Consolidated Financial Statements
(Expressed in Canadian dollars)

LITHION ENERGY

August 31, 2018

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lithion Energy Corp.:

We have audited the accompanying consolidated financial statements of Lithion Energy Corp., which comprise the consolidated statements of financial position as at August 31, 2018 and 2017, and the consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lithion Energy Corp. as at August 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Lithion Energy Corp.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
December 21, 2018

An independent firm associated with Moore Stephens International Limited
MOORE STEPHENS

LITHION ENERGY CORP.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		August 31, 2018		August 31, 2017
Assets				
Current assets				
Cash	$	1,130,520	$	1,363,167
Receivables (note 6)		11,960		5,564
Advance (note 16)		-		236,492
		1,142,480		1,605,223
Non-current assets				
Advance (note 16)		216,168		-
Exploration and evaluation assets (note 8)		758,797		663,991
Reclamation bond (note 8)		7,817		7,547
		982,782		671,538
Total assets	$	2,125,262	$	2,276,761
Liabilities and Shareholders' Equity				
Current liabilities				
Trade payables and accrued liabilities (note 9)	$	17,933	$	18,068
Shareholders' Equity				
Share capital (note 10)		27,034,993		27,034,993
Reserves (note 11)		2,055,318		1,959,380
Deficit		(26,982,982)		(26,735,680)
		2,107,329		2,258,693
Total liabilities and shareholders' equity	$	2,125,262	$	2,276,761

Nature of operations and going concern (note 1)
Commitment (note 16)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors:

"Shawn Westcott" Director *"Scott Eldridge"* Director

LITHION ENERGY CORP.

Consolidated Statements of Comprehensive Income (Loss)
(Expressed in Canadian dollars)

	Year ended August 31, 2018	Year ended August 31, 2017
Expenses		
Consulting and other fees	$ 16,917	$ 28,223
Director fees (note 13)	24,000	12,000
Foreign exchange loss (gain)	(36,090)	65,248
Investor relations	-	16,016
Management fees (note 13)	60,000	30,000
Office and administration	41,528	43,829
Professional fees	28,424	66,858
Share-based payments (notes 11 and 13)	95,938	125,870
Transfer agent and regulatory fees	14,957	29,734
Travel and accommodation	1,628	2,584
	(247,302)	(420,362)
Other items		
Forgiveness of trade payables (note 13)	-	665,533
Gain on sale of subsidiaries (note 7)	-	1,476,292
Gain on debt settlement (note 10)	-	55,359
	-	2,197,184
Comprehensive income (loss) for the year	$ (247,302)	$ 1,776,822
Income (loss) per common share – basic and diluted (note 12)	$ (0.01)	$ 0.10
Weighted average number of common shares – basic and diluted	28,175,233	18,720,737

See accompanying notes to the consolidated financial statements.

LITHION ENERGY CORP.
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Reserves	Deficit	Shareholders' equity (deficit)
Balance, August 31, 2016	14,032,237	$ 25,455,419	$ 1,833,510	$ (28,512,502)	$ (1,223,573)
Debt settlement (note 10)	2,509,273	313,659	-	-	313,659
Private placement (note 10)	7,500,000	750,000	-	-	750,000
Finders' fee (note 10)	-	(800)	-	-	(800)
Property acquisition (notes 8 and 10)	4,133,723	516,715	-	-	516,715
Share-based payments (note 11)	-	-	125,870	-	125,870
Income for the year	-	-	-	1,776,822	1,776,822
Balance, August 31, 2017	28,175,233	27,034,993	1,959,380	(26,735,680)	2,258,693
Share-based payments (note 11)	-	-	95,938	-	95,938
Loss for the year	-	-	-	(247,302)	(247,302)
Balance, August 31, 2018	28,175,233	$ 27,034,993	$ 2,055,318	$(26,982,982)	$ 2,107,329

See accompanying notes to the consolidated financial statements.

LITHION ENERGY CORP.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended August 31, 2018	Year ended August 31, 2017
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	$ (247,302)	$ 1,776,822
Items not involving cash:		
Share-based payments	95,938	125,870
Forgiveness of trade payables	-	(665,533)
Gain on debt settlement	-	(55,359)
Gain on sale of subsidiaries	-	(1,476,292)
Changes in non-cash working capital:		
Receivables	(6,396)	911
Prepaids and advances	20,324	(226,555)
Trade payables and accrued liabilities	(1,886)	(36,992)
	(139,322)	(557,128)
Investing activities		
Proceeds on sale of subsidiaries, net	-	1,044,367
Exploration and evaluation assets	(93,055)	(122,276)
Reclamation bond	-	(7,547)
	(93,055)	914,544
Financing activity		
Private placement, net	-	749,200
	-	749,200
Effect of foreign exchange	(270)	-
Change in cash during the year	(232,647)	1,106,616
Cash, beginning of the year	1,363,167	256,551
Cash, end of the year	$ 1,130,520	$ 1,363,167

Significant non-cash financing and investing transactions during the year ended August 31, 2018 were included in exploration and evaluation assets is $1,751 which is included in trade payables and accrued liabilities.

During the year ended August 31, 2017, the significant non-cash financing and investing transactions were as follows:

i) The Company issued 2,509,273 common shares at a fair value of $313,659 in settlement of outstanding debt of $627,319 (note 10).
ii) The Company issued 4,133,723 common shares at a fair value of $516,715 for the purchase of exploration and evaluation assets (note 8).
iii) The Company reallocated $25,000 from deposit to exploration and evaluation assets (note 8).

See accompanying notes to the consolidated financial statements.

1. Nature of operations and going concern

Lithion Energy Corp. (formerly Barisan Gold Corporation**),** (the "Company") was incorporated under the laws of the Province of British Columbia on January 25, 2011. Its principal business activities are the acquisition, exploration and development of exploration and evaluation assets. The Company's corporate office and principal place of business is 400-601 West Broadway Ave, Vancouver, British Columbia, Canada V5Z 4C2. The Company trades under the symbol "LNC" on the TSX Venture Exchange ("TSX-V").

The Company has not yet identified exploration and evaluation assets that contain ore reserves that are economically recoverable. To August 31, 2018, the Company has incurred cumulative losses of $26,982,982 and further losses are expected. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise capital or borrowings sufficient to meet current and future obligations.

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on December 21, 2018.

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") effective as of August 31, 2018.

The consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Significant accounting policies

The accounting policies set out below have been applied to the periods presented in these consolidated financial statements.

a) Basis of consolidation

These consolidated financial statements of the Company include the assets, liabilities and results of operations of the following subsidiaries:

Name of subsidiary	Place of incorporation	Percentage ownership 2018	2017
Lithion USA (Nevada) Corp.	USA	100%	100%
Lithion USA (Arizona) Corp.	USA	100%	100%

All intercompany transactions and balances are eliminated on consolidation.

b) Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and each of its subsidiaries.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate in effect at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the reporting date. Non-monetary assets and liabilities are translated using foreign exchange rates prevailing at the date of the transaction.

Exchange gains or losses arising on the translation of monetary items are recognized in the statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on these non-monetary items are also recognized in other comprehensive income.

c) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. At August 31, 2018, the Company has not classified any financial assets as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. The Company’s cash and receivables are classified as loans and receivables.

3. Significant accounting policies (cont'd)

c) Financial assets (cont'd)

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that provide objective evidence of impairment which are recognized in profit or loss. At August 31, 2018, the Company has not classified any financial assets as available for sale.

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

d) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade payables are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company has no financial liabilities classified as FVTPL and no derivative instruments are held at August 31, 2018.

e) Significant accounting estimates and assumptions

The preparation of these financial statements in accordance with IFRS requires management to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurement for financial instruments and stock-based compensation, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

3. Significant accounting policies (cont'd)

f) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that my give rise to significant uncertainty;
- the classification/allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the determination of the functional currency of the parent company and its subsidiaries.

g) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

h) Exploration and evaluation assets

Exploration and evaluation expenditures incurred before the Company has obtained legal rights to explore an area of interest are expensed as incurred. All costs related to the acquisition, exploration and development of exploration and evaluation assets incurred subsequent to the acquisition of legal rights to explore are capitalized by property. If economically recoverable ore reserves are determined to exist, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that asset is written down to its recoverable amount. An exploration and evaluation asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Indicators of impairment for assets considered to be in the exploration and evaluation stage include the following:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

3. Significant accounting policies (cont'd)

h) Exploration and evaluation assets (cont'd)

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing and permitting to explore and complete the development of the properties, and future profitable production from the disposition of the metals produced from the properties or by sale.

i) Impairment

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

j) Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for a restoration and environmental obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with site closure and reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized restoration and environmental costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional asset retirement costs). The Company had no restoration and environmental obligations as of August 31, 2018 and 2017.

k) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

3. Significant accounting policies (cont'd)

l) Share-based payments

The Company makes periodic grants of share-based awards to selected directors, officers, employees and others providing similar service.

The fair value of the equity-settled awards is determined at the date of the grant by using the Black-Scholes Option Pricing Model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of comprehensive loss with a corresponding entry within equity, against the reserve for equity settled share based transactions.

m) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per common share is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

The basic loss per share figure has been calculated using the weighted average number of shares outstanding during the respective period. Diluted loss per share is equal to basic loss per share as the effect of outstanding options is anti-dilutive.

n) Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. New standards, amendments and interpretations not yet adopted or effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2018:

IFRS 9 – Financial Instruments, Classification and Measurement. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

IFRS 15 – Revenue from Contracts with Customers. IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service.

IFRS 16 – Leases. According to IFRS 16, all leases will be on the balance sheet of lessees, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019.

5. Capital management

The Company considers the items in shareholders' equity as capital. The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration, and development of its exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company has an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended August 31, 2018. The Company is not subject to externally imposed capital requirements.

6. Receivables

Current receivables consist of Government of Canada taxes receivable at August 31, 2018 of $11,960 (August 31, 2017 - $5,564).

(Expressed in Canadian dollars)

7. Sale of subsidiaries

The Company previously held 80% of the issued and outstanding shares of PT Linge Mineral Resources ("PTLMR") and PT Gayo Mineral Resources ("PTGMR"). The remaining interest in PTLMR and PTGMR were owned by arm's length Indonesian partners. During the year ended August 31, 2017, the Company sold its 80% interest in PTLMR and PTGMR. The Company received $1,252,901 (US$1,000,000) less fees and settlements of $208,534. The Company derecognized the carrying value of the assets and liabilities of the subsidiaries and concurrently recognized the fair value of the consideration received. Prior to the sale of the subsidiaries, the Company issued shares with a fair value of $258,300 in connection with $516,600 in trade payables and accrued liabilities recorded in PTGMR (Note 10).

The gain on sale of subsidiaries is summarized as follows:

		August 31, 2017
Receivables	$	(196,979)
Trade payables and accrued liabilities		887,204
		690,225
Consideration received:		
Cash, net		1,044,367
Consideration paid:		
Shares (note 10)		(258,300)
Gain on sale of subsidiaries	$	1,476,292

8. Exploration and evaluation assets

		Lithium Projects USA
Balance at August 31, 2016	$	-
Acquisition costs		660,912
Exploration costs		
Geology and other		3,079
Balance at August 31, 2017		663,991
Exploration costs		
Licenses and renewals		72,479
Geology and other		22,327
Balance at August 31, 2018	$	758,797

(Expressed in Canadian dollars)

8. Exploration and evaluation assets (cont'd)

Railroad Valley (Nevada) and Black Canyon (Arizona) Projects, USA

On May 2, 2017, the Company completed the acquisition of certain claims comprising the Railroad Valley Lithium Property located in Nevada, USA and the Black Canyon Lithium Property, located in Arizona, USA. Pursuant to the property purchase agreement, the Company paid $100,000 (of which $25,000 was paid as a deposit during the year ended August 31, 2016), a further $44,197 in land transfer fees and issued 4,133,723 common shares, with a fair value of $516,715, in exchange for a 100% equity interest in both the Railroad Valley and Black Canyon properties. Each property is subject to a 2% net smelter royalty.

On November 28, 2017, the Company decided not to renew the exploration permits for the Black Canyon Lithium Property in Arizona. Management has determined that the claims comprising the Black Canyon Lithium Property are of nominal value and, as such, $Nil has been written-off.

At August 31, 2017, the Company has posted a $7,817 (US $6,000) (2017 - $7,547) bond on the Black Canyon Lithium Property. During the year ended August 31, 2018, the Company has requested the return of the bond.

9. Trade payables and accrued liabilities

Trade payables and accrued liabilities consist of the following:

		August 31, 2018		**August 31, 2017**
Trade payables	$	2,933	$	3,068
Accrued liabilities		15,000		15,000
	$	17,933	$	18,068

10. Share capital

a) Authorized share capital:

Unlimited number of voting common shares without par value.

Issued share capital:

As at August 31, 2018 and 2017, the issued and outstanding share capital is comprised of 28,175,233 common shares.

On May 2, 2017, the Company completed the consolidation of the issued and outstanding common shares on the basis of one post-consolidation common share for every five pre-consolidation common shares. All references to shares issued have been retroactively restated to reflect the share consolidation.

Year ended August 31, 2018

There were no share issuances during the year ended August 31, 2018.

(Expressed in Canadian dollars)

10. Share capital (cont'd)

Year ended August 31, 2017

i) On April 25, 2017, the Company issued 2,509,274 common shares in connection with outstanding debt of $627,319. 442,876 of the common shares with a fair value $55,360 were to two former directors to settle a total balance owing of $110,719 resulting in a gain on settlement of $55,359.

2,066,398 of the common shares with a fair value of $258,300 were issued to a third party whereby the third party would be responsible for a liability of $516,600 owing to a creditor with respect to PTGMR (Note 7). The fair value of these shares of $258,300 has been included as a reduction in the gain on the disposal of the subsidiaries.

ii) On May 2, 2017, the Company issued 4,133,723 common shares at a fair value of $516,715 for the purchase of exploration and evaluation assets (note 8).

ii) On May 2, 2017, the Company completed a non-brokered private placement of 7,500,000 units, at a price of $0.10 per unit for gross proceeds of $750,000. Each unit consists of one common share and one non-transferable common share purchase warrant. Each common share purchase warrant will be exercisable for one common share at a price of $0.15 per common share for a period of two years, expiring on May 2, 2019. The Company paid a finder's fee of $800 in connection with the private placement.

b) Warrants:

Warrant transactions and the number of warrants outstanding are summarized as follows:

	August 31, 2018		**August 31, 2017**	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of the year	12,500,000	$ 0.19	5,867,999	$ 0.27
Expired	(5,000,000)	0.25	(867,999)	0.06
Issued	-	-	7,500,000	0.09
Warrants, end of the year	7,500,000	$ 0.15	12,500,000	$ 0.19

The number of warrant outstanding and at August 31, 2018 are as follows:

Number of warrants	**Exercise price**	**Expiry date**
7,500,000	$ 0.15	May 2, 2019

(Expressed in Canadian dollars)

11. Share-based payments

a) Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers, directors, employees, and consultants to acquire up to 10% of the outstanding issued common shares. The stock option plan allows for the option price at the time each option is granted to be not less than the discounted market price as calculated and defined in accordance with the policies of the TSX-V. Options granted under the plan will have a term not to exceed ten years. Vesting is determined at the discretion of the Board of Directors and in accordance with the policies of the TSX-V. Stock option transactions and the number of stock options outstanding are summarized as follows:

The changes in options are as follows:

	Year ended August 31, 2018		**Year ended August 31, 2017**	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of the year	2,034,000	$ 0.17	678,500	$ 0.60
Expired and forfeited	(9,000)		(569,500)	0.60
Issued	-	-	1,925,000	0.13
Options outstanding, end of the year	2,025,000	$ 0.15	2,034,000	$ 0.68
Options exercisable, end of the year	2,025,000	$ 0.15	109,000	$ 0.17

During the year ended August 31, 2018, the Company granted nil (2017 – 1,925,000) stock options with an initial fair market value of $nil (2017 - $203,676). The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used in calculating the fair values are as follows:

	2018	**2017**
Risk-free interest rate	-	0.79%
Expected life of option	-	3 years
Expected dividend yield	-	0.00%
Expected stock price volatility	-	181.99%
Fair value per option	-	$ 0.11

(Expressed in Canadian dollars)

11. Share-based payments (cont'd)

a) Stock options (cont'd)

The stock options outstanding and exercisable at August 31, 2018 are as follows:

Number of options – outstanding	Number of options – exercisable	Exercise price	Expiry date
10,000	10,000	$ 0.70	June 12, 2019
60,000	60,000	$ 0.825	September 2, 2019
30,000	30,000	$ 0.375	March 13, 2020
1,925,000	1,925,000	$ 0.15	May 10, 2020
2,025,000	2,025,000		

b) Share-based payments

The total share-based payments recognized on the options vested during year ended August 31, 2018, under the fair value method, was $95,938 (2017 - $125,870).

c) Reserves

The reserves account records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be reallocated to share capital.

12. Basic and diluted income (loss) per share

The calculation of basic and diluted loss per share for the years ended August 31, 2018 and 2017 was based on the loss attributable to common shareholders of $247,302 (2017 – income of $1,776,822) and the weighted average number of common shares outstanding of 28,175,233 (2017 – 18,720,737).

Diluted income (loss) per share did not include the effect of 2,025,000 stock options and 7,500,000 share purchase warrants as the effect would be anti-dilutive or the shares and warrants had exercise prices that were higher than the weighted average share price for the period.

(Expressed in Canadian dollars)

13. Related party transactions

The compensation of key management personnel and related parties were as follows:

		Year ended August 31, 2018		Year ended August 31, 2017
Fees and short-term benefits - management	$	60,000	$	30,000
Fees and short-term benefits - directors		24,000		12,000
Share-based payments		77,249		98,840
	$	161,249	$	140,840

Related party balances

$682,759 was previously due to officers or companies controlled by officers of the Company and directors of the Company. Of this amount, $572,040 is included in forgiveness of trades payable and $110,719 was settled through the issuance of common shares during the year ended August 31, 2017 (Note 10).

14. Financial instruments

As at August 31, 2018, the carrying values of cash, receivables, and trade payables approximate their fair values due to their short terms to maturity.

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest and foreign exchange risk

Credit risk
Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Company has limited the exposure to credit risk by only depositing its cash with high credit quality financial institutions, which are available on demand.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company has ensured, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash.

14. Financial instruments (cont'd)

Historically, the Company's primary source of financing has been the issuance of equity securities for cash, through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity financing.

As of August 31, 2018, the Company had no significant contractual obligations other than those included in trade payables and accrued liabilities as disclosed in note 9.

Interest and foreign exchange risk
The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At August 31, 2018, the Company was not exposed to significant interest rate risk.

The Company has historically had significant operating expenditures which are denominated in United States dollars ("USD"). The Company's exposure to exchange rate fluctuations arises mainly on foreign currencies against the Canadian dollar functional currency of the relevant business entities.

Financial asset and liabilities

The Canadian dollar equivalent of the amounts denominated in foreign currencies at August 31, 2018 and 2017 are as follows:

August 31, 2018		**USD**
Cash	$	876,159

August 31, 2017		**USD**
Cash	$	930,586

Sensitivity analysis:

The Company is exposed to foreign currency risk on fluctuations related to cash, trade payables that are denominated in USD. As at August 31, 2018, assets totaling $876,159 (August 31, 2017 - $930,586) were held in USD. Based on the above net exposure as at August 31, 2018 and assuming all other variables remain constant, a 2% depreciation or appreciation of the USD against the Canadian dollar would result in an increase or decrease of approximately $17,523 (2017 - $18,612) in the Company's loss and comprehensive loss.

(Expressed in Canadian dollars)

15. Income taxes

The actual income tax provision differs from the expected amounts calculated by applying the Canadian and Indonesian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. A reconciliation of income taxes at statutory rates with the reported income tax expense is as follows:

	Year Ended August 31, 2018	Year Ended August 31, 2017
Income (loss) before income taxes	$ (247,302)	$1,776,822
Corporate tax rate	26.00%	26.00%
Expected income tax recovery at statutory rates	(64,299)	461,974
Disposition of subsidiaries	-	1,056,600
Non-taxable income and expenses	24,299	(534,933)
Deferred tax assets not recognized	40,000	(983,641)
Total income tax expense	$ -	$ -

Deferred tax assets have not been recognized in respect of the following items:

	August 31, 2018	August 31, 2017
Deferred income tax assets (liabilities):		
Non-capital loss carry forwards	$ 1,323,000	$ 1,281,000
Capital loss carry forward	312,000	312,000
Exploration and evaluation assets	4,228,000	4,228,000
Other	6,000	8,000
Total deferred income tax assets	5,869,000	5,829,000
Valuation allowance	(5,869,000)	(5,829,000)
Net deferred income tax liability	$ -	$ -

As at August 31, 2018, the Company had deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that future profit will be available against which the Company can utilize the benefits. The Company has non-capital losses for Canadian tax purposes of approximately $1,323,000 which may be carried forward. These losses, if unutilized, will expire through 2038.

16. Commitment

On September 8, 2016, the Company entered into a Management Services Agreement with an arm's length party, whereby the Company paid a $250,000 deposit. The funds will be used to pay the monthly invoices rendered to the Company until such time that the deposit has been exhausted. Should the agreement be terminated within four months notice, the Company will be obligated to pay a lump sum equal to average monthly fee for four months, calculated over the longer of either twelve months prior to the notice of termination or the period of time that the Management Services Agreement has been in effect. At August 31, 2018, $216,168 (2017 - $236,492) remains as an advance and has been reclassified to a long-term asset.