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**Argentina Lithium & Energy Corp.**

*(An Exploration Stage Company)*

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED JUNE, 2017 AND 2016

*(Unaudited - Expressed in Canadian Dollars)*

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

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's external auditors have not performed a review of these condensed consolidated interim financial statements.

# Argentina Lithium & Energy Corp.

(An Exploration Stage Company)

## Consolidated Interim Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	Note	June 30, 2017 \$	December 31, 2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		986,213	2,575,961
Accounts receivables		12,100	52,267
Prepaid expenses		27,609	70,121
<b>Total current assets</b>		<b>1,025,922</b>	<b>2,698,349</b>
<b>Non-current assets</b>			
Equipment	3	5,064	6,852
Exploration and evaluation assets	4	2,202,291	1,526,491
<b>Total non-current assets</b>		<b>2,207,355</b>	<b>1,533,343</b>
<b>Total Assets</b>		<b>3,233,277</b>	<b>4,231,692</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	61,087	177,229
<b>Total liabilities</b>		<b>61,087</b>	<b>177,229</b>
<b>EQUITY</b>			
Share capital	5	17,063,200	16,996,990
Reserves	5	3,921,549	3,912,769
Deficit		(17,812,559)	(16,855,296)
<b>Total equity</b>		<b>3,172,190</b>	<b>4,054,463</b>
<b>Total Equity and Liabilities</b>		<b>3,233,277</b>	<b>4,231,692</b>

### NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

### COMMITMENT (Note 9)

### SUBSEQUENT EVENTS (Note 11)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on August 25, 2017. They are signed on the Company's behalf by:

"Nikolaos Cacos" , Director

"David Terry" , Director

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

## Argentina Lithium & Energy Corp.

(An Exploration Stage Company)

### Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>Expenses</b>					
Accounting and audit		7,300	-	7,300	160
Corporate development and investor relations		167,391	428	288,433	662
Depreciation	3	894	-	1,788	-
Exploration	4	244,234	-	430,895	-
Foreign exchange (gain) loss		7,341	(182)	(7,144)	(1,130)
Legal and professional fees		20,642	780	45,931	2,339
Management fees	7	33,000	-	70,500	-
Office and sundry		15,811	139	30,792	374
Rent, parking and storage		3,075	-	6,150	-
Salaries	7	18,000	27,000	36,000	27,000
Stock-based compensation		6,652	-	19,690	-
Transfer agent and regulatory fees		3,856	2,619	28,523	9,321
Travel		6,945	-	6,945	-
<b>Loss from operating activities</b>		<b>535,141</b>	<b>30,784</b>	<b>965,803</b>	<b>38,726</b>
<b>Other expenses (income)</b>					
Finance expense		-	-	-	4,600
Interest expense		-	1,945	-	3,383
Interest income		(3,961)	(21)	(8,540)	(40)
<b>Total loss and comprehensive loss</b>		<b>531,180</b>	<b>32,708</b>	<b>957,263</b>	<b>46,669</b>
<b>Basic and diluted loss per common share</b>	6	<b>0.01</b>	<b>0.00</b>	<b>0.04</b>	<b>0.01</b>

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

**Argentina Lithium & Energy Corp.**  
*(An Exploration Stage Company)*  
**Consolidated Interim Statements of Cash Flows**  
*(Unaudited - Expressed in Canadian Dollars)*

	Six months ended June 30,	
	2017	2016
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(957,263)	(46,669)
Adjustments for:		
Foreign exchange (gain) on loan payable	-	(831)
Depreciation	1,788	-
Finance expense	-	4,600
Interest expense	-	3,383
Stock-based compensation	19,690	-
Changes in non-cash working capital items:		
Decrease in accounts receivables and prepaid expenses	82,679	323
(Decrease) increase in accounts payable and accrued liabilities	(116,142)	18,040
<b>Net cash used in operating activities</b>	<b>(969,248)</b>	<b>(21,154)</b>
<b>Cash flows from investing activities</b>		
Expenditures on mineral property interests	(675,800)	-
<b>Net cash used in investing activities</b>	<b>(675,800)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans payable	-	23,000
Proceeds from share subscriptions	-	20,000
Warrants exercised	55,300	-
<b>Net cash generated by financing activities</b>	<b>55,300</b>	<b>43,000</b>
<b>Net (decrease) increase in cash during the period</b>	<b>(1,589,748)</b>	<b>21,846</b>
Cash at beginning of period	2,575,961	7,362
<b>Cash at end of period</b>	<b>986,213</b>	<b>29,208</b>

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

## Argentina Lithium & Energy Corp.

(An Exploration Stage Company)

### Consolidated Interim Statements of Changes in Equity

(Unaudited - Expressed in Canadian Dollars)

	Share capital		Reserves				Total \$
	Number of shares	Amount \$	Contributed surplus \$	Equity settled share-based payments \$	Warrants \$	Deficit \$	
<b>Balance at December 31, 2015</b>	8,171,525	14,028,136	2,296,883	30,207	-	(16,103,821)	251,405
Total comprehensive (loss) for the period	-	-	-	-	-	(46,669)	(46,669)
<b>Balance at June 30, 2016</b>	8,171,525	14,028,136	2,296,883	30,207	-	(16,150,490)	204,736
Private placement	40,000,000	2,123,943	-	-	1,376,057	-	3,500,000
Option payment for exploration and evaluation assets	2,500,000	1,125,000	-	-	-	-	1,125,000
Share issue costs	-	(299,245)	-	-	-	-	(299,245)
Agent warrants granted	-	-	-	-	212,778	-	212,778
Warrants exercised	160,000	19,156	-	-	(3,156)	-	16,000
Total comprehensive (loss) for the period	-	-	-	-	-	(704,806)	(704,806)
<b>Balance at December 31, 2016</b>	50,831,525	16,996,990	2,296,883	30,207	1,585,679	(16,855,296)	4,054,463
Stock options granted	-	-	-	9,345	-	-	9,345
Warrants exercised	553,000	66,210	-	-	(10,910)	-	55,300
Stock-based compensation	-	-	-	10,345	-	-	10,345
Total comprehensive (loss) for the period	-	-	-	-	-	(957,263)	(957,263)
<b>Balance at June 30, 2017</b>	51,384,525	17,063,200	2,296,883	49,897	1,574,769	(17,812,559)	3,172,190

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

# **Argentina Lithium & Energy Corp.**

*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

*(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)*

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Argentina Lithium & Energy Corp. (formerly Iron South Mining Corp.) (the “Company”) was incorporated on April 11, 2000 in the Province of British Columbia and was transitioned under the Business Corporations Act (BC) on June 17, 2004. In September 2016, the Company changed its name to Argentina Lithium & Energy Corp. (formerly Iron South Mining Corp.) trading on the TSX-V under the symbol “LIT”. The address of the Company’s registered office is Suite 312 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6.

The Company is a natural resource company engaged in the acquisition and exploration of resource properties in the Americas and Argentina. The Company presently has no proven or probable reserves and, on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

The amounts shown as exploration and evaluation assets represent costs incurred to date, less option payment proceeds and amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to advance the properties beyond the exploration stage, and future profitability of the properties.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to interim financial statements and to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has experienced recurring operating losses and has an accumulated operating deficit of \$17,812,559 and shareholders’ equity of \$3,172,190 at June 30, 2017. In addition, the Company has working capital of \$964,835 at June 30, 2017 and negative cash flow from operating activities of \$969,248. Working capital is defined as current assets less current liabilities and provides a measure of the Company’s ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The Company’s continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and to attain profitable operations. Management’s plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### *Statement of compliance*

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standards 34 ‘Interim Financial Reporting’.

These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”) and included in Part 1 of the Handbook of the Chartered Professional Accountants of Canada.

## Argentina Lithium & Energy Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The policies applied in these condensed consolidated interim financial statements are the same as those applied in the most recent annual consolidated financial statements and were consistently applied to all the periods presented unless otherwise noted.

#### *Basis of presentation*

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss or available-for-sale that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

	Place of Incorporation	Principal Activity
Amera-Chile Sociedad Contractual Minera	Chile	Holding company
Amera Resources (BVI) Inc.	British Virgin Islands	Holding company
Amera Resources (US) Inc.	United States of America	Exploration company
Argentina Litio Y Energia S.A.	Argentina	Exploration company
Hierros Del Sur S.A.C.	Peru	Holding company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Financial assets are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Cash is classified as fair value through profit or loss.

#### *Significant Accounting Estimates and Judgments*

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



## **Argentina Lithium & Energy Corp.**

*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

*(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

- i. The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

#### *Critical accounting judgments*

- i. Presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future, obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.
- ii. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- iii. The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- iv. Management is required to assess impairment in respect to the Company's intangible mineral property interests. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves.

#### *Changes in Accounting Standards*

The Company has adopted these accounting standards effective January 1, 2017. The adoption of these accounting standards had no significant impact on the consolidated financial statements. These standards are:

- Amendments to IAS 7 – Statement of Cash Flows

## **Argentina Lithium & Energy Corp.**

*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

*(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### *New Accounting Standards and Interpretations*

The International Accounting Standards Board has issued new and amended standards and interpretations which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new and amended standards and interpretations will have on its financial statements or whether to early adopt any of the new requirements. The following is a brief summary of the new and amended standards and interpretations:

#### **IFRS 9 – Financial Instruments**

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. In July 2014 IFRS 9, Financial Instruments (“IFRS 9”) was issued. The completed standard provides revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. This final version of IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 is not expected to have a material impact on amounts recorded in the financial statements of the Company.

#### **IFRS 15 – Revenue from Contracts with Customers**

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is not expected to have a material impact on amounts recorded in the financial statements of the Company.

#### **IFRS 16 – Leases**

IFRS 16 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 leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

## Argentina Lithium & Energy Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)

### 3. EQUIPMENT

	Computer Equipment \$	Total \$
<b>Cost</b>		
Balance at December 31, 2016	7,150	7,150
Additions	-	-
Balance at June 30, 2017	7,150	7,150
<b>Accumulated Depreciation</b>		
Balance at December 31, 2016	298	298
Depreciation	1,788	1,788
Balance at June 30, 2017	2,086	2,086
<b>Carrying Amount</b>		
<b>At December 31, 2016</b>	6,852	6,852
<b>At June 30, 2017</b>	5,064	5,064

### 4. EXPLORATION AND EVALUATION ASSETS

The schedules below summarize the acquisition costs and all exploration expenditures incurred to date for each exploration and evaluation asset that the Company holds title to as at June 30, 2017 and December 31, 2016:

#### Acquisition Costs

	Argentina		Total \$
	Arizaro \$	Fierro \$	
Balance – December 31, 2016	1,526,490	1	1,801,491
Additions			
Option payment	675,800	-	675,800
Balance – June 30, 2017	2,202,290	1	2,202,291

## Argentina Lithium & Energy Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)

### 4. EXPLORATION AND EVALUATION ASSETS (continued)

#### Exploration Expenditures

	<b>Argentina</b>	
	<b>Arizaro</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
Cumulative exploration expenses – December 31, 2016	113,710	113,710
Expenditures during the period:		
Assays	4,579	4,579
Geophysics	28,555	28,555
Office	32,923	32,923
Professional fees	39,440	39,440
Property maintenance payments	71,340	71,340
Salaries and contractors	110,326	110,326
Social and community	6,792	6,792
Supplies and equipment	68,000	68,000
Transportation	23,304	23,304
Value added taxes	45,636	45,636
	<u>430,895</u>	<u>430,895</u>
Cumulative exploration expenses – June 30, 2017	544,605	544,605

#### *a) Arizaro Lithium Brine Project*

On October 28, 2016, the Company entered into an option agreement to acquire a 100% interest in the Arizaro lithium brine project located on the Arizaro Salar in the Province of Salta, Argentina. Under the terms of the option agreement, the Company may acquire a 100% interest in the Arizaro project by making cash payments to the vendor totaling US\$6,000,000, incurring exploration expenditures totaling US\$4,200,000 and issuing 2,500,000 common shares of the Company. On November 2, 2016 the Company issued 2,500,000, which were restricted from trading and became free trading in installments of 625,000 shares on November 2, 2017, 2018, 2019, and 2020.

Date	Option Payment	Exploration Expenditure
	US\$	Commitments US\$
November 2, 2016 (paid)	300,000	-
May 2, 2017 (paid)	500,000	-
November 2, 2017	850,000	500,000
November 2, 2018	1,000,000	1,200,000
November 2, 2019	1,500,000	2,500,000
November 2, 2020	1,850,000	-
	<u>6,000,000</u>	<u>4,200,000</u>

## **Argentina Lithium & Energy Corp.**

*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

*(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)*

### **4. EXPLORATION AND EVALUATION ASSETS (continued)**

#### *b) Fierro Property, Rio Negro Province, Argentina*

The Company owns a 100% interest in the Fierro property in the Province of Rio Negro, Argentina.

During the year ended December 31, 2016, the Company determined that it would not be exploring the Fierro property further and impaired \$340,492 in acquisition costs.

### **5. CAPITAL AND RESERVES**

#### *Authorized Share Capital*

The Company's authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

#### *Details of Issues of Common Shares in 2017*

During the six months ended June 30, 2017, 553,000 warrants were exercised for gross proceeds of \$55,300.

#### *Details of Issues of Common Shares in 2016*

On August 22, 2016, the Company completed a non-brokered private placement financing of 30,000,000 units at a price of \$0.05 per unit for gross proceeds of \$1,500,000. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at \$0.10 per share for one year from the date of issue, expiring on August 22, 2017. The units bear a legend for automatic timed release free trading in three installments: (1) 15% of the units four months from the issue; (2) 35% of the units six months from issue; and (3) 50% of the units ten months from the issue. The Company is entitled to accelerate the expiry date of the warrants if the 10-day volume weighted average stock price of the Company trades \$0.25 or higher, then, on notice from the Company, the warrant holders will have 20 days to exercise their warrants; otherwise, the warrants will expire on the 21<sup>st</sup> day after the date of delivery of the notice. Finder's fees were \$16,750 in cash and 322,000 non-transferable warrants exercisable into common shares at \$0.10 for one year from the date of issue subject to the same legend for automatic timed release free trading and accelerated exercise provisions as set out above. Fair value was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 0.54%; expected stock price volatility – 97.69%; dividend yield – 0%; and expected warrant life – 0.71 years.

On October 26, 2016, the Company completed a non-brokered private placement financing of 10,000,000 units at a price of \$0.30 per unit for gross proceeds of \$2,000,000. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at \$0.30 per share for two years from the date of issue, expiring on October 26, 2018. Finder's fees were \$69,617 in cash and 348,085 non-transferable warrants exercisable into common shares at \$0.30 for two years from the date of issue, expiring on October 26, 2018. Fair value was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 0.56%; expected stock price volatility – 112.77%; dividend yield – 0%; and expected warrant life – 0.84 years.

## Argentina Lithium & Energy Corp.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)

### 5. CAPITAL AND RESERVES (continued)

#### Share Purchase Option Compensation Plan

The Company has a share purchase option plan (the “Plan”) approved by the Company’s shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The Plan is based on the maximum number of eligible shares equaling a rolling percentage of 10% of the Company’s outstanding common shares, calculated from time to time. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately.

The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price less allowable discounts in accordance with the policies of the TSX-V. Share purchase options granted generally vest immediately, and are subject to a four-month hold period and are generally exercisable for a period of up to five years.

The continuity of share purchase options for the six months ended June 30, 2017 is as follows:

Expiry date	Exercise Price	December 31, 2016	Granted	Exercised	Expired/ cancelled	June 30, 2017	Options exercisable
July 29, 2017	\$0.54	100,000	-	-	-	100,000	100,000
March 9, 2020	\$0.20	-	250,000	-	-	250,000	125,000
		100,000	-	-	-	350,000	225,000
Weighted average exercise price (\$)		0.54	0.20	-	-	0.30	0.32
Weighted average contractual remaining life (years)		0.6	2.69	-	-	1.95	1.79

The continuity of share purchase options for the six months ended June 30, 2016 is as follows:

Expiry date	Exercise Price	December 31, 2015	Granted	Exercised	Expired/ cancelled	June 30, 2016	Options exercisable
July 29, 2017	\$0.54	100,000	-	-	-	100,000	100,000
		100,000	-	-	-	100,000	100,000
Weighted average exercise price (\$)		0.54	-	-	-	0.54	0.54
Weighted average contractual remaining life (years)		1.6	-	-	-	1.1	1.1

#### Warrants

The continuity of warrants for the six months ended June 30, 2017 is as follows:

Expiry date	Exercise Price	December 31, 2016	Granted	Exercised	Expired/ Forfeited	June 30, 2017
August 21, 2017	\$0.10	30,162,000	-	(553,000)	-	29,609,000
October 26, 2018	\$0.30	10,348,085	-	-	-	10,348,085
		40,510,085	-	-	-	39,957,085
Weighted average exercise price (\$)		0.15	-	0.10	-	0.15

## Argentina Lithium & Energy Corp.

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### 6. BASIC AND DILUTED LOSS PER SHARE

The calculations of basic and diluted loss per share for the six months ended June 30, 2017 and 2016 were based on the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Loss attributable to common shareholders (\$)	531,180	32,708	957,263	46,669
Weighted average number of common shares outstanding	47,444,486	8,171,525	21,339,402	8,171,525

Diluted loss per share did not include the effect of 350,000 (2016 – 100,000) share purchase options and 39,957,085 (2016 – Nil) warrants as they are anti-dilutive.

### 7. RELATED PARTY BALANCES AND TRANSACTIONS

*Grosso Group Management Ltd.*

On October 1, 2016, the Company entered into a Management Services Agreement (“Agreement”) with Grosso Group Management Ltd. (Grosso Group) to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group’s costs including its staff and overhead costs among the member companies. The fee is reviewed and adjusted quarterly based on the level of services required.

The Agreement contains termination and early termination fees in the event the services are terminated by the Company. The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of \$750,000. The early termination fees are the aggregate of the termination fee in addition to the lesser of the monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of \$1,000,000.

	Six months ended June 30,	
	2017	2016
<b>Transactions</b>	\$	\$
Services rendered:		
Grosso Group Management Ltd.		
Management fees	70,500	-
Information technology	1,200	-
Office & sundry	9,000	-
Total for services rendered	80,700	-

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### 7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

#### Key management personnel compensation

Key management personnel of the company are members of the Board of Directors, as well as the Executive Chairman, President and CEO, CFO and Corporate Secretary and Vice President of Corporate Development.

Transactions	Six months ended June 30,		
	2017	2016	
	\$	\$	
Consulting, salaries and professional fees to key management or their consulting corporations:			
Darren Urquhart	CFO/Corporate Secretary	6,000	27,000
David Terry	Director/Consultant	24,000	-
Daniel Galli	Director/Consultant	30,758	-
Golden Arrow Resources Corp. <sup>(1)</sup>	Other	70,590	-
SMG SRL <sup>(2)</sup>	Geological	13,890	-
Total for services rendered		145,238	27,000

(1) A company related by common directors.

(2) SMG SRL ("SMG") is a private company controlled by Mr. Daniel Galli, a geological consultant to the Company, and Mr. Nicholas Galli, a director of the Company.

### 8. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in the Americas and Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the six months ended June 30, 2017 and 2016.

The Company's total non-current assets are segmented geographically as follows:

	June 30, 2017		
	Canada	Argentina	Total
	\$	\$	\$
Mineral property interests	-	2,202,291	2,202,291
Equipment	5,064	-	5,064
	5,064	2,202,291	2,207,355

	December 31, 2016		
	Canada	Argentina	Total
	\$	\$	\$
Mineral property interests	-	1,526,491	1,526,491
Equipment	6,852	-	6,852
	6,852	1,526,491	1,533,343



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### 9. COMMITMENT

#### *Management Services Agreement*

	1 Year	2 Years	3 Years	4-5 Years	More than 5 Years
	\$	\$	\$	\$	\$
Management Services Agreement	76,800	230,400	-	-	-

Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The current fee is \$12,800 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

### 10. FINANCIAL RISK MANAGEMENT

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

#### (a) Fair Values

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, interest payable and loans payable. The fair value of cash, receivables, accounts payable and accrued liabilities, interest payable and loans payable approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

At June 30, 2017, the Company's financial instruments measured at fair value are as follows:

	\$	Level 1 \$	Level 2 \$	Level 3 \$
	Carrying amount June 30, 2017	Fair value June 30, 2017		
<b>Recurring measurements</b>				
Financial Assets				
Cash	986,213	986,213	-	-

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### 10. FINANCIAL RISK MANAGEMENT (continued)

At December 31, 2016, the Company's financial instruments measured at fair value are as follows:

	\$	Level 1 \$	Level 2 \$	Level 3 \$
	Carrying amount December 31, 2016	Fair value December 31, 2016		
<b>Recurring measurements</b>				
Financial Assets				
Cash	2,575,961	2,575,961	-	-

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

#### (b) Financial Instrument Risk Exposure

##### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company has reduced its credit risk by depositing its cash with financial institutions that operate globally.

As the majority of the Company's receivables are with the government of Canada in the form of sales tax, the credit risk is minimal. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and anticipates doing so again in the future. See Note 1 for further information.

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### **10. FINANCIAL RISK MANAGEMENT (continued)**

#### ***Market risk***

##### ***(i) Currency risk***

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations in cash, accounts payable and loans payable usually denominated in US Dollars. The sensitivity of the Company's net earnings and other comprehensive income to changes in the exchange rate between the

Canadian dollar and the United States dollar, and between the Canadian dollar and the Argentinean peso as of June 30, 2017 is summarized as follows:

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by \$6,509.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by \$387.

##### ***(ii) Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears no interest. The fair value of cash approximates its carrying value due to the immediate or short-term maturity of this financial instrument.

Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing or have prescribed interest rates.

##### ***(c) Capital Management***

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the exploration of evaluation and exploration assets and support any expansionary plans.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, reserves and deficit. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

To effectively manage the Company's capital requirements, management has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to develop the project and anticipates doing so again in the future.

The Company is monitoring market conditions to secure funding at the lowest cost of capital. The Company is exposed to various funding and market risks which could curtail its access to funds.

The Company is not subject to any external covenants. There were no changes in the Company's approach to capital management during the six months ended June 30, 2017.

Additional information regarding capital management is disclosed in Note 1.

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### **11. SUBSEQUENT EVENTS**

#### *Warrants*

- 26,201,549 warrants with an exercise price of \$0.10 per warrant were exercised.
- 3,407,451 warrants with an exercise price of \$0.10 per warrant expired.

#### *Stock Options*

- 100,000 stock options with an exercise price of \$0.54 expired.
- 250,000 stock options with an exercise price for \$0.20 were cancelled.