees (note 16)	988,671	643,451
Salaries, benefits and director fees (note 16)	2,652,809	2,409,879
Marketing and promotion	689,199	1,176,217
Depreciation and amortization (notes 7 and 9)	79,111	90,694
Transfer agent and regulatory fees	83,932	137,690
Office and administrative	597,814	825,490
Travel	48,541	306,102
Share-based compensation (note 14)	576,362	672,669
Interest income	(135,752)	(639,842)
Gain on net monetary position (note 4)	(16,048,347)	(12,968,537)
Accretion on lease (note 11)	3,339	6,566
Income before income taxes	10,590,166	3,775,060
Income tax (expense) recovery (note 17)	(22,036)	18,660
Deferred income tax recovery (expense) (note 17)	2,724,086	(2,741,163)
Net income for the year	$ 13,292,216	$ 1,052,557
Other comprehensive loss items that will be reclassified subsequently to loss		
Foreign exchange difference on translating foreign operations	(17,521,510)	(12,862,492)
Total comprehensive (loss)	$ (4,229,294)	$ (11,809,935)
Basic and diluted net income per share	$ 0.11	$ 0.01
Weighted average number of common shares outstanding - basic	117,949,172	117,501,281
Weighted average number of common shares outstanding - diluted	118,022,527	117,511,844

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

Neo Lithium Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Years ended December 31,	**2020**	**2019**
Cash Flows from Operating Activities		
Net income	$ 13,292,216	$ 1,052,557
Adjustments for:		
Depreciation and amortization	39,040	50,624
Amortization of right-of-use assets	40,070	40,071
Share-based compensation	576,362	672,669
Gain on net monetary position	(15,388,057)	(8,964,832)
Accretion of lease liability	3,339	6,566
Deferred income tax (recovery) expense	(2,724,086)	2,741,163
Income tax recovery	22,036	(18,660)
Changes in non-cash working capital items:		
Receivables	(14,338)	32,759
Prepaid expenses	(5,340)	11,126
Accounts payable and accrued liabilities	1,910,139	(250,628)
Net cash (used in) operating activities	(2,248,619)	(4,626,585)
Cash Flows from Investing Activities		
Purchase of equipment	(49,680)	(1,724,193)
Acquisition of property rights and evaluation and exploration costs	(3,576,801)	(5,447,432)
Net cash (used in) investing activities	(3,626,481)	(7,171,625)
Cash Flows from Financing Activities		
Proceeds from private placement, net of costs	8,189,829	-
Payment of leases	(45,542)	(45,151)
Net cash provided by (used in) financing activities	8,144,287	(45,151)
Net change in cash and cash equivalents	2,269,187	(11,843,361)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign entity	(536,813)	(1,817,980)
Cash and cash equivalents, beginning of year	31,175,696	44,837,037
Cash and cash equivalents, end of year	$ 32,908,070	$ 31,175,696

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

Neo Lithium Corp.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars, except share numbers)

	Share Capital						
	Number of common shares	Amount	Warrants	Share-based payments reserve	Accumulated other comprehensive loss	Accumulated retained earnings (deficit)	Total
Balance, December 31, 2018	**117,501,281**	**$ 94,810,612**	**$ 238,468**	**$ 9,616,732**	**$ (13,990,447)**	**$ (17,610,793)**	**$ 73,064,572**
Share-based compensation	-	-	-	842,394	-	-	842,394
Expiry of warrants	-	-	(238,468)	-	-	238,468	-
Expiry of stock options	-	-	-	(1,129,952)	-	1,129,952	-
Other comprehensive loss	-	-	-	-	(12,862,492)	-	(12,862,492)
Net income for the year	-	-	-	-	-	1,052,557	1,052,557
Balance, December 31, 2019	**117,501,281**	**94,810,612**	**-**	**9,329,174**	**(26,852,939)**	**(15,189,816)**	**62,097,031**
Shares issued in private placement, net of costs	10,217,503	8,189,829	-	-	-	-	8,189,829
Share-based compensation	-	-	-	692,904	-	-	692,904
Cancellation of stock options	-	-	-	(4,150,852)	-	4,150,852	-
Other comprehensive loss	-	-	-	-	(17,521,510)	-	(17,521,510)
Net income for the year	-	-	-	-	-	13,292,216	13,292,216
Balance, December 31, 2020	**127,718,784**	**$ 103,000,441**	**$ -**	**$ 5,871,226**	**$ (44,374,449)**	**$ 2,253,252**	**$ 66,750,470**

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

1. Nature of operations

Neo Lithium Corp. (the "Company") was incorporated under the Canada Business Corporations Act on January 15, 2016. The Company operates in one industry segment; its principal business activities are the exploration and development of resource properties in Argentina. The Company has two 100% owned subsidiaries: Argentina Liex S.A. ("LIEX") and 2525194 Ontario Inc. The registered office of the Company is located at 401 Bay Street, Suite 2702, Toronto, Ontario, M5H 2Y4.

On September 14, 2020, the Company announced that it entered into an equity subscription agreement with a subsidiary of Contemporary Amperex Technology Co. Limited ("CATL"), a Chinese battery manufacturer and technology company that specializes in the manufacturing of lithium-ion batteries for electric vehicles and energy storage systems, and battery management systems.

On December 15, 2020, the Company closed the previously announced equity investment by CATL, whereby CATL, through a subsidiary controlled by CATL, subscribed for 10,217,503 common shares (the "Common Shares") of the Company at a price of $0.84 per Common Share (the "Issue Price") for gross proceeds of $8,582,702, and representing approximately 8% of issued and outstanding shares of the Company.

2. Basis of preparation and accounting policies

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRSs issued and outstanding as of April 29, 2021, the date the Board of Directors approved the statements.

3. Significant accounting policies

Basis of Consolidation

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

The Company controls an investee if the Company has:

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

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

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

3. Significant accounting policies (continued)

Basis of Consolidation (continued)

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

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

Critical Accounting Estimates and Judgments

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

Functional Currency and Presentation Currency

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

Foreign Currency Translation

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

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

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

3. Significant accounting policies (continued)

Foreign Currency Translation (continued)

In preparing the consolidated financial statements of the Company, the financial statements of LIEX, whose functional currency is the currency of a hyperinflation economy are adjusted for inflation and then translated into Canadian dollars using the balance sheet exchange rate.

The effect of exchange rate changes during the year on net assets of foreign operations is recorded in equity. For this purpose net assets include loans where settlement is neither planned nor likely to occur in the foreseeable future.

Determination of fair value

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

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

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

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

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

Financial Instruments and Financial Risk

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: recognition and measurement, for the classification and measurement of financial liabilities.

3. Significant accounting policies (continued)

Financial Instruments and Financial Risk (continued)

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash and cash equivalents are classified as financial assets measured at FVTPL.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's cash and cash equivalents and receivables are classified as financial assets measured at amortized cost.

iii. Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the Company's credit risk.

3. Significant accounting policies (continued)

Financial Instruments and Financial Risk (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and other liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

For amounts receivable, the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Amounts receivable are written off when there is no reasonable expectation of recovery.

3. Significant accounting policies (continued)

Cash and Cash Equivalents

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

Evaluation and Exploration Costs

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

Property Rights

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

Equipment

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

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

Field and office equipment	3 to 5 years
Vehicle	5 years

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

3. Significant accounting policies (continued)

Impairment of Non-financial Assets

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

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

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

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

Share-based Compensation

The Company has a stock option plan, refer to note 14. Employees (including officers), directors and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Stock options granted during the period are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of stock-based compensation expense. The cost of options is recognized, together with a corresponding increase in share-based payment reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant options becomes fully entitled to the award (the "vesting date"). The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and is the Company's best estimate of the number of options that will ultimately vest on the vesting date. The Company records compensation expense and credits contributed surplus for all stock options granted which represents the movement in cumulative expense recognized as at the beginning and end of that period. Any consideration received on the exercise of stock options is credited to share capital.

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

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

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

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

3. Significant accounting policies (continued)

Income Taxes

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

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

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

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

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

Loss per share

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

Accounts Payable and Accrued Liabilities

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

3. Significant accounting policies (continued)

Warrants Issued in Equity Financing Transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are measured at fair value on the date of issue using the Black-Scholes option pricing model and included in share capital with the common shares that were concurrently issued. Broker compensation options are classified as issuance costs and a deduction from equity and measured at fair value on the date of issue using the Black-Scholes option pricing model.

Provisions

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

Rehabilitation Provisions

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

As at December 31, 2020, the Company did not have any asset retirement obligations.

3. Significant accounting policies (continued)

Lease and right-of-use assets

The Company adopted IFRS 16 – Leases, which is effective for annual reporting periods beginning on or after January 1, 2019. Previously, the Company classified leases as operating or finance leases based on IAS 17 - Leases.

The Company has applied IFRS 16 in accordance with the modified retrospective approach only to contracts that were previously identified as leases. Contracts that were not identified as leases under previous standards were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019. The Company has determined that there is no change to the comparative periods required as a result of the adoption of this standard.

On initial application, for leases previously classified as operating leases under IAS 17, the Company has elected to record right-of-use assets based on the corresponding lease liability. As such, as at January 1, 2019, the Company recorded lease obligations of $99,390 and right-of-use assets of $99,390, with no net impact on deficit.

When measuring lease liabilities for those leases previously classified as operating leases under IAS 17, the Company discounted future lease payments using its incremental borrowing rate as at January 1, 2019. The weighted-average rate applied is 8%.

The Company has elected to apply the practical expedient on facility leases, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Company's accounting policy for leases under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

A lease liability is initially measured at the present value of the unpaid lease payments discounted using the interest rate implicit in in the lease or if that rate cannot be reliably determined, the Company's incremental borrowing rate. Subsequently, the Company measures a lease liability at amortized cost using the effective interest method. It is then remeasured to reflect revised in-substance fixed lease payments. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

3. Significant accounting policies (continued)

Segment Reporting

The Company has one operating and reporting segment, being the Argentina exploration operation. The Company reports its geographical information in note 15.

Recent accounting pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company in the current or future reporting periods.

COVID-19 estimation uncertainty

On March 12, 2020, the World Health Organization declared a global pandemic related to COVID-19. Many countries, including Canada and Argentina, where the Company operates, announced mandatory emergency measures and restrictions on businesses and individuals to mitigate the spread of the virus. The outbreak and the related mitigation measures have had and will continue to have an adverse impact on global economic conditions as well as on the Company's activities. The extent to which the COVID-19 outbreak and the related mitigation measures may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and Argentina and other countries to contain and treat the disease.

COVID-19 resulted in a widespread health crisis that adversely affected the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations. As at and for the year ended December 31, 2020, COVID-19 measures, restrictions and economic effects did not have a significant impact on the Company's financial position or financial results.

4. IAS 29 - Financial Reporting in Hyperinflationary Economies

In July 2018, the Argentine three-year cumulative rate of inflation for consumer prices and wholesale prices reached a level in excess of 100%. As a result, in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies, Argentina was considered a hyperinflationary economy, effective July 1, 2018. Accordingly, the presentation of IFRS financial statements includes adjustments and reclassifications for the changes in the general purchasing power of the Argentine peso.

On the application of IAS 29, the Company used the conversion coefficient derived from the combination of the "IPC Nacional and the IPIM" (the national consumer price index and the national wholesale price index) published by the National Statistics and Census Institution in Argentina. Furthermore, a formal resolution (number 539/018) from de "FACPCE" (Federación Argentina de Consejos Profesionales de Ciencias Económicas) was issued and has been followed in the calculations.

As the consolidated financial statements of the Company have been previously presented in Canadian dollars, a stable currency, the comparative period amounts do not require restatement.

As a result of the change in the IPC during the year ended December 31, 2020, the Company recognized a net monetary (gain) of $(16,048,347) (2019 - $(12,968,537)) to adjust transactions recorded during the period into a measuring unit current as of December 31, 2020.

(Expressed in Canadian Dollars)

4. IAS 29 - Financial Reporting in Hyperinflationary Economies (continued)

The level of the IPC at December 31, 2020 was 385.90 (December 31, 2019: 283.44), which represents an increase of 36% over the IPC at December 31, 2019.

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at December 31, 2020. Non-monetary assets, liabilities, equity, and expenses (items that are not already expressed in terms of the monetary unit as at December 31, 2020) are restated by applying the index at the end of the reporting period. The effect of inflation on the Argentine subsidiary's net monetary position is included in the consolidated statements of loss as a gain on net monetary position.

The application of IAS 29 results in the adjustment for the loss of purchasing power of the Argentine peso recorded in the consolidated statements of income. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, which results in a loss on the net monetary position. This loss/gain is derived as the difference resulting from the restatement of non-monetary assets, liabilities and equity.

As per IAS 21, The Effects of Changes in Foreign Exchange Rates, all amounts (i.e. assets, liabilities, equity and expenses) are translated at the closing foreign exchange rate at the date of the most recent consolidated balance sheet, except that comparative amounts are not adjusted for subsequent changes in the price level or subsequent changes in exchange rates. Similarly, in the period during which the functional currency of a foreign subsidiary becomes hyperinflationary and applies IAS 29 for the first time, the parent's consolidated financial statements for the comparative period are not restated for the effects of hyperinflation.

5. Cash and cash equivalents

	As at December 31, 2020	As at December 31, 2019
Cash at bank	$ 2,225,914	$ 4,166,885
Short term deposits	30,682,156	27,008,811
	$ 32,908,070	$ 31,175,696

6. Receivables

	As at December 31, 2020	As at December 31, 2019
HST	$ 45,989	$ 17,229
Other	66,696	81,118
	$ 112,685	$ 98,347

(Expressed in Canadian Dollars)

7. Equipment

Cost	Machinery	Field equipment	Office furniture and equipment	Vehicles	Total
Balance, December 31, 2019	$ 856,570	$ 3,477,539	$ 199,110	$ 830,439	$ 5,363,658
Addition	-	46,430	2,461	789	49,680
Impact of hyper-inflation	216,492	880,070	43,148	210,127	1,349,837
Foreign exchange differences	(257,542)	(1,039,471)	(51,528)	(249,684)	(1,598,225)
Balance, December 31, 2020	$ 815,520	$ 3,364,568	$ 193,191	$ 791,671	$ 5,164,950

Accumulated depreciation	Machinery	Field equipment	Office furniture and equipment	Vehicles	Total
Balance, December 31, 2019	$ 191,322	$ 1,015,592	$ 95,960	$ 403,703	$ 1,706,577
Impact of hyper-inflation	70,004	395,414	28,378	144,055	637,851
Depreciation for the period	59,903	401,779	31,061	116,295	609,038
Foreign exchange differences	(57,524)	(298,172)	(24,266)	(121,380)	(501,342)
Balance, December 31, 2020	$ 263,705	$ 1,514,613	$ 131,133	$ 542,673	$ 2,452,124

Net book value	Machinery	Field equipment	Office furniture and equipment	Vehicles	Total
Balance, December 31, 2019	$ 665,248	$ 2,461,947	$ 103,150	$ 426,736	$ 3,657,081
Balance, December 31, 2020	$ 551,815	$ 1,849,955	$ 62,058	$ 248,998	$ 2,712,826

During the year ended December 31, 2020, the Company recorded $569,997 (2019 - $526,613) of depreciation in the property rights in the consolidated statements of financial position and $39,041 (2019 - $50,624) in the consolidated statements of loss and comprehensive loss.

8. Property rights and evaluation and exploration costs

Tres Quebradas Project ("3Q Project")

The 3Q Project is located in the southwestern zone of Catamarca Province, Argentina. The closest paved road to the Project is Ruta Nacional 60, which connects San Fernando del Valle de Catamarca (population 212,000), the capital city of Catamarca Province, to the border with Chile, via Paso de San Francisco.

The 3Q Project includes a designated Mining Group covering approximately 26.7 thousand hectares (the core of which will encompass mining activity) and a further approximately 8.3 thousand hectares (that will not carry mining activity), for a total of 35.0 thousand hectors of tenements in a salar and lake system. The Company's properties are oriented northwest-southeast and extend for 40 km along the bottom of the basin, that includes salar surfaces and brine lakes.

(Expressed in Canadian Dollars)

8. Property rights and evaluation and exploration costs (continued)

Net book value of 3Q Project	As at December 31, 2020	As at December 31, 2019
Assays	$ 1,029,636	$ 979,060
Consulting fees	4,377,750	4,253,299
Field crew	16,875,054	14,940,004
Field work	1,204,460	1,176,706
Geological	913,258	754,109
Depreciation	1,352,462	1,314,711
Supplies and miscellaneous	3,466,917	3,097,885
Travel/transportation	3,496,312	3,175,777
Licences and permits	660,823	633,524
Mineral property payments	534,814	534,814
Total	$ 33,911,486	$ 30,859,889

	As at December 31, 2020	As at December 31, 2019
Balance, beginning of the period	$ 30,859,889	$ 26,767,045
Additions	3,576,801	5,375,146
Non-cash additions	686,540	695,338
Impact of hyperinflation	9,163,292	11,176,162
Impact of foreign exchange	(10,375,036)	(13,153,802)
Balance, end of the period	$ 33,911,486	$ 30,859,889

Future obligations with respect to the Company's 3Q Project as at September 30, 2020, which will only be incurred if the Company starts commercial production, include:

- A mining royalty established by Catamarca province, Argentina of 3.0% over the “mine-head value of the ore”.
- A royalty of 1.5% over gross revenue (note 16 (viii)).

9. Right-of-use assets

	Office lease
Balance, January 1, 2019 (note 11)	$ 99,390
Depreciation	(40,071)
Balance, December 31, 2019	59,319
Depreciation	(40,070)
Balance, December 31, 2020	$ 19,249

(Expressed in Canadian Dollars)

10. Accounts payable and accrued liabilities

	As at December 31, 2020	As at December 31, 2019
Accounts payable	$ 447,538	$ 50,072
Accrued liabilities	2,463,180	950,507
	$ 2,910,718	$ 1,000,579

11. Lease liabilities

Balance, January 1, 2019	**$ 99,390**
Interest expense	6,566
Lease payments	(45,151)
Balance, December 31, 2019	**60,805**
Interest expense	3,339
Lease payments	(45,542)
Balance, December 31, 2020	**$ 18,602**

Allocated as:	
Current	$ 18,602
Long-term	-
	$ 18,602

12. Share capital

Authorized – Unlimited number of common shares without par value.

Common shares issued and fully paid are as follows:

	Number of common shares	Amount
Balance, December 31, 2018, December 31, 2019	117,501,281	$ 94,810,612
Shares issued in private placement, net of cost	10,217,503	8,189,829
Balance, December 31, 2020	127,718,784	$103,000,441

(Expressed in Canadian Dollars)

12. Share capital (continued)

(i) On December 15, 2020, the Company closed the previously announced equity investment by CATL, whereby CATL, through a subsidiary controlled by CATL, subscribed for 10,217,503 Common Shares at a price of $0.84 per Common Share for gross proceeds of $8,582,702, and representing approximately 8% of issued and outstanding shares of the Company. The Company also incurred transaction costs of $392,874.

13. Warrants

The following table reflects the continuity of broker warrants:

	Number of broker warrants		Weighted average exercise price
Balance, December 31, 2018	308,002	$	1.95
Expired	(308,002)		1.95
Balance, December 31, 2019 and December 31, 2020	-	$	-

As at December 31, 2020, no warrants were outstanding.

14. Stock options

The following table reflects the continuity of stock options:

	Number of stock options		Weighted average exercise price
Balance, December 31, 2018	10,600,000	$	1.65
Granted (iii)	250,000		0.68
Expired	(1,335,000)		1.63
Balance, December 31, 2019	9,515,000	$	1.62
Cancelled	(2,950,000)		2.42
Granted (ii)(iv)	1,955,000		0.75
Balance, December 31, 2020	8,520,000	$	1.15

(i) On February 28, 2017, the Company granted to directors, officers and consultants stock options to purchase a total of 4,150,000 common shares at a price of $1.49 per common share. The options are exercisable for a period of 5 years. These options vest as to one-third on the date of grant, one-third on the first anniversary of the grant and one-third on the second anniversary of the grant. The fair value of these stock options was estimated to be $3,487,966 using the Black-Scholes valuation model on the following assumptions: stock price of $1.40, dividend yield 0%; volatility 75.66%; risk-free interest rate 1.05%; and an expected life of 5 years. During the year ended December 31, 2020, the Company recorded share-based compensation of $nil (2019 - $86,738) in the consolidated statements of (loss) income and comprehensive (loss) and share-based compensation of $nil (2019 - $7,033) in the property rights and evaluation and exploration costs. During the year ended December 31, 2019, 550,000 stock options expired and as at December 31, 2020, 3,600,000 stock options remained outstanding.

(Expressed in Canadian Dollars)

14. Stock options (continued)

(ii) On January 13, 2018, the Company granted to directors, officers, employees and consultants stock options to purchase a total of 3,350,000 common shares at a price of $2.42 per common share. The options are exercisable for a period of 5 years. 100,000 of these options vest as to one-fifth on the date of grant, one-fifth on three months anniversary of the date of grant, one-fifth on the six months anniversary of the date of grant, one-fifth on the nine months of the date of grant and one-fifth on the twelve months anniversary of the date of grant and the remaining 3,250,000 options vest as to one-third on the date of grant, one-third on the first anniversary of the grant and one-third on the second anniversary of the grant. The fair value of these stock options was estimated to be $4,173,680 using the Black-Scholes valuation model on the following assumptions: stock price of $2.42, dividend yield 0%; volatility 69.17%; risk-free interest rate 1.90%; and an expected life of 5 years. During the year ended December 31, 2020, the Company recorded share-based compensation of $17,603 (2019 - $467,175) in the consolidated statements of (loss) income and comprehensive loss and share-based compensation of $4,401 (2019 - $162,692) in the property rights and evaluation and exploration costs. During the year ended December 31, 2019, 400,000 stock options expired and during the year ended December 31, 2020, the Company cancelled the remaining 2,950,000 stock options and as at December 31, 2020, nil stock options remained outstanding.

(iii) On January 14, 2019, the Company granted 250,000 stock options at an exercise price of $0.68 per common share for a term of 5 years, to a new Board member. These options vest as to one-third on the date of grant, one-third on the first anniversary of the grant and one-third on the second anniversary of the grant. The fair value of these stock options was estimated to be $145,706 using the Black-Scholes valuation model on the following assumptions: stock price of $0.70, dividend yield 0%; volatility 120,43%; risk-free interest rate 1.89%; and an expected life of 5 years. During the year ended December 31, 2020, the Company recorded share-based compensation of $26,085 (2019 - $118,756) in the consolidated statements of (loss) income and comprehensive loss.

(iv) On February 21, 2020, the Company granted to directors, officers, employees and consultants stock options to purchase a total of 1,955,000 common shares at a price of $0.75 per common share. The options are exercisable for a period of 5 years. These options vest as to one-third on the date of grant, one-third on the first anniversary of the grant and one-third on the second anniversary of the grant. The fair value of these stock options was estimated to be $844,584 using the Black-Scholes valuation model on the following assumptions: stock price of $0.73, dividend yield 0%; volatility 72.76%; risk-free interest rate 1.29%; and an expected life of 5 years. During the year ended December 31, 2020, the Company recorded share-based compensation of $532,674 (2019 - $nil) in the consolidated statements of (loss) income and comprehensive loss and share-based compensation of $112,141 (2019 - $nil) in the property rights and evaluation and exploration costs.

The following table summarizes the stock options outstanding as at December 31, 2020:

Number of stock options outstanding	Number of stock options exercisable	Exercise price ($)	Weighted average remaining contractual life (years)	Expiry date
100,000	100,000	1.63	0.50	July 1, 2021
2,615,000	2,615,000	1.00	0.55	July 18, 2021
3,600,000	3,600,000	1.49	1.17	March 3, 2022
250,000	166,667	0.68	3.04	January 14, 2024
1,955,000	651,667	0.75	4.15	February 21, 2025
8,520,000	7,133,334	1.15	1.71	

(Expressed in Canadian Dollars)

15. Segmented information

The Company operates in two reportable and geographical segments. The Company's geographic information is summarized in the following table:

	Canada	Argentina	Total
As at December 31, 2020			
Current assets	$ 32,701,096	$ 374,245	$ 33,075,341
Equipment	-	2,712,826	2,712,826
Property rights and evaluation and exploration costs	-	33,911,486	33,911,486
Right-of-use assets	19,249	-	19,249
Current liabilities	1,956,438	994,917	2,951,355
For the year ended December 31, 2020			
Net (loss) income for the year	$ (4,593,368)	$ 17,885,584	$ 13,292,216

	Canada	Argentina	Total
As at December 31, 2019			
Current assets	$ 31,015,369	$ 307,920	$ 31,323,289
Equipment	8,909	3,648,172	3,657,081
Property rights and evaluation and exploration costs	-	30,859,889	30,859,889
Right-of-use assets	59,319	-	59,319
Current liabilities	1,042,782	-	1,042,782
For the year ended December 31, 2019			
Net (loss) income for the year	$ (9,382,034)	$10,434,591	$ 1,052,557

16. Related party transactions

During the year ended December 31, 2020, the Company incurred the following related party transactions:

(i) $300,000 (2019 - $300,000) were paid to the Chief Executive Officer of the Company pursuant to a service contract. As at December 31, 2020, $nil (December 31, 2019 - $nil) remained payable.

(ii) $275,000 (2019 - $275,000) were paid to the Chief Operating Officer of the Company pursuant to a service contract. As at December 31, 2020, $nil (December 31, 2019 - $nil) remained payable.

(iii) $250,000 in fees (2019 - $250,000) were paid to the Chief Financial Officer of the Company pursuant to a service contract. As at December 31, 2020, $nil (December 31, 2019 - $nil) remained payable.

(Expressed in Canadian Dollars)

16. Related party transactions (continued)

(iv) $80,000 (2019 - $130,000) in director fees were paid or accrued to other directors of the Company. As at December 31, 2020, $80,000 (December 31, 2019 - $82,000) remained payable.

(v) A company that provides certain equipment rental services to the Company is independently owned by adult relatives of the Chief Executive Officer. These services were sourced in accordance the Company's procurement policy. During the year ended December 31, 2020, $91,517 was paid for such services (2019 - $99,493).

(vi) $105,000 (2019 - $150,000) in fees were paid to the non-executive chairman of the Board of Directors of the Company. These fees are paid to a consulting company which is controlled by the non-executive chairman of the Board of Directors. As at December 31, 2020, $nil (December 31, 2019 - $56,500) was payable.

(viii) The 3Q Project is subject to a 1.5% gross revenues royalty. This royalty interest over the project was retained by the previous owners of the project as partial payment for their sale and assignment of the project to the Company. Mr Waldo Perez, President and Chief Executive Officer of the Company, and a previous owner of the project, owns 0.5% of this royalty.

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

Compensation of key management personnel of the Company:

Years ended December 31,	2020	2019
Salaries and benefits	$ 2,035,971	$ 1,867,500
Director's fees	$ 80,000	$ 130,000
Share-based payments	$ 532,136	$ 546,800

The accrued bonus included in the salaries and benefits as at December 31, 2020 for key management related parties was $1,149,846 (December 31, 2019 - $740,000).

(Expressed in Canadian Dollars)

17. Income tax

The Company's provision for income taxes consists of the following:

For the year ended December 31,	2020	2019
Current tax expense	$ 22,036	$ (18,660)
Deferred tax expense	(2,724,086)	2,741,163
	$ (2,702,050)	$ 2,722,503

The reconciliation of the Company's expected recovery of income taxes at the combined Canadian federal and provincial statutory rate of 26.5% (2019 - 26.5%) to the Company's provision for income taxes is as follows:

	2020	2019
Income before income taxes	$ 10,590,166	$ 3,775,060
Expected income tax recovery at statutory income tax rates	2,806,394	1,000,391
Permanent differences	(7,175,597)	(2,458,068)
Impact of inflation	590,873	-
Difference due to change in enacted tax rate	460,779	(163,815)
Impact of foreign exchange	(592,485)	5,248,210
Impact of difference in foreign tax rates	(443,485)	(581,064)
Change in tax benefits not recognized	1,634,321	1,847
Other	17,150	(324,998)
Income tax expense	$ (2,702,050)	$ 2,722,503

(Expressed in Canadian Dollars)

17. Income tax (continued)

The Company's deferred tax assets and liabilities are as follows:

	2020	2019
Canada		
Deferred tax assets:		
Non-capital losses	$ 214,266	$ 580,729
Deferred tax liabilities		
Right of use asset	(5,101)	(15,719)
Unrealized foreign exchange gains	(226,242)	(565,010)
	(17,077)	-
Argentina		
Deferred tax assets:		
Non-capital losses	4,212,552	215,242
Deferred tax liabilities		
Property, plant and equipment	(100,463)	-
Tax inflation adjustment	(4,112,089)	(2,956,405)
	-	(2,741,163)
	$ (17,077)	$(2,741,163)

The Company's deductible temporary differences and unused tax losses for which no deferred tax asset is recognized as follows:

	2020	2019
Canada		
Property, plant and equipment	$ 81,176	$ 82,325
Right of use liability	18,602	60,805
Unrealized foreign exchange losses	-	1,800,332
Share issuance costs	1,154,656	1,854,793
Non-capital losses	16,168,413	9,976,762
Canada subtotal	$17,422,847	$13,775,017
Argentina		
Equipment and property rights and evaluation and exploration costs	$ 2,778,122	$ 3,397,911
Accounts payable and accrued liabilities	726,938	686,606
Non-capital losses	3,250,047	-
Argentina subtotal	$ 6,755,107	$ 4,084,517

(Expressed in Canadian Dollars)

17. Income tax (continued)

The Company's unused tax losses expire as follows:

Non-capital losses - Canada:

	2020	2019
2034	$ -	$ -
2035	25,869	-
2036	1,023,835	-
2037	4,286,498	3,953,320
2038	2,548,178	2,548,178
2039	3,422,294	3,475,264
2040	4,861,740	-
	$16,168,414	$ 9,976,762

Non-capital losses - Argentina:

	2020	2019
2025	3,250,047	-
	$ 3,250,047	$ -

18. Financial instruments and risk management

Fair Value of Financial Instruments

The Company presents its financial instruments (and other financial assets and liabilities reported at fair value) into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value. The three levels are defined as follows:

Level 1 – investment with quoted market price;
Level 2 – investment which valuation technique is based on observable market inputs; and
Level 3 – investment which valuation technique is based on non-observable market inputs.

Risks Arising from Financial Instruments and Risk Management

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

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

Market Risk

Foreign exchange risk

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

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

	As at December 31, 2020	
	Assets	**Liabilities**
Argentinean pesos	$ 365,238	$ 3,736,079
United States dollars	31,706,660	74,114
	$ 32,071,898	$ 3,810,193

18. Financial instruments and risk management (continued)

Market Risk (continued)

Sensitivity

Based on the financial instruments held at December 31, 2020, had the Canadian dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the Company's post-tax loss for the period would have been $2,826,171 higher/lower as a result of foreign exchange gains/losses on translation of non-Canadian dollar denominated financial instruments as detailed above. The Company's deficit would have been $2,826,171 higher/lower had the Canadian dollar weakened/strengthened by 10% as a result of foreign exchange gains/losses on translation of non-Canadian dollar denominated financial instruments.

Cash flow fair value interest rate risk

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

Credit Risk

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

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

Liquidity Risk

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

At December 31, 2020, the Company had net working capital of $30,123,986 and anticipates this is sufficient to provide at least 18 months of planned activity. Furthermore, as at December 31, 2020 the debt carried by the Company was nil and it had a lease liability of $18,602.

Fair Value Estimation

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

Capital Management

The Company defines capital that it manages as its shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and provide increased shareholder value. As at December 31, 2020, the total managed capital was $66,750,470.

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

19. Subsequent events

(i) On February 10, 2021, the Company completed a bought deal private placement of special warrants (the "Special Warrants") for gross proceeds of $30,195,000 (the "Offering"). The Company issued 9,900,000 Special Warrants at a price of $3.05 per Special Warrant.

On April 1, 2021, the Company announced that it had filed and obtained a receipt for a final short form prospectus in the provinces of Ontario, Alberta, British Columbia and Nova Scotia in connection with its previously completed Offering. As a result of obtaining the receipt, the Special Warrants were exercised, and 9,900,000 common shares were issued.

(ii) Pursuant to an Investor Rights Agreement between CATL and the Company, CATL has the right to maintain its pro rata equity interest of 8% based on the closing of the February 10, 2021 bought deal private placement, the Company closed a increased equity investment by CATL, whereby CATL, through a subsidiary controlled by CATL, subscribed for 860,870 common shares at a price of C$3.05 per common share for gross proceeds of C$2,625,652.

(iii) During January 2021, 100,000, 100,000 and 150,000 stock options were exercised into 350,000 common shares at exercise prices of $1.00, $1.63 and $1.45 respectively. During March 2021, 285,000 stock options were exercised into 285,000 common shares at an exercise price of $1.00. During April 2021, 85,000 stock options were exercised into 85,000 common shares at an exercise price of $1.00.