STANDARD LITHIUM LTD.

(formerly Patriot Petroleum Corp.)

Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

Three months ended March 31, 2017 and 2016

STANDARD LITHIUM LTD.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by the entity's auditor.

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STANDARD LITHIUM LTD.

Condensed Consolidated Interim Statements of Financial Position
As at March 31, 2017 and December 31, 2016
(Expressed in Canadian dollars)

	March 31, 2017	December 31, 2016
	(unaudited)	(audited)
ASSETS		
Current assets		
Cash	$ 2,078,705	$ 286,203
Receivables	14,098	2,822
Prepaid expenses	200,184	-
	2,292,987	289,025
Non-current assets		
Loan receivable (Note 3)	-	542,451
Deposit on mineral property (Note 5)	33,275	-
Exploration and evaluation assets (Note 4)	12,616,936	3,989,705
	12,650,211	4,821,181
TOTAL ASSETS	**$ 14,943,198**	**$ 4,821,181**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	$ 78,070	$ 444,019
Non-current liabilities		
Convertible debenture (Note 6)	-	693,174
TOTAL LIABILITIES	78,070	1,137,193
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	16,903,529	4,783,187
Share subscriptions received	-	235,250
Equity portion of convertible debenture (Note 6)	-	48,162
Stock option reserve (Note 7)	501,494	37,364
Deficit	(2,539,895)	(1,419,975)
TOTAL SHAREHOLDERS' EQUITY	14,865,128	**3,683,988**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 14,943,198**	**$ 4,821,181**

Nature and Continuance of Operations (Note 1)
Subsequent Events (Note 11)

Approved by the Board of Directors and authorized for issue on May 29, 2017.

"Robert Mintak"	*"Anthony Alvaro"*
Director	Director

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

STANDARD LITHIUM LTD.

Condensed Consolidated Interim Statements of Comprehensive Loss
Three months ended March 31, 2017 and 2016
(Expressed in Canadian dollars - unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Administrative Expenses		
Office and administration	$ 14,243	$ 86
Corporate development	76,667	-
Advertising and promotion	37,162	-
Consulting fees (Note 8)	427,726	12,000
Professional fees	43,984	3,159
Filing and transfer agent	11,978	6,077
Travel	12,461	-
Property investigation	5,769	-
Share-based payments (Notes 7 and 8)	464,130	-
Foreign exchange	17,136	-
	1,111,256	21,322
Loss from operations before other items	(1,111,256)	(21,322)
Other (expenses) income		
Interest and accretion expense (Note 6)	(1,336)	(7,514)
Gain on settlement of convertible debenture (Note 6)	(7,329)	-
Other income	-	1,000
	(8,664)	(6,514)
Net and comprehensive loss	**$ (1,119,920)**	**$ (27,836)**
Weighted average number of common shares outstanding – basic and diluted	**41,942,707**	**2,260,083**
Basic and diluted loss per share	**$ (0.03)**	**$ (0.01)**

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

STANDARD LITHIUM LTD.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
Three months ended March 31, 2017 and 2016
(Expressed in Canadian dollars - unaudited)

	Number of shares	Share capital	Share subscriptions received	Equity portion of convertible debenture	Stock Option Reserve	Retained Earnings (Deficit)	Total equity (deficiency)
Balance, December 31, 2015	**2,260,083**	**$ 591,839**	**$ -**	**$ -**	**$ 25,548**	**$ (1,070,650)**	**$ (453,263)**
Stock option reserve transferred to deficit	-	-	-	-	(25,548)	25,548	-
Net loss for the period	-	-	-	-	-	(27,836)	(27,836)
Balance, March 31, 2016	**2,260,083**	**591,839**	**-**	**-**	**-**	**(1,072,938)**	**(481,099)**
Balance, December 31, 2016	**21,760,083**	**4,783,187**	**235,250**	**48,162**	**37,364**	**(1,419,975)**	**3,683,988**
Share-based payment	-	-	-	-	464,130	-	464,130
Settlement of debenture	120,000	30,000	-	(48,162)	-	-	(18,162)
Shares issued for cash, net of costs	20,000,600	4,975,148	(235,250)	-	-	-	4,739,898
Shares issued for exploration and evaluation assets	7,050,000	7,112,069	-	-	-	-	7,112,069
Warrants exercised	12,500	3,125	-	-	-	-	3,125
Net loss for the period	-	-	-	-	-	(1,119,920)	(1,119,920)
Balance, March 31, 2017	**48,943,183**	**$ 16,903,529**	**$ -**	**$ -**	**$ 501,494**	**$ (2,539,895)**	**$ 14,865,128**

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

STANDARD LITHIUM LTD.

Condensed Consolidated Interim Statements of Cash Flows
Three months ended March 31, 2017 and 2016
(Expressed in Canadian dollars - unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash flows from (used in) operating activities		
Net loss	$ (1,119,920)	$ (27,836)
Add items not affecting cash		
Share-based payments	464,130	-
Interest expense	1,336	-
Gain on settlement of convertible debenture	7,329	-
Net changes in non-cash working capital items to operations:		
Receivables	(11,276)	(327)
Prepaid expenses	(200,184)	(3,900)
Accounts payable and accrued liabilities	(365,949)	32,956
Net cash from (used in) operating activities	(1,224,534)	893
Cash flows from (used in) investing activities		
Exploration and evaluation assets	(972,712)	-
Deposit paid on mineral property	(33,275)	-
Net cash from (used in) investing activities	(1,005,987)	-
Cash flows from (used in) financing activities		
Private placement, net of issue costs	4,739,898	-
Repayment of convertible debenture	(720,000)	-
Exercise of warrants	3,125	-
Net cash from financing activities	4,023,023	-
Increase in cash	1,792,502	893
Cash, beginning of period	286,203	3,431
Cash, end of period	**$ 2,078,705**	**$ 4,324**

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

1. Nature and Continuance of Operations

Standard Lithium Ltd. (the "Company") was incorporated under the laws of the Province of British Columbia on August 14, 1998 under the name Tango Capital Corp. On April 7, 1999, the Company changed its name to Patriot Capital Corp. and to Patriot Petroleum Corp. effective March 5, 2002. On December 1, 2016 the Company continued under the Canadian Business Corporations Act and changed its name to Standard Lithium Ltd. The Company's principal operations are comprised of exploration for and development of lithium brine properties in the United States of America ("USA").

The address of the Company's corporate office and principal place of business is 888, 1100 Melville Street, Vancouver, British Columbia, Canada, V6E 4A6. The Company's shares are listed on the TSX Venture Exchange under the symbol "SLL".

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has no sources of revenue and for the three months ended March 31, 2017 had an accumulated deficit of $2,539,895. These matters raise significant doubt regarding the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to raise equity financings. These condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Basis of Presentation

a) Statement of compliance

The condensed consolidated interim financial statements of the Company, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements comply with International Accounting Standard ("IAS") 34, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all of the information required of a complete set of consolidated financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and the performance of the Company since the end of its last annual reporting period. It is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2016, which were prepared in accordance with IFRS as issued by the IASB, except as discussed in Note 2. f).

2. Basis of Presentation - continued

b) Basis of consolidation

The condensed consolidated financial statements of the Company include its wholly owned subsidiary, Moab Minerals Corp. ("Moab"), and its wholly owned subsidiaries 1093905 Nevada Corp. and 1093914 Nevada Corp. Moab was acquired by the Company on February 21, 2017. Moab is incorporated under the British Columbia Business Corporations Act. The subsidiaries of Moab were incorporated in the State of Nevada, US. All significant inter-company balances and transactions have been eliminated upon consolidation.

On December 1, 2016, the Company completed a share consolidation on the basis of five existing common shares for one post-consolidation common share. All common share and per common share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

c) Functional and presentation currency

Items included in the condensed consolidated interim financial statements of the Company and its wholly owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and its subsidiary, Moab Minerals Corp., is the Canadian dollar.

d) Basis of presentation

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial assets classified as fair value through profit or loss which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

e) Going concern

These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of $2,539,895 at March 31, 2017. Management has determined that the Company will be able to continue as a going concern for a reasonable period of time, and realize its assets and discharge its liabilities and commitments in the normal course of business.

2. Basis of Presentation - continued

f) Changes in accounting standards

Accounting standards issued by not effective

Standards issued, but not effective, up to the date of issuance of the Company's condensed consolidated interim 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 effective for annual periods on or after January 1, 2018:

IFRS 9 Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain n the benefits of the good or service.

Amendments to IFRS 2 Share-based Payment

These amendments added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. They introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety, provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Finally, they clarify the accounting treatment in situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions.

2. Basis of Presentation - continued

f) Changes in accounting standards

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 extent of the impact of adoption of these standards and interpretations on the condensed consolidated interim financial statements of the Company has not been determined.

3. Loan Receivable

The Company advanced $542,451 (US$404,000) under a loan agreement with Moab entered into on December 2, 2016, with a repayment date of June 2, 2017. Under the terms of a Security Agreement entered into on December 2, 2016 with Moab, the loan is secured by all of the personal property, assets and undertakings of Moab. On February 2, 2017 the Company acquired all of the outstanding shares of Moab. See Note 2 b) and Note 4. All inter-company balances have been included as consideration for the transaction.

4. Exploration and Evaluation Expenditures

Bristol Lake Property

In August 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 which TY & Sons has the option (the "Option") to acquire from Nevada Mining an interest in what is known as the Bristol Lake Property (collectively, the "Option Purchase"), subject to certain royalties in favour of Nevada Mining. The transaction, having received the approval of the TSX Venture Exchange, closed on November 17, 2016. As consideration, the Company issued 14,000,000 common shares of the Company and paid TY & Sons for certain costs incurred.

In order to exercise the Option pursuant to the terms of the Underlying Option Agreement, the Company will be required to issue an aggregate of 2,500,000 common shares (500,000 issued) and pay the total sum of US$325,000 to Nevada Mining over the course of four years (US$25,000 paid). Upon exercise of the Option, the Company will hold an interest in the Bristol Lake Property, which comprises mineral claims situated in San Bernardino County, California. The property is subject to a 2.5% net smelter returns royalty on commercial production from the mineral claims, in favour of Nevada Mining and a 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.

(Expressed in Canadian Dollars - unaudited)

4. Exploration and Evaluation Expenditures - continued

Bristol Lake Property - continued

	January 1, 2017	Acquisition Costs	Claim Maintenance	Exploration Costs	March 31, 2017
Bristol Lake	$ 3,989,705	$ -	$ -	$ 106,792	$ 4,096,797

	January 1, 2016	Acquisition Costs	Claim Maintenance	December 31, 2016
Bristol Lake	$ -	$ 3,897,220	$ 92,485	$ 3,989,705

Paradox Project

On February 2, 2017, the Company entered into a definitive 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 two series of placer mineral claims, consisting 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. The main block, Paradox North (“PN Claims”) consists of 2,058 placer claims, occupying approximately 41,160 acres, and is located approximately 22 miles north-west of Moab in Grand County. The Project also has a southern block of claims, Paradox South (“PS Claims”) that consist of 117 placer claims (approximately 2,175 acres), located approximately 24 miles to the south-east of Moab in San Juan County.

In consideration for the acquisition of the share capital of Moab, the Company issued 6,850,000 common shares and has 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 on February 21, 2017.

In consideration for the claims under the Paradox Project the Company 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 agreement.

The value of the shares, advances, and liabilities assumed, totalling $8,520,439 has been attributed to the underlying Paradox surface rights held by Moab.

(Expressed in Canadian Dollars - unaudited)

5. Deposit on mineral property

On February 27, 2017, the Company signed a Letter of Intent (“LOI”) with National Chloride Company of America (“National Chloride”) to acquire the right to conduct lithium exploration and production activities within a series of placer mineral claims, totalling approximately 20,000 acres located adjacent to the Company’s existing Bristol Lake Property. The Company paid $33,275 (US$25,000) as non-refundable deposit to National Chloride at the signing of the LOI. See Note 11 for more details.

6. Convertible Debenture

On November 17, 2016, the Company completed a financing in the form of a $750,000 convertible debenture issued by the Company to TY & Sons Investments Inc. (the "Debenture"). The Debenture, which is unsecured, has a term of 24 months, is convertible into common shares of the Company at a price of $0.25 per share for the first 12 months and $0.50 per share thereafter, bears interest at a rate of 5% per annum and is subject to a forced conversion provision which will be triggered if the Company completes an equity private placement during the period between the issue date and the maturity date of the Debenture at a price per share or unit of $0.25, provided that the Company has completed a 5:1 consolidation of its common shares.

The convertible debenture has been classified into its separate debenture liability and equity portions in the Company’s financial statements by the fair value method using an effective interest of 10% when valuing the liability first. This resulted in an initial amount of $684,917 being allocated to the liability portion and $48,162 being allocated to the equity portion net of deferred income tax recovery of $16,921. For the year ended December 31, 2016, total interest and accretion expense related to the liability component of the convertible debenture is $8,257. The carrying value of the debenture will be accreted up to its face value over the term to maturity.

On January 13, 2017, the Company settled its obligations under the $750,000 convertible debenture. Of this amount, $720,000 was repaid and $30,000 was converted into 120,000 common shares of the Company. The settlement of the convertible debenture resulted in a reversal for of the Equity portion due to conversion of debt into common shares. This resulted in a gain on convertible debenture of $7,329.

Summary of transaction is as follows:

Balance, December 31, 2015	$	-
Face value of convertible debenture		750,000
Equity portion of convertible debenture		(65,083)
Accretion and interest expense		8,257
Balance, December 31, 2016		693,174
Repayment of debenture		(720,000)
Conversion to common shares		(30,000)
Reversal of equity portion of convertible debenture		48,162
Interest		1,335
Gain on convertible debenture		7,329
Balance, March 31, 2017	$	-

(Expressed in Canadian Dollars - unaudited)

7. Share Capital

a) Authorized capital

Unlimited number of common voting shares without nominal or par value
Unlimited number of preferred shares without par value issued in one or more series

48,943,183 common shares were issued and outstanding at March 31, 2017.

On May 10, 2016, the Company closed a non-brokered private placement comprising of 5,000,000 units at a price of $0.10 per unit for gross proceeds of $500,000. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.25 per share until May 10, 2021.
In November and December 2016, the Company issued 14,500,000 shares with a fair value of $3,695,000 under the terms of the Option Purchase Agreement with TY & Sons relating to the Bristol Lake Property (See Note 4).

On January 13, 2017 the Company closed a private placement comprising 20,000,600 shares issued at a price of $0.25 per share for gross proceeds of $5,000,150. All shares issued pursuant to the private placement are subject to a four month hold period expiring May 14, 2017. The transaction was approved by the TSX Venture Exchange on January 18, 2017.

On January 13, 2017, the Company issued 120,000 common shares with a fair value of $30,000 as part of the settlement of the convertible debenture. (See Note 6).

On February 2, 2017, the Company issued 7,050,000 shares with a fair value of $7,112,069 pursuant to the terms of the purchase and sale agreement for the acquisition on Moab Minerals Corp as disclosed in Note 2. b) and Note 4.

On February 23, 2017, 12,500 warrants were exercised for proceeds of $3,125 and 12,500 common shares were issued.

c) Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance at December 31, 2015	-	-
Issued	5,000,000	0.25
Balance at December 31, 2016	5,000,000	0.25
Exercised	(12,500)	0.25
Balance at March 31, 2017	4,987,500	$ 0.25

The weighted average contractual life of the warrants outstanding is 4.11 years.

(Expressed in Canadian Dollars - unaudited)

7. Share Capital - continued

d) Options

The Company has a stock option plan in place under which it is authorized to grant options to officers, directors, employees, consultants and management company employees enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option shall not be less than the price permitted by any stock exchange. The options can be granted for a maximum term of 10 years.

On December 2, 2016, the Company granted 600,000 options to directors and consultants of the Company at an exercise price of $0.25 per share for a period of three years. 200,000 of these options vested immediately and 400,000 of the options vest over two year period. These options had an estimated fair value of $92,669.

On March 3, 2017, the Company granted 1,250,000 options to directors and officers of the Company at an exercise price of $1.05 per share for a period of 5 years. 416,667 of these options vested immediately and 833,333 of the options vest over a two year period. These options had an estimate fair value of $1,172,787.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	March 3, 2017	December 2, 2016
Annualized volatility	143%	100%
Risk free interest rate	1.11%	0.69%
Dividend rate	0%	0.00%
Expected life of options	5 years	3 years
Forfeiture rate	0.00%	0.00%
Share price	$1.05	$0.25

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance at December 31, 2015	175,000	$ 0.22
Options cancelled	(175,000)	0.22
Options granted	600,000	0.25
Balance at December 31, 2016	600,000	0.25
Options issued	1,250,000	1.05
Balance at March 31, 2017	1,850,000	$ 0.79

(Expressed in Canadian Dollars - unaudited)

7. Share Capital - continued

d) Options - continued

The following table summarizes stock options outstanding and exercisable at March 31, 2017:

	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 $
0.25	200,000[1]	0.31	0.25	200,000	0.25
0.25	400,000	2.67	0.25	133,333	0.25
1.05	1,250,000	4.92	1.05	416,667	1.05
	1,850,000	2.64	0.79	750,000	0.69

[1] On January 23, 2017, a director resigned and under the terms of his agreement all options issued immediately vest and are eligible to be exercised for a period of six months. These options were exercised on April 3, 2017.

Stock options outstanding at March 31, 2017 will expire on July 23, 2017[1], December 2, 2019 and March 3, 2022.

8. Related Party Transactions

Compensation to key management:

The aggregate amount accrued to parties not at arm's length from the Company consists of the following:

	March 31, 2017	March 31, 2016
Consulting fees paid or accrued to officers of the Company	$ 63,000	$ 3,000
Share-based payment	463,178	-
	$ 526,178	$ 3,000

As at March 31, 2017 there is $Nil (March 31, 2016: $7,485) in accounts payable and accrued liabilities owing to an officer 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.

(Expressed in Canadian Dollars - unaudited)

9. Capital Management

The Company considers its capital structure to include working capital and shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. Management reviews its capital management approach on an ongoing basis and believes that its approach, given the relative size of the Company is reasonable.

The Company is not subject to any external restrictions and the Company did not change its approach to capital management during the year.

10. Financial instruments and financial 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).

There were no transfers between Levels 1, 2 or 3 for the periods ended March 31, 2017 and December 31, 2016.

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

March 31, 2017	Level 1	Level 2	Level 3	Total
Cash	$ 2,078,705	$ -	$ -	$ 2,078,705

December 31, 2016	Level 1	Level 2	Level 3	Total
Cash	$ 286,203	$ -	$ -	$ 286,203

10. Financial instruments and financial risk management - continued

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) Interest rate risk

The Company does not have any financial instruments which are subject to interest rate risk.

(ii) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from trade receivables. The Company's loan receivable was not collected subsequent to the three months ended March 31, 2017, as the Company acquired all of the outstanding shares of the borrower, Moab Minerals Corp. The Company does not have any other financial instruments which are subject to credit risk.

(iii) Liquidity risk

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. At March 31, 2017, the Company has a net working capital of $2,214,917. The Company will require financing from lenders, shareholders and other investors to generate sufficient capital its meet its short term business requirements.

(iv) Currency 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.

11. Subsequent Events

On April 3, 2017, 200,000 options were exercised for proceeds of $50,000.

On April 20, 2017, the Company established a wholly-owned subsidiary, California Lithium Ltd. ("California"), registered in the state of California. The subsidiary acquired the right to conduct a series of placer mineral claims totaling approximately 20,000 acres in San Bernardino County, California and commonly referred to as the "Bristol Lake Property".

On May 3, 2017 the Company signed a Property Lease Agreement with National Chloride for rights to the adjacent approximate 12,290 acres. Under this agreement, the Company is required to pay US$25,000 (paid) at signing of LOI, US$25,000 (paid) at Agreement date, US$50,000 and issuance of 100,000 Consideration Shares at or before 6 month anniversary of Agreement date, an additional five US$100,000 cash payment and issuance of 200,000 Consideration Shares on or before each successive Agreement anniversary date, a cash payment of US$250,000 and the issuance of 500,000 Consideration Shares upon successful completion of a pre-feasibility study and a cash payment of US$1,000,000 upon the successful completion of a bankable feasibility study on the Property. 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.