Management's Discussion and Analysis

FOR THE THREE MONTHS ENDED MARCH 31, 2018

The following management's discussion and analysis ("MD&A") for Standard Lithium Ltd. was prepared by management based on information available as at May 28th, 2018 and it should be reviewed in conjunction with the unaudited condensed consolidated interim financial statements and related notes thereto of the Company for the three months ended March 31, 2018. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 – *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). All dollar figures are expressed in Canandian dollars unless otherwise stated. These documents and additional information on the corporation are available on SEDAR at www.sedar.com.

As used in this MD&A, the terms "Standard" and "the Company" mean Standard Lithium Ltd, unless the context clearly requires otherwise.

Forward-Looking Statements

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking information"). In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations or the negative of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature, forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. The Company disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

Nature of Business and Operations

Standard was incorporated under the laws of the Province of British Columbia on August 14, 1998. At its annual general meeting held on November 3, 2016, the shareholders of the Company approved the change of name of the Company to "Standard Lithium Ltd." and to the continuance of the Company from the *Business Corporations Act* (British Columbia) to the *Canada Business Corporations Act.* The shareholders also approved the consolidation of the Company's common shares on the basis of one post-consolidation share for five pre-consolidation shares. All common share and per common share amounts in this report have been retroactively restated to reflect the share consolidation.

The Company's common shares are listed on the TSX Venture Exchange (the "TSXV") under the symbol "SLL". The head office is located at Suite 835, 1100 Melville Street, Vancouver, V6E 4A6 Canada. The Company was formerly in the oil and gas business, but changed its focus during the 2016 fiscal year. The Company is currently focusing on, acquiring and developing lithium brine projects in the USA.

On August 11, 2016, the Company entered into an option purchase and assignment agreement (the "Option Purchase Agreement") with TY & Sons Explorations (Nevada), Inc. ("TY & Sons") and Nevada Alaska Mining Company Inc. ("Nevada Mining"), pursuant to which the Company will acquire all of TY & Sons' right, title and interest in a property option agreement between TY & Sons and Nevada Mining, as property owner (the "Underlying Option Agreement"). Under the Underlying Option Agreement, TY & Sons has the option (the "Option") to acquire from Nevada Mining an interest in the California Property (collectively, the "Option Purchase"), which comprises mineral claims situated in San Bernardino County, California. The transaction, having received the approval of the TSX Venture Exchange, closed

Nature of Business and Operations - continued

on November 17, 2016. As consideration, the Company issued 14,000,000 common shares of the Company and paid certain costs incurred to TY & Sons.

In order to exercise the Option pursuant to the terms of the Underlying Option Agreement, the Company will be required to pay the total sum of US$325,000 and issue an aggregate of 2,500,000 common shares to Nevada Mining as follows:

- US$125,000 on closing of the Option Purchase Agreement (paid)
- US$50,000 on or before November 1, 2017 (paid)
- US$50,000 on or before November 1, 2018
- US$50,000 on or before November 1, 2019
- US$50,000 on or before November 1, 2020

- Issue 500,000 common shares on closing of the Option Purchase Agreement (issued)
- Issue 500,000 common shares on or before October 1, 2017 (issued)
- Issue 500,000 common shares on or before October 1, 2018
- Issue 500,000 common shares on or before October 1, 2019
- Issue 500,000 common shares on or before October 1, 2020

The property is subject to a 2.5% net smelter return royalty on commercial production from the mineral claims, in favour of Nevada Mining, of which 1.0% may be repurchased for US$1,000,000 on or before July 7, 2019. The property is also subject to an additional 0.5% net smelter returns royalty applicable to any after acquired properties in the area of interest stipulated by the Option Purchase Agreement, also in favour of Nevada Mining.

On February 2, 2017, the Company entered into a share purchase agreement to acquire all of the outstanding share capital of Moab Minerals Corp. ("Moab"), a privately-held British Columbia-based mineral exploration company. Moab holds the rights to the Paradox Project ("Paradox"), which consists of 2,175 placer claims, covering an area of approximately 43,335 acres, in the Paradox basin in Grand and San Juan counties in the State of Utah. In consideration for the claims Moab is required to pay the vendor US$380,850 (paid) and US$250,000 on each of the 12, 18, and 24 months anniversaries from the effective date of the purchase agreement between Moab and the vendor. In consideration for the acquisition of the share capital of Moab, the Company issued 6,850,000 common shares and assumed responsibility for all outstanding liabilities of Moab. In addition, the Company paid a finders' fee of 200,000 common shares to an arm's length third-party who assisted in facilitating the acquisition. The transaction was approved by the TSX Venture Exchange and the common shares were issued on February 21, 2017. The value of the common shares of Moab acquired less the liabilities assumed, totaling $8,449,939 was attributed to the underlying Paradox surface rights held by Moab. On August 31, 2017, the Company dropped the Paradox Property and terminated the purchase agreement with the vendor. The Company recorded a write-off of mineral property of $8,441,085. The Company has no further obligations or liabilities in relation to the Paradox Property.

Nature of Business and Operations – continued

On May 1, 2017, the Company signed a Property Lease Agreement with National Chloride Company of America ("National Chloride") for rights to an adjacent property to the California Property, with approximately 12,290 acres. Under this Property Lease Agreement, the Company paid US$25,000 at signing of a Letter of Intent and will be required to pay the total sum of US$1,825,000 and issue an aggregate of 1,700,000 common shares of the Company to National Chloride as follows:

- US$25,000 on the Purchase Agreement date (paid)
- US$50,000 on or before the six month anniversary of the closing date (paid)
- US$100,000 on or before the first anniversary of the closing date
- US$100,000 on or before the second anniversary of the closing date
- US$100,000 on or before the third anniversary of the closing date
- US$100,000 on or before the fourth anniversary of the closing date
- US$100,000 on or before the fifth anniversary of the closing date
- US$250,000 upon successful completion of a pre-feasibility study
- US$1,000,000 upon successful completion of a bankable feasibility study

- Issue 100,000 common shares on the closing date (issued)
- Issue 100,000 common shares on or before the six month anniversary of the closing date (issued)
- Issue 200,000 common shares on or before the first anniversary of the closing date
- Issue 200,000 common shares on or before the second anniversary of the closing date
- Issue 200,000 common shares on or before the third anniversary of the closing date
- Issue 200,000 common shares on or before the fourth anniversary of the closing date
- Issue 200,000 common shares on or before the fifth anniversary of the closing date
- Issue 500,000 common shares successful completion of a pre-feasibility study

It is expressly agreed that the "Leased Rights" are limited to lithium exploration and production activities and operations. The Company will pay a two percent royalty on gross revenue derived from the properties to National Chloride, subject to a minimum annual royalty payment of US$500,000.

On July 26, 2017, the Company entered into a Memorandum of Understanding (MOU) with TETRA Technologies, Inc. (TETRA) with regard to an option to acquire certain rights to conduct brine exploration and production and lithium extraction activities on approximately 30,000 acres of brine leases located in Columbia and Lafayette Counties, Arkansas. At signing of the MOU, a non-refundable deposit of $614,150 (US$500,000) was made with additional fees and payment obligations in the future if the option is executed and exercised, and subject to certain conditions.

On September 1, 2017, the Company amended the Property Lease Agreement with National Chloride to include additional placer claims of approximately 6,000 acres adjacent to the existing 12,290 acres. The amendment agreement continues all the economic terms of the previous lease agreement with National Chloride, with the additional requirement that the company will be responsible for ongoing carrying costs associated with the additional claims. A payment of $56,873 (US$44,805) was made to the Bureau of Land Management, Department of the Interior ("BLM") for these carrying costs.

Nature of Business and Operations – continued

On October 23, 2017, the Company entered into a Memorandum of Understanding ("MOU"), with TETRA Technologies, Inc. (TETRA), to secure access to additional operating and permitted land consisting of approximately 12,100 acres in Bristol Dry Lake, and up to 11,840 acres in the adjacent Cadiz Dry Lake, Mojave Desert, California. The MOU with TETRA allows for the exclusive right to negotiate and conduct exploration activities and to enter into a mineral lease to allow exploration and production activities for lithium extraction on property held under longstanding mining claims and permits by TETRA. In connection with the entering into of the MOU, the Company made a non-refundable deposit of $125,800 (US$100,000).

On November 1, 2017, the Company entered into a share purchase agreement to acquire all of the outstanding share capital of a privately held British Columbia based mineral exploration company (the "Vendor") which holds the rights to a series of 54 prospective mineral claims located in San Bernardino County, California. In consideration for the acquisition of the Vendor, the Company will issue 1,000,000 common shares, and will assume responsibility for all outstanding liabilities of the Vendor. Closing of the acquisition remains subject to the final approval of the TSX Venture Exchange, as well as certain other conditions as are customary in transactions of this nature. All common shares issued in connection with the acquisition will be subject to a four-month-and-one-day hold period in accordance with the policies of the TSX Venture Exchange.

On December 29, 2017 (the Agreement Date), the Company entered into an Option Agreement with TETRA to proceed with the transaction outlined in the July 26, 2017 announcement. Under this Option Agreement, the Company will be required to make payments to the Vendor as follows:

- US$500,000 within 30 days following the Agreement Date (paid)
- An additional US$600,000 within 12 months following the Agreement Date
- An additional US$700,000 within 24 months following the Agreement Date
- An additional US$750,000 within 36 months following the Agreement Date
- Additional annual payments of US$1,000,000 on or before each annual anniversary of the Agreement Date, beginning with that date that is 48 months following the Agreement Date, until the earlier of the expiration of the Exploratory Period or, if the Optionee exercises the Option, the Optionee beginning payment of the Royalty.

During the Lease Period, at any time following the commencement of Commercial Production, the Company agreed to pay a Royalty of 2.5% of gross revenue (minimum Royalty US$1,000,000) to the underlying owner.

On January 11, 2018, the Company signed a non-binding Letter of Intent with a non-affiliated NYSE-listed company whereby, subject to the execution of a definitive agreement on terms acceptable to both parties and obtaining necessary consents and permits, the Company will design, build and operate a continuous demonstration scale pilot plant adjacent to certain existing chemical production facilities located in southern Arkansas. Pursuant to the terms of the Letter of Intent, completion of the Definitive Agreement will be subject to a number of conditions, including completion of satisfactory due diligence investigation in support of the feasibility of the Pilot Plant and obtaining all necessary consents and permits. In consideration for the right to conduct a due diligence investigation, Standard

Nature of Business and Operations – continued

Lithium has made a non-refundable deposit of US$100,000 and will make a further cash payment of US$100,000 upon signing of the Definitive Agreement. The Company will pay certain recurring fees if the Pilot Plant is constructed. No partnership is created by any of these agreements with the other party, and the other party has no obligation to fund any of the capital costs of the Company's lithium-related activities.

On February 16, 2018, the Company closed a brokered private placement and issued 10,312,821 units of the Company at a price of $2.10 per unit, for gross proceeds of $21,656,924. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each full warrant is exercisable to acquire one common share of the Company at an exercise price of $2.60 for a period of two years. The Company paid finder's fees of $2,165,692 in cash, issued 309,384 common shares and granted 721,897 compensation options exercisable for one unit until February 16, 2020 at an exercise price of $2.10 in conjunction with the private placement.

On February 21, 2018, the Company approved the implementation of a restricted share unit plan along with the grant of an aggregate of 2,100,000 restricted share units thereunder (the "RSUs"). The RSUs have been granted to directors and officers of the Company, based on a common share value of $2.10, with vesting occurring in three equal tranches every four months for a period of twelve months.

On February 21, 2018, the Company granted 500,000 stock options to directors, officers and consultants of the Company at an exercise price of $2.10 for a period of five years with all of the stock options vesting immediately on the date of grant.

On May 9, 2018 the Company announced the signing of a MOU with global specialty chemicals company LANXESS Corporation (LANXESS) and its US affiliate Great Lakes Chemical Corporation (GLCC), with the purpose of testing and proving the commercial viability of extraction of lithium from brine (tail brine) that is produced as part of Lanxess's bromine extraction business at its three Southern Arkansas facilities.

The MOU sets out the basis on which the parties have agreed to cooperate in a phased process towards developing commercial opportunities related to the production, marketing and sale of battery grade lithium products extracted from tail brine and brine produced from the Smackover Formation. The MOU forms the basis of what will become a definitive agreement and is binding until the execution of a more comprehensive agreement that the parties may execute on the completion of further development phases. Standard Lithium paid an initial US$3,000,000 reservation fee to LANXESS to secure access to the tail brine, with additional fees and obligations in the future subject to certain conditions.

On May 15, 2018, the Company announced that it entered into a license, exploration and option agreement to formalise the memorandum of understanding announced by the Company with TETRA on October 30, 2017. The Option Agreement provides that the Company will acquire the rights to conduct lithium brine exploration activities on properties located in San Bernardino County, California. The properties total approximately 23,940 acres and consist of a series of mineral claims located in the Bristol Dry Lake and Cadiz Dry Lake regions.

Under the terms of the Option Agreement, the Company will initially acquire the right to conduct lithium brine exploration activities on the properties located in Bristol Dry Lake and Cadiz Dry Lake. These rights will be acquired in consideration for a series of cash payments and share issuances totaling US$2,700,000 and 3,400,000 common

Nature of Business and Operations – continued

shares, to be completed over a sixty-month period. Initially, the Company will make a payment of US$100,000 and issue 200,000 common shares. The cash payments and share issuances will be made to TETRA, a non-affiliated NYSE-listed company, which is the underlying owner of the properties. This transaction was approved by the TSX-V on May 25, 2018.

During the three month period ended March 31, 2018, the Company issued a total of 149,216 common shares for the exercise of stock options. The Company received proceeds of $152,200 and re-classified $134,414 from Stock option reserve to Share capital upon exercise.

During the three month period ended March 31, 2018, the Company issued a total of 950,000 common shares for the exercise of share purchase warrants. The Company received proceeds of $237,500 upon exercise.

The Company is continuing to review its options with respect to the current and other prospective properties.

The Company has several contracts in place with third parties to perform lithium brine processing testing. This work is being completed at several locations across North America and is using brine from Standard's Properties to complete the work.

Mineral Properties and Projects

	California Property $	Arkansas Property $	Total $
Acquisition costs:			
Balance, December 31, 2016	3,989,705	-	3,989,705
Acquisition of property	1,316,250	1,258,000	2,574,250
Claim maintenance fees	97,734	-	97,734
Balance, December 31, 2017	5,403,689	1,258,000	6,661,689
Acquisition of property	2,173	225,278	227,451
Effect of movement in foreign exchange rates	134,877	31,400	166,277
Balance, March 31, 2018	5,540,739	1,514,678	7,055,417
Exploration Costs:			
Balance, December 31, 2017	839,179	385,038	1,224,217
Site management	96,393	-	96,393
Other exploration costs	1,391,236	314,245	1,705,481
Effect of movement in foreign exchange rates	20,947	9,616	30,563
	2,347,755	708,899	3,056,654
Balance, March 31, 2018	7,888,494	2,223,577	10,112,071

The Company has two main project locations; the Arkansas Lithium Project; and the California Lithium Project; these are summarised below.

Mineral Properties and Projects – continued

Arkansas Lithium Project

The Arkansas Lithium Project consists of two main areas of interest. The first is an option agreement with TETRA Technologies to acquire certain rights to conduct brine exploration and production and lithium extraction activities on approximately 30,000 acres of brine leases located in Columbia and Lafayette Counties, Arkansas. The second is a MOU with LANXESS and its US affiliate Great Lake Chemicals Corporation, regarding the testing and proving of commercial viability of lithium extraction from brine ("tail brine") that is produced as part of Lanxess's bromine extraction business at its three facilities in Union County, southern Arkansas. The terms and conditions of the two MOUs are described above in the previous section.

All of the Company's activities in southern Arkansas relate to brine leases that overlie the Smackover Formation in a region with a long history of commercial scale brine processing. Historical published brine data and current unpublished brine data from within and adjacent to the Company's area of activities lead the Company to believe that lithium-bearing brines are likely present throughout underlying the project area.

With respect to the approximate 30,000 acres of brine leases in the Columbia and Lafayette Counties, the Company and its consultants are collating and interpreting large amounts of publicly and privately available geological, hydrogeological, geophysical and petrological data. These data are being supplemented by acquiring new data from existing oil and gas extraction infrastructure where possible. The Company's team is currently focussed on compiling all relevant data with the goal of producing a lithium resource estimate before calendar year-end.

With respect to the MOU with LANXESS, the Company is undertaking mini-pilot scale process work, using tail brine collected from operating facilities in Southern Arkansas. This work is being conducted in order to assist the design of a full-scale, continuously operated Pilot Plant. The Company has a contract with Zeton Inc. to design and build the Pilot Plant, and a location on one of LANXESS' operational plants has been chosen as the future site for that Plant, pending any future revisions to project scope. It is a matter of public record that LANXESS operates approximately 150,000 acres of brine leases in Southern Arkansas via three unitised areas, and the Company is engaged in initial work to help better understand the brine resource available beneath these three units.

California Lithium Project

The California Lithium Project has two main areas of interest; Bristol Dry Lake and Cadiz Dry Lake. Both project areas are in the Mojave Desert area of southern California and are separated by a distance of approximately 25 km. The total claim area covered by commercial agreements is approximately 48,000 acres.

The Bristol Dry Lake Project is located in San Bernardino County, California approximately 150 miles east-northeast of Los Angeles. The Company has rights and access to four sets of placer mining claims (and some patented claims) which are mostly situated on Federal lands controlled by the Bureau of Land Management (BLM). The Bristol Lake playa is a flat, dry salt lake in the Mojave Desert that occupies approximately 155 sq. km in a 2,000 sq. km arid drainage basin. There are two established brine producers in the basin and 100+ years of industrial mineral production (salts and brines) from the below-surface brine deposits. The terms and conditions of the commercial agreements with the various underlying claim owners are described in the section above.

Work completed at the Bristol Dry Lake Project has consisted of trenching and near-surface brine sampling, drilling and associated brine sampling, surface and downhole geophysical surveys, and evaporation pond testing. Some initial data have been released, and all relevant data from the current drilling program will be published when the

Mineral Properties and Projects – continued

California Lithium Project - continued

final hole is completed. All data will then be compiled into a lithium resource estimate, scheduled for completion before end of calendar year.

The Cadiz Dry Lake Project lies approximately 25 km to the south-east, and consists of approximately 11,840 acres of patented and placer claims, optioned exclusively from TETRA. Work completed at the project has included surface geophysical surveys and some limited sampling from existing production wells operated at the site by TETRA. Few data have been released, and the Company's technical team is currently collating all available data for the project.

Lithium Brine Processing Project

The Company has engaged several third parties to perform brine processing testing on bulk brine samples gathered from the Company's Projects. Work is being completed on three main fronts: 1) pre-treating the Company's brines using modern filtration technologies; 2) selectively extracting lithium from pre-treated brine(s) to produce a concentrated lithium salt solution; and, 3) purifying and crystallisation of concentrated lithium solutions to produce battery-grade lithium products. Much of the work is being completed with available off-the-shelf technology widely available and used in the water and wastewater processing industries; some is being performed with third party technology developed and protected by IP held by non-affiliated vendors and OEMs; and some is novel technology where IP is being developed and held by the Company and/or a technical advisor to the Company. This work is ongoing.

QA/QC

Raymond Spanjers, Registered Professional Geologist (SME No. 3041730), is a qualified person as defined by NI 43-101, and has reviewed and approved the exploration information and technical disclosure in this MD&A. Mr. Spanjers is not independent of the Company as he is an officer in his role as Vice President, Exploration and Development.

Selected Annual Information

The following table contains a summary of the Company's financial results as reported under IFRS:

	December 31, 2017 $	December 31, 2016 $	December 31, 2015 $
Total revenue	-	-	-
Total assets	12,600,559	4,821,181	4,197
Working capital surplus (deficiency)	3,459,827	(154,994)	(453,263)
Total non-current financial liabilities	-	693,174	-
Net loss	19,911,856	374,873	136,017
Net loss per share	0.37	0.05	0.06

Results of Operations

First quarter ended March 31, 2018 compared to the first quarter ended March 31, 2017:

The Company incurred a net loss of $8m800m011 for the quarter ended March 31, 2018 ("Q1-2018") compared to a net loss of $1,119,920 for the same period in 2017 ("Q1-2017"). The primary reason for the increase in costs was the increased business activities within the Company and the change of focus towards the lithium industry. Consulting fees decreased to $140,390 in Q1-2018, compared with $427,726 in Q1-2017, due to the break out of management fees presented on the statements. Management fees of $201,039 were incurred during Q1-2018. Professional Fees decreased $19,397 from $43,984 during Q1-2017 to $24,587 during Q1-2018. This is mainly due to decreased legal fees related to the January 2017 private placement and audit costs not being accrued in FY2016 Filing and transfer agent fees increased by $13,495 from $11,978 during Q1-2017 to $25,473 during Q1-2018, as a result of normal business operations. Office and administration increased by $43,978 from $14,243 in Q1-2017 to $58,221 during Q1-2018. This is mainly due to the establishment of permanent office including rental charges, office supplies and other ongoing costs. Corporate development costs of $18,500 were incurred during Q1-2018 as compared to $76,667 during Q1-2017. The reduction is due to the transition from the marketing of the change in focus to the lithium industry. Advertising and investor relations cost increased during Q1-2018 to $239,956 as compared to $37,162 during Q1-2017. This is due to the increased investor awareness campaigns executed by management. Travel costs of $69,693 were incurred during Q1-2018 compared to $12,461 incurred during Q1-2018. These costs relate to flights, hotels, vehicle rental and meals for management when visiting existing projects and travel to meet with investors of the company. A cost of $7,809,663 was recognized in Q1-2018 as share-based compensation resulting from stock options granted during the period. This cost includes the RSU's granted in the period. The Company's Lithium Research and Development Project incurred costs of $225,835 during Q1-2018.

Summary of Quarterly Results

The following table presents selected unaudited consolidated financial information for the last eight quarters in accordance with IFRS, stated in Canadian dollars:

	Mar 31, 2018 $	Dec 31, 2017 $	Sep 30, 2017 $	Jun 30, 2017 $	Mar 31, 2017 $	Dec 31, 2016 $	Sep 30, 2016 $	Jun 30, 2016 $
Revenue for the Period	-	-	-	-	-	-	-	-
Net Loss for the Period	(8,800,011)	(10,794,595)	(2,045,425)	(1,119,920)	(258,243)	(70,243)	(18,551)	(27,836)
Basic & Diluted Loss per Share	(0.13)	(0.20)	(0.04)	(0.03)	(0.05)	(0.00)	(0.00)	(0.00)

Liquidity and Capital Resources

As of March 31, 2018, the Company had working capital surplus of $20,145,480 compared to a working capital surplus of $2,214,917 as of March 31, 2017. Cash and cash equivalents at March 31, 2018 totaled $20,586,081 compared to $2,078,705 at March 31, 2018. During the three months ended March 31, 2018 the Company had net cash inflow of $16,518,409.

On February 16, 2018, the Company closed a brokered private placement and issued 10,312,821 units of the Company at a price of $2.10 per unit, for gross proceeds of $21,656,924. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each full warrant is exercisable to acquire one common share of the Company at an exercise price of $2.60 for a period of two years. The Company paid finder's fees of $2,165,692 in cash, issued 309,384 common shares and granted 721,897 compensation options for one unit until February 16, 2020 at an exercise price of $2.10 in conjunction with the private placement.

During the three month period ended March 31, 2018, the Company issued a total of 149,216 common shares for the exercise of stock options. The Company received proceeds of $152,200 and re-classified $134,414 from Stock option reserve to Share capital upon exercise.

During the three month period ended March 31, 2018, the Company issued a total of 950,000 common shares for the exercise of share purchase warrants. The Company received proceeds of $237,500 upon exercise.

Management has determined that the cash resources will be sufficient to continue operations in the short term but that additional funding will be required to sustain the Company's ongoing operations. As a result, the Company will continue to attempt to raise funds through equity or debt financing to meet its on-going obligations. There can be no certainty that such additional funds may be raised when required.

Transactions with Related Parties

Key management personnel are persons responsible for planning, directing and controlling the activities of the entity, and include directors and officers of the Company.

Compensation to key management is comprised of the following:

	March 31, 2018	March 31, 2017
Management fees paid or accrued to officers of the Company	$ 201,039	$ 63,000
Share-based payment	4,983,177	463,178
	$ 5,184,216	$ 526,178

As at March 31, 2018 there is $111,359 (March 31, 2017: $Nil) in accounts payable and accrued liabilities owing to officers of the Company. As at March 31,. 2018, there is $10,000 (March 31, 2017: $Nil) recorded as a pre-payment to a Director of the Company.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, unless otherwise noted. Amounts due to/from the related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

Outstanding Share Data

The authorized capital of Standard consists of an unlimited number of common shares and preferred shares without par value.

As of the date of this report, there were 73,327,576 common shares issued and outstanding, 2,100,000 restricted share units, 4,900,784 stock options, 721,897 compensation options and 8,631,411 warrants outstanding. Of the warrants outstanding, 3,475,000 are exercisable to acquire one common shares at $0.25 expiring May 10, 2021 and 5,156,411 are exercisable at $2.60 per share, expiring on February 16, 2020.

Details of options outstanding and exercisable at the date of this report are as follows:

	Options Outstanding			Options Exercisable	
Exercise Price $	Number of Shares	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price $	Number Exercisable	Weighted Average Exercise Price $
1.05	1,250,000	3.77	1.05	833,334	1.05
0.96	2,590,000	4.05	0.96	1,726,667	0.96
1.02	560,784	2.20	1.02	144,117	1.02
2.10	721,897	1.72	2.10	721,897	2.10
2.10	500,000	4. 74	2.10	500,000	2.10
	5,622,681	3.30	1.23	3,926,015	1.36

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Financial Instruments and Risk Management

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics.

The fair value of current financial instruments approximates their carrying value as they are short term in nature.

Financial instruments that are held at fair value are categorised based on a valuation hierarchy which is determined by the valuation methodology utilised:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is, derived from prices).
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial Instruments and Risk Management - continued

There were no transfers between Levels 1, 2 or 3 for the periods ended March 31, 2018 and March 31, 2017.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

March 31, 2018	Level 1	Level 2	Level 3	Total
Cash	$ 20,586,081	$ -	$ -	$ 20,586,081

December 31, 2017	Level 1	Level 2	Level 3	Total
Cash	$ 4,067,672	$ -	$ -	$ 4,067,672

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Company's activities. Management regularly monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

In the normal course of operations, the Company is exposed to various risks such as commodity, interest rate, credit, and liquidity risk. To manage these risks, management determines what activities must be undertaken to minimize potential exposure to risks. The objectives of the Company in managing risk are as follows:

- maintaining sound financial condition;
- financing operations; and
- ensuring liquidity to all operations.

In order to satisfy these objectives, the Company has adopted the following policies:

- recognize and observe the extent of operating risk within the business;
- identify the magnitude of the impact of market risk factors on the overall risk of the business and take advantage of natural risk reductions that arise from these relationships.

(i) <u>Interest rate risk</u>
The Company does not have any financial instruments which are subject to interest rate risk.

(ii) <u>Credit risk</u>
Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from trade receivables. The Company does not have any financial instruments which are subject to credit risk.

(iii) <u>Liquidity risk</u>
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources. As at March 31, 2018, the Company has a working capital surplus of $20,141,281 (March 31, 2017: – working capital surplus of $2,214,917).

Financial Instruments and Risk Management - continued

(iv) Foreign Exchange Risk
Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	March 31, 2018	December 31, 2017
Cash	$ 287,090	$ 2,149,356
Accounts payable	(538,807)	(688,097)

At March 31, 2018, US Dollar amounts were converted at a rate of USD 1.00 to CAD 1.29. A 10% increase or decrease in the US Dollar relative to the Canadian Dollar would result in a change of approximately $32,000 in the Company's comprehensive loss for the period.

Recent Accounting Pronouncements

Accounting standards issued, but not effective, up to the date of issuance of the Company's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applies at a future date. The company intends to adopt these standards when they become effective.

New accounting standards adopted effective January 1, 2018

IFRS 9 Financial Instruments

IFRS 9, "Financial Instruments: Classification and Measurement" is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 retrospectively, without restatement of prior year financial statements. IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition, classification, and measurements of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The application of IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities, and there was also no impact to the carrying value of any of the Company's financial assets or liabilities on the date of transition.

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15, "Revenue from Contracts and Customers" effective for January 1, 2018. The adoption of this standard did not have any impact on the Company's condensed consolidated interim financial statements as the Company does not have any revenue.

Recent Accounting Pronouncements - continued

New accounting standards effective for annual periods on or after January 1, 2019

IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify lease as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The adoption of these standards and interpretations on the consolidated financial statements of the Company is not expected to have a material effect on the Company's future results and financial position.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23, Uncertainty over Income Tax Treatments, provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company has not yet determined the potential the impact of the adoption of this standard on the consolidated financial statements.

RISK FACTORS

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company and could cause the Company's operating and financial performance to differ materially from the estimates described in forward-looking statements relating to the Company. These include widespread risks associated with any form of business and specific risks associated with the Company's business and its involvement in the lithium exploration and development industry.

This section describes risk factors identified as being potentially significant to the Company and its material properties. Additional risk factors may be included in technical reports or other documents previously disclosed by the Company. In addition, other risks and uncertainties not discussed to date or not known to management could have material and adverse effects on the valuation of our securities, existing business activities, financial condition, results operations, plans and prospects.

RISK FACTORS – continued

Reliance on Key Personnel

The senior officers of the Company are critical to its success. In the event of the departure of a senior officer, the Company believes that it will be successful in attracting and retaining qualified successors but there can be no assurance of such success. Recruiting qualified personnel as the Company grows is critical to its success. The number

of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, engineering, geological and mining personnel as well as additional operations staff. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on future cash flows, earnings, results of operations and the financial condition of the Company. The Company is particularly at risk at this stage of its development as it relies on a small management team, the loss of any member of which could cause severe adverse consequences.

Substantial Capital Requirements and Liquidity

The Company anticipates that it will make substantial capital expenditures for the continued exploration and development of the California Lithium Project and the Arkansas Lithium Project in the future. The Company currently has no revenue and may have limited ability to undertake or complete future drilling or exploration programs, chemical studies and the design of a surface plant and processing facilities. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. Sales of substantial amounts of securities may have a highly dilutive effect on the ownership or share structure of the Company. Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Company's ability to raise capital through future sales of Common Shares.

The Company has not yet commenced commercial production at any of its properties and as such, it has not generated positive cash flows to date and has no reasonable prospects of doing so unless successful commercial production can be achieved at one or more of its Properties. The Company expects to continue to incur negative investing and operating cash flows until such time as it enters into commercial production. This will require the Company to deploy its working capital to fund such negative cash flow and to seek additional sources of financing. There is no assurance that any such financing sources will be available or sufficient to meet the Company's requirements. There is no assurance that the Company will be able to continue to raise equity capital or that the Company will not continue to incur losses.

Property Commitments

The Company's mining properties may be subject to various land payments, royalties and/or work commitments. Failure by the Company to meet its payment obligations or otherwise fulfill its commitments under these agreements could result in the loss of related property interests.

RISK FACTORS - continued

Exploration and Development

Exploring and developing natural resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. Natural resource exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of natural resources, any of which could result in work stoppages, damage to property, and possible environmental damage. If any of the Company's exploration programs are successful, there is a degree of uncertainty attributable to the calculation of resources and corresponding grades being extracted or dedicated to future production. Until actually extracted and processed, the quantity of lithium brine reserves and grade must be considered as estimates only. In addition, the quantity of reserves may vary depending on commodity prices. Any material change in quantity of reserves, grade or recovery ratio, may affect the economic viability of the Company's properties. In addition, there can be no assurance that results obtained in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. The Company closely monitors its activities and those factors which could impact them, and employs experienced consulting, engineering, and legal advisors to assist in its risk management reviews where it is deemed necessary.

Operational Risks

The Company will be subject to a number of operational risks and may not be adequately insured for certain risks, including: environmental pollution, accidents or spills, industrial and transportation accidents, which may involve hazardous materials, labour disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory environment, impact of non-compliance with laws and regulations, natural phenomena such as inclement weather conditions, floods, earthquakes, ground movements, cave-ins, and encountering unusual or unexpected geological conditions and technological failure of exploration methods.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the property of the Company, personal injury or death, environmental damage or, regarding the exploration or development activities of the Company, increased costs, monetary losses and potential legal liability and adverse governmental action, all of which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Additionally, the Company may be subject to liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Environmental Risks

All phases of mineral exploration and development businesses present environmental risks and hazards and are subject to environmental regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances used and or produced in association with natural resource exploration and production operations. The legislation also requires that facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material.

RISK FACTORS - continued

Environmental Risks – continued

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that the application of environmental laws to the business and operations of the Company will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

The Company's development opportunities at the California Lithium Project are subject to potential future risks related to water-use considerations. Desert basins, by their very nature, have limited water resources, and future supplemental demands can result in conflicting requirements for those resources. Future negotiation and apportioning of water resources has the potential to adversely affect the Company's operations or prospects.

Commodity Price Fluctuations

The price of commodities varies on a daily basis. However, price volatility could have dramatic effects on the results of operations and the ability of the Company to execute its business plan. Lithium is a specialty chemical and is a commonly traded commodity such as copper, zinc, gold or iron ore. However the price of lithium tends to be set through a limited long term offtake market contracted between the very few suppliers and purchasers.

The world's largest suppliers of lithium are Sociedad Quimica y Minera de Chile S.A (NYSE:SQM), FMC Corporation (NYSE:FMC), Albemarle Corporation (NYSE:ALB), Jiangxi Ganfeng Lithium Co., Ltd.and Tianqi Group who collectively supply approximately 85% of the world's lithium business, and any attempt to suppress the price of lithium materials by such suppliers, or an increase in production by any supplier in excess of any increased demand, would have negative consequences on the Company. The price of lithium materials may also be reduced by the discovery of new lithium deposits, which could not only increase the overall supply of lithium (causing downward pressure on its price), but could draw new firms into the lithium industry which would compete with the Company.

Volatility of the Market Price of the Company's Common Shares

The Company's common shares are listed on the TSX.V under the symbol "SLL", on the Frankfurt Stock Exchange under the trading symbol "S5L" and, on the OTCQX under the trading symbol STLHF. The quotation of Standard Lithium Common Shares on the TSX.V may result in a less liquid market available for existing and potential stockholders to trade Common Shares, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future.

Securities of junior companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America/globally and market perceptions of the attractiveness of particular industries. The Company's Common Share price is also likely to be significantly affected by delays experienced in progressing our development plans, a decrease in the investor appetite for junior stocks, or in adverse changes in our financial condition or results of operations as reflected in our quarterly financial statements. Other factors unrelated to our performance that could have an effect on the price of the Company's Common Shares include the following:

RISK FACTORS - continued

Volatility of the Market Price of the Company's Common Shares - continued

(a) The trading volume and general market interest in the Company's common shares could affect a shareholder's ability to trade significant numbers of Common Shares; and

(b) The size of the public float in the Company's common shares may limit the ability of some institutions to invest in the Company's securities.

As a result of any of these factors, the market price of the Company's Common Shares at any given point in time might not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company could in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Future Share Issuances May Affect the Market Price of the Common Shares

In order to finance future operations, the Company may raise funds through the issuance of additional Common Shares or the issuance of debt instruments or other securities convertible into Common Shares. The Company cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the dilutive effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares.

Economic and Financial Market Instability

Global financial markets have been volatile and unstable at times since the global financial crisis, which started in 2007. Bank failures, the risk of sovereign defaults, other economic conditions and intervention measures have caused significant uncertainties in the markets. The resulting disruptions in credit and capital markets have negatively impacted the availability and terms of credit and capital. High levels of volatility and market turmoil could also adversely impact commodity prices, exchange rates and interest rates. In the short term, these factors, combined with the Company's financial position, may impact the Company's ability to obtain equity or debt financing in the future and, if obtained, on terms that are favourable to the Company. In the longer term these factors, combined with the Company's financial position could have important consequences, including the following:

(a) Increasing the Company's vulnerability to general adverse economic and industry conditions;
(b) Limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements;
(c) Limiting the Company's flexibility in planning for, or reacting to, changes in the Company's business and the industry; and
(d) Placing the Company at a disadvantage when compared to competitors that has less debt relative to their market capitalization.

RISK FACTORS - continued

Issuance of Debt

From time to time the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. The Company's articles do not limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. The Company's ability to service its debt obligations will depend on the Company's future operations, which are subject to prevailing industry conditions and other factors, many of which are beyond the control of the Company.

Industry Competition and International Trade Restrictions

The international resource industries are highly competitive. The value of any future reserves discovered and developed by the Company may be limited by competition from other world resource mining companies, or from excess inventories. Existing international trade agreements and policies and any similar future agreements, governmental policies or trade restrictions are beyond the control of the Company and may affect the supply of and demand for minerals, including lithium, around the world.

Governmental Regulation and Policy

Mining operations and exploration activities are subject to extensive laws and regulations. Such regulations relate to production, development, exploration, exports, imports, taxes and royalties, labor standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic and radioactive substances, transportation safety and emergency response, and other matters. Compliance with such laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and refining and other facilities. It is possible that, in the future, the costs, delays and other effects associated with such laws and regulations may impact decisions of the Company with respect to the exploration and development of its current properties, or any other properties in which the Company has an interest. The Company will be required to expend significant financial and managerial resources to comply with such laws and regulations.

Since legal requirements change frequently, are subject to interpretation and may be enforced in varying degrees in practice, the Company is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, future changes in governments, regulations, government-protected areas (e.g. National Wilderness Protected Areas, Military Ranges etc.) and policies and practices, such as those affecting exploration and development of the Company's properties could materially and adversely affect the results of operations and financial condition of the Company in a particular period or in its long-term business prospects.

The development of mines and related facilities is contingent upon governmental approvals, licenses and permits which are complex and time consuming to obtain and which, depending upon the location of the project, involve multiple governmental agencies. The receipt, duration and renewal of such approvals, licenses and permits are subject to many variables outside the control of the Company, including potential legal challenges from various stakeholders such as environmental groups or non-government organizations. Any significant delays in obtaining or renewing such approvals, licenses or permits could have a material adverse effect on the Company.

RISK FACTORS - continued

Risk Related to the Cyclical Nature of the Mining Business

The mining business and the marketability of the products that are produced are affected by worldwide economic cycles. At the present time, the significant demand for commodities such as Lithium, in many countries is driving increased prices, but it is difficult to assess how long such demand may continue. Fluctuations in supply and demand in various regions throughout the world are common.

As the Company's mining and exploration business is in the exploration stage and as the Company does not carry on production activities, its ability to fund ongoing exploration is affected by the availability of financing which is, in turn, affected by the strength of the economy and other general economic factors.

Properties May be Subject to Defects in Title

The Company has investigated its rights to explore and exploit the California Lithium and Arkansas Lithium Projects and, to the best of its knowledge, its rights in relation to lands forming those projects are in good standing. Nevertheless, no assurance can be given that such rights will not be revoked, or significantly altered, to the Company's detriment. There can also be no assurance that the Company's rights will not be challenged or impugned by third parties. Although the Company is not aware of any existing title uncertainties with respect to lands covering material portions of its Properties, there is no assurance that such uncertainties will not result in future losses or additional expenditures, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

No Revenue and Negative Cash Flow

The Company has negative cash flow from operating activities and does not currently generate any revenue. Lack of cash flow from the Company's operating activities could impede its ability to raise capital through debt or equity financing to the extent required to fund its business operations. In addition, working capital deficiencies could negatively impact the Company's ability to satisfy its obligations promptly as they become due. The Company is currently operating under a working capital deficiency, and requires additional financing to ensure it can continue to maintain a positive working capital position. If the Company does not generate sufficient cash flow from operating activities it will remain dependent upon external financing sources. There can be no assurance that such sources of financing will be available on acceptable terms or at all.

Legal and Litigation

All industries, including the mining industry, are subject to legal claims, with and without merit. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company may become subject could have a material adverse effect on the Company's business, prospects, financial condition, and operating results. Defense and settlement of costs of legal claims can be substantial. There are no current claims or litigation outstanding against the Company.

Insurance

The Company is also subject to a number of operational risks and may not be adequately insured for certain risks, including: accidents or spills, industrial and transportation accidents, which may involve hazardous materials, labour disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory

RISK FACTORS - continued

Insurance

environment, impact of non-compliance with laws and regulations, natural phenomena such as inclement weather conditions, floods, earthquakes, tornados, thunderstorms, ground movements, cave-ins, and encountering unusual or unexpected geological conditions and technological failure of exploration methods.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the properties of the Company, personal injury or death, environmental damage or, regarding the exploration or development activities of the Company, increased costs, monetary losses and potential legal liability and adverse governmental action, all of which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums. The Company is not currently covered by any form of environmental liability insurance, since insurance against environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is unavailable or prohibitively expensive. This lack of environmental liability insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Currency

The Company is exposed to foreign currency fluctuations to the extent that the Company's material mineral properties are located in the US and its expenditures and obligations are denominated in US dollars, yet the Company is currently headquartered in Canada, is listed on a Canadian stock exchange and typically raises funds in Canadian dollars. In addition, a number of the Company's key vendors are based in both Canada and the US, including vendors that supply geological, process engineering and chemical testing services. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company does not currently, and it is not expected to, take any significant steps to hedge against currency fluctuations.

Conflicts of Interest

The Company's directors and officers are or may become directors or officers of other mineral resource companies or reporting issuers or may acquire or have significant shareholdings in other mineral resource companies and, to the extent that such other companies may participate in ventures in which The Company may, or may also wish to participate, the directors and officers of the Company may have a conflict of interest with respect to such opportunities or in negotiating and concluding terms respecting the extent of such participation. The Company and its directors and officers will attempt to minimize such conflicts. If such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which several directors, or officers, may have a conflict. In determining whether or not the Company will participate in a particular program and the interest to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.