

LITHIUM SOUTH DEVELOPMENT CORPORATION

(formerly NRG METALS INC.)

(an exploration stage company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2021

**NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

These unaudited condensed consolidated interim financial statements of Lithium South Development Corporation for the three months ended March 31, 2021 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

LITHIUM SOUTH DEVELOPMENT CORPORATION
(formerly NRG METALS INC.)
(an exploration stage company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)

	March 31, 2021	December 31, 2020
ASSETS		
Current		
Cash	\$ 4,292,406	\$ 46,387
Receivables (Note 4)	98,867	50,675
Prepaid expenses	<u>928,641</u>	<u>53</u>
	5,319,914	97,115
Exploration and evaluation assets (Note 5)	<u>8,194,374</u>	<u>5,123,839</u>
	<u>\$ 13,514,288</u>	<u>\$ 5,220,954</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities (Note 6)	\$ 159,154	\$ 905,376
Due to related parties (Note 11)	<u>261,399</u>	<u>528,156</u>
	<u>420,553</u>	<u>1,433,532</u>
Shareholders' equity		
Share capital (Note 7)	51,691,442	41,399,301
Reserves	10,808,465	8,197,779
Deficit	<u>(49,406,172)</u>	<u>(45,809,658)</u>
	<u>13,093,735</u>	<u>3,787,422</u>
	<u>\$ 13,514,288</u>	<u>\$ 5,220,954</u>

Nature and continuance of operations (Note 1)
Subsequent event (Note 16)

On behalf of the Board:

"Adrian F. C. Hobkirk" Director "Christopher P. Cherry" Director

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

LITHIUM SOUTH DEVELOPMENT CORPORATION

(formerly NRG METALS INC.)

(an exploration stage company)**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

THREE MONTHS ENDED MARCH 31,

(Expressed in Canadian Dollars)

(Unaudited)

	2021	2020
EXPENSES		
Administration	\$ 128,188	\$ 40,760
Consulting fees (Note 11)	251,194	37,500
Directors' fees (Note 11)	9,559	21,750
Exploration costs (Note 5)	83,805	1,180
Management fees (Note 11)	38,798	41,500
Professional fees (Note 11)	63,107	47,580
Marketing	311,574	-
Share-based payments (Note 8)	2,610,686	131,221
Transfer agent and filing fees	80,475	16,562
Travel	-	1,971
	<u>(3,577,386)</u>	<u>(340,024)</u>
OTHER ITEM		
Foreign exchange loss	<u>(19,128)</u>	<u>-</u>
Loss and comprehensive loss for the period	<u>\$ (3,596,514)</u>	<u>\$ (340,024)</u>
Basic and diluted loss per common share	<u>\$ (0.09)</u>	<u>\$ (0.05)</u>
Weighted average number of common shares outstanding	<u>39,503,299</u>	<u>7,456,247</u>

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

LITHIUM SOUTH DEVELOPMENT CORPORATION

(formerly NRG METALS INC.)

(an exploration stage company)**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollar)

Unaudited

	Share Capital			Deficit	Reserves	Total Shareholders' Equity
	Common Shares	Amount	Share Subscriptions			
Balance, December 31, 2019	7,134,817	\$ 35,956,239	\$ -	(42,823,378)	7,643,439	776,300
Comprehensive loss for the period	-	-	-	(340,024)	-	(340,024)
Shares issued for exploration and evaluation assets	2,250,000	528,750	-	-	3,396	528,750
Subscriptions receivable	-	-	1,417,500	-	-	1,417,500
Share-based payments	-	-	-	-	131,221	131,221
Balance, March 31, 2020	9,384,819	36,484,989	1,417,500	(43,163,402)	7,774,660	2,513,747
Balance, December 31, 2020	27,791,736	41,399,301	-	(45,809,658)	8,197,779	3,787,422
Comprehensive loss for the period	-	-	-	(3,596,514)	-	(3,596,514)
Shares issued for exploration and evaluation assets	2,250,000	1,822,500	-	-	-	1,822,500
Shares issued for cash and settlements of payables, net	25,544,936	8,469,641	-	-	-	528,750
Share-based payments	-	-	-	-	2,610,686	2,610,686
Balance, March 31, 2021	55,586,672	51,691,442	-	(49,406,172)	10,808,465	13,093,735

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

LITHIUM SOUTH DEVELOPMENT CORPORATION
(formerly NRG METALS INC.)
(an exploration stage company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31,
(Expressed in Canadian Dollars)

	2021	2020
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the period	\$ (3,596,386)	\$ (340,024)
Items not affecting cash:		
Share-based payments	2,610,686	131,221
Loss on settlement of debts	-	-
Changes in non-cash working capital items:		
Receivables	(48,192)	(4,826)
Prepaid expenses	(928,588)	-
Accounts payable and accrued liabilities	(746,222)	213,128
Net cash used in operating activities	(2,708,702)	(501)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Evaluation and exploration acquisitions	(1,248,035)	(1,417,500)
Net cash used in investing activities	(1,248,035)	(1,417,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share subscriptions received in advance	-	1,417,500
Proceeds on issuance of share capital, net	8,469,641	-
Repayment of due to related parties	(266,757)	-
Net cash provided by financing activities	8,202,884	1,417,500
Change in cash during the period	4,246,019	(501)
Cash, beginning of year	46,387	1,644
Cash, end of period	\$ 4,292,406	\$ 1,143
Supplement disclosure with respect to cash flows (Note 14)		

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

LITHIUM SOUTH DEVELOPMENT CORPORATION

(formerly NRG METALS INC.)

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated in the Province of Ontario on June 20, 1995. Effective January 15, 2007, the Company was granted a Certificate of Continuation under the *Business Corporation Act* from the jurisdiction of Ontario into British Columbia. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties in Argentina. The Company's head office, principal address and registered records office is located at 804 – 750 West Pender Street, Vancouver, British Columbia, Canada. During the year ended December 31, 2019, the Company completed a 4 for 1 share consolidation. During the year ended December 31, 2020, the Company changed its name from NRG Metals Inc. to Lithium South Development Corporation and completed a 6 for 1 share consolidation. All references to number of shares and per share amounts have been retroactively restated to reflect the consolidation.

The Company's consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast doubt on the validity of this assumption. For the period ended March 31, 2021 the Company incurred a net loss of \$3,596,514 (March 31, 2020 - \$340,024) and had an accumulated deficit of \$49,406,172 (December 31, 2020 - \$45,809,658). The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments would be material.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of exploration and evaluation assets, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and acquire mineral properties. The outcome of these matters cannot be predicted at this time. 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. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of its mineral properties and upon future profitable production.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

Approval of the financial statements

The condensed interim consolidated financial statements of the Company for the three months ended March 31, 2021 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 31, 2021.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

2. BASIS OF PREPARATION (cont'd)

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: 1140177 BC Ltd., Canada and NRG Metals S.A Argentina, on June 14, 2016 from the date control was acquired. Control exists when the Company possesses power over an investee, has exposures to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All intercompany balances and transactions have been eliminated.

Critical Accounting Estimates and Judgments

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

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

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.
- iii) Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.
- iv) The Company has evaluated the economic environment its entities operate in and determined that the functional currency of the Company, including its Argentinean subsidiaries, is the Canadian dollar. A change in this judgement would have significant impact on these consolidated financial statements.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

New Accounting Standards Adopted

Leases - On January 1, 2019, the Company adopted IFRS 16 – Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company’s estimated incremental borrowing rate as at January 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount, plus prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

As at March 31, 2021 and December 31, 2020, the Company did not recognize any right-of-use assets as it had no leases.

Financial instruments

Financial assets

The Company classified its financial assets in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company’s accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statement of (loss) income in the year.

Financial assets at FVTOCI: Financial assets carried at FVTOCI are recorded at fair value and transaction costs are expensed in the statement (loss) income. Realized and unrealized gains and losses arising from changes in fair value of the financial assets held at FVTOCI are included in other comprehensive (loss) income in the year.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in they arise.

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PERIOD ENDED MARCH 31, 2021

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(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company's financial assets under IFRS 9:

Financial asset	IFRS 9 Classification
Cash	FVTPL
Receivables	Amortized cost

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities - This category includes accounts payable and accrued liabilities and due to related parties, all of which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of operations and comprehensive losses immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

The following table shows the classification of the Company's financial liabilities under IFRS 9:

Financial liability	IFRS 9 Classification
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards (“IAS”) 21, *The Effects of Changes in Foreign Exchange Rates*.

Foreign currency transactions and balances are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect at the statement of financial position date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenue and expense items (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange prevailing at the transaction date.

Gains and losses arising from translation of foreign currency are included in the determination of net loss.

Exploration and evaluation assets

All costs related to the acquisition of exploration and evaluation assets are capitalized on a property by property basis, net of recoveries. Exploration costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are expensed to operations as incurred. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations.

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time, the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of an option of the Company’s property are recorded as a reduction of the mineral property cost. The Company recognizes in income amounts received in excess of the carrying amount.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Evaluation and exploration assets are assessed for impairment by management when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management’s estimate of their net recoverable amount.

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively the sale of the respective areas of interest.

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PERIOD ENDED MARCH 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses. Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

Impairment of tangible assets

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's 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.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

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PERIOD ENDED MARCH 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Share-based payments**

The Company grants options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital.

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4. RECEIVABLES

		March 31, 2021		December 31, 2020
GST recoverable	\$	66,267	\$	18,075
Other receivables		32,600		32,600
	\$	98,867	\$	50,675

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5. EXPLORATION AND EVALUATION ASSETS

Realization of assets

The investment in mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

Argentina Properties

Hombre Muerto North ("HMN")

The project is being acquired through a purchase option agreement from a private borate producer from Salta, Argentina. At March 31, 2021, the Company had capitalized a total of \$8,194,374 (December 31, 2020 - \$5,123,839) related to the HMN acquisition. Terms of the acquisition are as follows:

1. US \$50,000 (paid) on signing for a 90-day due diligence period and for the completion of a NI 43-101 Technical Report on the project.
2. Upon acceptance of the NI 43-101 report by the TSX, the Company will pay Mr. Moreno US \$100,000 and issue 1,000,000 common shares of the Company common stock (issued at a fair value of \$350,000 in fiscal 2017).
3. At March 17, 2018, US \$250,000 (paid) and 41,667 common shares (issued at a fair value of \$250,000).
4. At September 17, 2018, US \$250,000 (paid) and 41,667 common shares (issued at a fair value of \$200,000).
5. At March 17, 2019, US \$1,000,000 subsequently amended to be US\$500,000 (paid) due in March 2019 and US\$500,000 due June 24, 2019 (paid) and 166,667 common shares (issued)
6. At March 22, 2020, US \$1,000,000 (paid) and 2,250,000 (issued at a fair value of \$528,750) common shares.
7. At March 17, 2021, US \$1,000,000 (paid) and 2,250,000 (issued at a fair value of \$1,822,500) common shares.
8. At March 17, 2022, US \$2,000,000 and 2,250,000 common shares.
9. The project will be subject to a 3% Net Production Royalty, of which 50% may be purchased for US\$3,000,000 within 36 months of Item 2.

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PERIOD ENDED MARCH 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)**Argentina Properties (continued)**HMN continued

The Company incurred exploration costs as follows:

	Three months ended March 31, 2021	Year ended December 31, 2020
Consultants and geologists	\$ 10,500	\$ -
Field supplies, camp costs, cannon payments and other	<u>73,305</u>	<u>1,044</u>
Total	<u>\$ 83,805</u>	<u>\$ 1,044</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021	December 31, 2020
Account payables	\$ 134,154	\$ 880,375
Accrued liabilities	<u>25,000</u>	<u>25,000</u>
	<u>\$ 159,154</u>	<u>\$ 905,375</u>

7. SHARE CAPITAL

Authorized: Unlimited common shares without par value

During the year ended December 31, 2019, the Company completed a 4 for 1 share consolidation and during the year ended December 31, 2020, the Company completed a 6 for 1 share consolidation. All references to number of common shares and per share amounts have been retroactively restated to reflect the consolidations.

Issued and outstanding:

Period ended March 31, 2021:

On January 18, 2021, the Company closed its non-brokered private placement, issuing an aggregate of 8,000,412 units at a price of \$0.225 per unit, raising gross proceeds of \$1,800,093. Each unit comprised one common share and one transferable common share purchase warrant. Each warrant allows the holder to purchase one additional share of the company at a price of \$0.35 per share for a period of five years from the date of closing of the private placement.

The warrants are subject to an accelerated expiry provision whereby if the company's shares close at or above 40 cents per share during any 10 consecutive trading day period at any time subsequent to four months and one day after the closing date, the holder will have 30 days from the date the company provides notice of such accelerated expiry to exercise the warrant or it will expire.

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7. SHARE CAPITAL (continued)

The company paid finder's fees of \$90,364 issued 401,615 finder's warrants. The finder's warrants are non-transferable and exercisable on the same terms as the private placement warrants;

On February 17, 2021 the Company closed its non-brokered private placement, issued 10,000,000 units for total gross proceeds of \$3,412,500. Each unit comprises one common share and one transferable common share purchase warrant. Each warrant will allow the holder to purchase one share of the company at a price of \$0.455 cents per share for a period of five years from the date of closing of the private placement.

The company paid finder's fees of \$162,235 and issued 575,472 finder's warrants. The finder's warrants are non-transferable and exercisable at \$0.455 cents per finders' warrant for a period of five years;

On February 26, 2021, the Company closed its non-brokered private placement issuing an aggregate of 5,336,667 units at a price of \$0.60 per unit raising gross proceeds of \$3,202,000. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant will allow the holder to purchase one share of the company at a price of \$0.80 per share for a period of five years from the date of closing of the private placement.

The company paid finders' fees of \$245,200 and issued 408,667 finders' warrants. The finders' warrants are non-transferable and exercisable at 80 cents per finder's warrant for a period of five years;

During the period ended March 31, 2021, the Company issued 2,250,000 common shares for a property payment valued at \$1,822,500 (Note 5).

During the period ended March 31, 2021, the Company issued 2,207,857 common shares on the exercise of 1,977,857 warrants and 230,000 stock options for proceeds of \$748,750.

Year ended December 31, 2020:

During the year ended December 31, 2020, the Company issued 2,250,000 common shares for a property payment valued at \$528,750 (Note 5).

During the year ended December 31, 2020 the Company completed private placements and issued 8,222,380 units for cash proceeds of \$1,726,700. The Company also issued 6,760,612 units valued at \$3,236,255 in settlement of debts of \$2,138,753, resulting in a loss on settlement of \$1,097,502. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant allows the holder to purchase one share of the Company at a price of \$0.35 per share for a period of five years after the closing of the private placement. No finders' fees were paid pursuant to the private placement.

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8. STOCK OPTIONS

The Company has a rolling stock option plan (the “plan”) that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company’s shares at the date of grant, subject to a minimum exercise price of \$0.10 per share. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, December 31, 2019	-	-
Granted	1,700,000	0.26
Outstanding and exercisable, December 31, 2020	1,700,000	0.26
Granted	3,800,000	0.70
Exercised	(230,000)	0.22
Outstanding and exercisable, March 31, 2021	5,270,000	0.26

On February 4, 2021, the Company granted incentive stock options to purchase a total of 2,400,000 common shares at an exercise price of \$0.70 per common share and on March 24, 2021, the Company granted incentive stock options to purchase a total of 1,400,000 common shares at an exercise price of \$0.80 per common share for a period of 5 years to certain directors, officers and consultants, in accordance with the provisions of its stock option plan for a period of 5 years to certain directors, officers and consultants, in accordance with the provisions of its stock option plan

During the three months ended March 31, 2021, the Company granted 3,800,000 (year ended December 31, 2020 - 1,700,000) stock options to directors, officers and consultants of the Company. The fair value of the options granted during the period is \$2,610,686 (year ended December 31, 2020 - \$505,697) based on the Black-Scholes option pricing model. The weighted average of the fair value per option was \$0.68 (year ended December 31, 2020 - \$0.297). The Company used the following assumptions for the Black-Scholes option pricing model:

	2021	2020
Risk-free interest rate	1.01%	1.01%
Expected life of options	5.0 years	5.0 years
Annualized volatility	167%	165%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

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9. WARRANTS

The following table summarizes the Company's warrant activity the year ended December 31, 2020 and 2019:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2018	1,837,903	\$ 0.35
Issued	18,406,919	0.35
Expired	(590,395)	0.96
Outstanding, December 31, 2020	19,654,427	\$ 0.33
Issued	24,722,833	0.35
Exercised	(1,977,857)	0.35
Outstanding, March 31, 2021	42,399,403	\$ 0.42

As at March 31, 2021, the following warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants
August 1, 2024	\$0.96	1,247,508
April 2, 2025	\$0.35	1,214,114
April 21, 2025	\$0.35	5,372,380
June 28, 2025	\$0.35	4,964,301
January 18, 2026	\$0.35	7,943,627
February 17, 2026	\$0.455	10,575,472
February 26, 2026	\$0.80	5,336,667
February 25, 2026	\$0.80	5,745,334
		42,399,403

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. Cash has been designated as fair value through profit and loss, receivables as loans and receivables, and accounts payable and accrued liabilities and related party loans payable are designated as other financial liabilities. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments, except for cash which is valued at a level 1 fair value measurement. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the period.

a) Currency risk

While the Company's parent is Canadian and its capital is raised in Canadian dollars, the Company was conducting business in Argentina, whose currency is the Peso. As such, it was subject to risk due to fluctuations in the exchange rates for the United States and Canadian dollars as well as the Argentina Peso. The Company does not manage currency risk through hedging or other currency management tools.

As at March 31, 2021, the Company has accounts payable denominated in US dollars of US\$89,000 (December 31, 2020 – US\$ 135,000) and cash of US\$250 (December 31, 2019 - US\$250). Based on a hypothetical change in the foreign exchange rate between the Canadian and the US dollars of 5% (2019 - 5%), the effect on net and comprehensive loss would be \$4,450 (2019 - \$4,500).

As at March 31, 2021, the Company has cash denominated in Argentine Peso of \$45,000 (December 31, 2020 – \$275). Based on a hypothetical change in the foreign exchange rate between the Canadian dollar and Argentine Peso (2019 - Argentine Peso) of 7.5% (December 31, 2020 – 7.5%), the effect on net comprehensive loss would be \$3,375 (December 31, 2020 - \$20).

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution. There is no risk associated with receivables as this is Goods and Services Tax ("GST") due from the Canadian Government.

c) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company's financial instruments fluctuations in market rates do not have a significant impact on estimated fair values as of March 31, 2021. Future cash flows from interest income on cash will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

d) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

e) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

11. RELATED PARTY TRANSACTIONS

- a) The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel, such personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Corporate Secretary:

	2021	2020
Management, exploration and professional fees charged		
by directors and corporations under their control	\$ 68,798	\$ 71,500
Directors' fees	\$ 9,559	\$ 21,750
Share-based payments	\$ 1,393,282	\$ 93,723

Key management personnel were not paid any post-employment benefits, termination benefits, or other long-term benefits during the respective periods.

- b) Included in accounts payable and accrued liabilities is \$89,000 (December 31, 2020 - \$635,494) due to directors, officers and corporations controlled by directors of the Company. The amount due to the related parties have no specific terms of repayment, are unsecured and non-interest-bearing.
- c) The Company has outstanding amounts of \$261,399 (December 31, 2020 - \$528,156) due to related parties. The loans are unsecured, interest free and without specific terms of repayment. During the year ended December 31, 2020, the Company granted bonuses of \$367,150 related to these outstanding loans.
- d) During the year ended December 31, 2020, the Company issued 10,039,298 units valued at \$3,182,517 in settlement of debts owing to entities and individuals related to directors of the Company of \$2,108,253 resulting in a loss on settlement of \$1,074,264.

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12. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal as the Company does not generate cash flow from current operations. Accordingly, the Company is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year. There have been no changes to the Company's approach to capital management during the period.

13. SEGMENTED INFORMATION

Company is focused on the exploration and evaluation assets in Argentina.

	March 31, 2021	December 31, 2020
Exploration and evaluation assets Argentina	\$ 8,194,374	\$ 5,123,839

14. SUPPLEMENT DISCLOSURES WITH RESPECT TO CASH FLOWS

The Company did not incur any interest or tax expenditures for the period ended March 31, 2021 and 2020.

During the period ended March 31, 2021, the Company:

- i) Issued 2,250,000 common shares valued at \$528,750 on the HMN property

During the period ended March 31, 2020, the Company:

- i) Issued 2,250,000 common shares valued at \$528,750 on a property payment.

15. SUBSEQUENT EVENT

Subsequent to March 31, 2021, the Company issued 3,399,542 common shares on the exercise of 2,949,541 warrants and 450,000 stock options for proceeds of \$1,169,589.