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American Lithium Corp.

Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

American Lithium Corp.

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(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of American Lithium Corp.

Opinion

We have audited the consolidated financial statements of American Lithium Corp. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at February 29, 2020 and February 28, 2019, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2020 and February 28, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
June 26, 2020

American Lithium Corp.

(Expressed in Canadian Dollars)

Consolidated Statements of Financial Position

| | February 29, 2020 | February 28, 2019 |
|---|----------------------|----------------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash | 804,628 | 1,040,477 |
| Term deposit (Note 4) | 25,061 | 29,017 |
| GST receivable | 12,953 | 94,043 |
| Prepaid expenses and deposits | 125,826 | 188,144 |
| | 968,468 | 1,351,681 |
| Non-current assets | | |
| Exploration and evaluation assets (Note 5) | 606,613 | 9,586,805 |
| Reclamation deposits (Note 6) | 81,948 | 77,314 |
| | 1,657,029 | 11,015,800 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 7) | 376,712 | 719,848 |
| Notes payable (Note 8) | 35,000 | - |
| Due to related parties (Note 8) | 239,603 | - |
| | 651,315 | 719,848 |
| EQUITY | | |
| Share capital (Note 10) | 43,805,526 | 41,190,052 |
| Equity reserves (Note 10) | 2,018,333 | 1,943,265 |
| Deficit | (44,818,145) | (32,837,365) |
| | 1,005,714 | 10,295,952 |
| | 1,657,029 | 11,015,800 |

Nature and continuance of operations (Note 1)

Subsequent events (Note 15)

Approved on behalf of the Board of Directors on June 26, 2020:

/s/ Michael Kobler
Michael Kobler, Director

/s/ Andrew Squires
Andrew Squires, Director

The accompanying notes form an integral part of these consolidated financial statements

American Lithium Corp.

(Expressed in Canadian Dollars)

Consolidated Statements of Loss and Comprehensive Loss

| | For the year ended February 29, 2020 | For the year ended February 28, 2019 |
|---|--|--|
| | \$ | \$ |
| Operating Expenses | | |
| Bad debts | - | 6,419 |
| Consulting fees | 81,715 | 703,373 |
| Exploration and evaluation expenditures | 1,146,703 | 2,012,656 |
| Filing and listing fees | 19,147 | 49,200 |
| Foreign exchange loss | 25,951 | 7,499 |
| General and administrative | 64,360 | 60,584 |
| Insurance | 13,175 | 21,238 |
| Investor relations | - | 1,354 |
| Management fees (Note 8) | 355,681 | 365,520 |
| Marketing | 864,371 | 3,887,958 |
| Professional fees | 91,686 | 115,206 |
| Property investigation costs | 7,500 | - |
| Registrar and transfer agent fees | 25,477 | 37,420 |
| Rent | 38,110 | 47,331 |
| Share-based compensation (Note 8) | 563,420 | 385,080 |
| Travel | 100,170 | 206,474 |
| | (3,397,466) | (7,907,312) |
| Other item | | |
| Write off of exploration and evaluation assets (Note 5) | (9,071,666) | (8,908,706) |
| Net loss and comprehensive loss for the year | (12,469,132) | (16,816,018) |
| Basic and diluted loss per share | (0.19) | (0.33) |
| Weighted average number of common shares outstanding - basic and diluted | 66,239,267 | 50,509,517 |

The accompanying notes form an integral part of these consolidated financial statements

American Lithium Corp.

(Expressed in Canadian Dollars)

Consolidated Statements of Cash Flows

| | For the year ended February 29, 2020 | For the year ended February 28, 2019 |
|--|--|--|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net loss for the year | (12,469,132) | (16,816,018) |
| Items not affecting cash: | | |
| Foreign exchange | (1,253) | (980) |
| Share-based compensation | 563,420 | 385,080 |
| Bad debts | - | 6,419 |
| Write off of exploration and evaluation assets | 9,071,666 | 8,908,706 |
| Accrued interest receivable | 3,956 | (61) |
| Changes in non-cash working capital items: | | |
| GST receivable | 81,090 | (88,389) |
| Prepaid expenses and deposits | 62,318 | (126,666) |
| Accounts payable and accrued liabilities | (351,755) | 492,769 |
| Due to related parties | 239,603 | (98,790) |
| Cash used in operating activities | (2,800,087) | (7,337,930) |
| INVESTING ACTIVITIES | | |
| Exploration and evaluation asset expenditures | (91,474) | (705,121) |
| Reclamation bonds | (3,381) | (18,158) |
| Cash used in investing activities | (94,855) | (723,279) |
| FINANCING ACTIVITIES | | |
| Proceeds from shares issuance | 1,885,103 | 4,502,600 |
| Proceeds from notes payable | 35,000 | - |
| Share issuance costs | (14,343) | (183,761) |
| Stock options exercised | - | 46,500 |
| Warrants exercised | 753,333 | 801,963 |
| Cash provided by financing activities | 2,659,093 | 5,167,302 |
| Change in cash during the year | (235,849) | (2,893,907) |
| Cash, beginning of year | 1,040,477 | 3,934,384 |
| Cash, end of year | 804,628 | 1,040,477 |

Supplementary cash flow disclosures (Note 13)

The accompanying notes form an integral part of these consolidated financial statements

American Lithium Corp.

(Expressed in Canadian Dollars)

Consolidated Statements of Changes in Shareholders' Equity

| | Number of shares | Share capital \$ | Reserves | | | Deficit \$ | Total \$ |
|---|---------------------|------------------------|----------------|------------------------|------------------|---------------------|-------------------|
| | | | Warrants \$ | Share Options \$ | Total \$ | | |
| Balance at February 28, 2018 | 35,730,672 | 31,550,468 | 488,352 | 1,034,115 | 1,522,467 | (16,021,347) | 17,051,588 |
| Private placements | 11,256,500 | 4,502,600 | - | - | - | - | 4,502,600 |
| Shares issued for asset acquisitions | 12,880,000 | 4,508,000 | - | - | - | - | 4,508,000 |
| Share issue costs | - | (263,174) | 79,413 | - | 79,413 | - | (183,761) |
| Stock options granted | - | - | - | 385,080 | 385,080 | - | 385,080 |
| Stock options exercised | 150,000 | 90,195 | - | (43,695) | (43,695) | - | 46,500 |
| Warrants exercised | 2,138,570 | 801,963 | - | - | - | - | 801,963 |
| Loss for the year | - | - | - | - | - | (16,816,018) | (16,816,018) |
| Balance at February 28, 2019 | 62,155,742 | 41,190,052 | 567,765 | 1,375,500 | 1,943,265 | (32,837,365) | 10,295,952 |
| Private placement | 15,952,861 | 1,885,103 | - | - | - | - | 1,885,103 |
| Share issue costs | - | (22,962) | - | - | - | - | (22,962) |
| Stock options granted | - | - | - | 563,420 | 563,420 | - | 563,420 |
| Warrants exercised | 2,843,332 | 753,333 | - | - | - | - | 753,333 |
| Warrants expired | - | - | (488,352) | - | (488,352) | 488,352 | - |
| Loss for the year | - | - | - | - | - | (12,469,132) | (12,469,132) |
| Balance at February 29, 2020 | 80,951,935 | 43,805,526 | 79,413 | 1,938,920 | 2,018,333 | (44,818,145) | 1,005,714 |

The accompanying notes form an integral part of these consolidated financial statements

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

American Lithium Corp. (the "Company") was incorporated in the Province of British Columbia. The Company is engaged in the business of identification, acquisition and exploration of mineral interests. The Company's head office is located at 1507 – 1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3, Canada, and registered and records office is located at Suite 2200, 885 West Georgia Street, Vancouver, BC, V6C 3E8, Canada.

At the date of these consolidated financial statements, the Company has not identified a known body of commercial grade minerals on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

A number of alternatives are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. In addition, management closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur.

As at February 29, 2020, the Company was in the process of exploring its principal mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof.

The Company incurred a loss of \$12,469,132 (February 28, 2019 - \$16,816,018) for the year ended February 29, 2020. As at February 29, 2020, the Company had an accumulated deficit of \$44,818,145 (February 28, 2019 - \$32,837,365), which has been funded primarily by the issuance of equity. The Company's ability to continue as a going concern and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These factors give rise to a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern.

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 therefore 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 the accompanying consolidated financial statements.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. This outbreak could decrease spending, adversely affect demand for our product and harm our business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business or results of operations at this time.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. Estimates with a significant risk of material adjustment are discussed in Note 3(a).

The assessment of the Company’s ability to identify potential mineral reserves and obtain financing to fund the working capital requirements involves judgment. The judgment made by management with a significant risk of material adjustment is the going concern assumption.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on June 26, 2020.

Basis of presentation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and the following subsidiaries:

| Name | Jurisdiction |
|---------------------|--------------------------|
| 1032701 B.C. Ltd. | British Columbia, Canada |
| 1032701 Nevada Ltd. | Nevada, USA |
| 1065604 B.C. Ltd. | British Columbia, Canada |
| 1065604 Nevada Ltd. | Nevada, USA |
| 1067323 B.C. Ltd. | British Columbia, Canada |
| 1067323 Nevada Ltd. | Nevada, USA |
| 1074654 B.C. Ltd. | British Columbia, Canada |
| 1074654 Nevada Ltd. | Nevada, USA |
| 1134989 B.C. Ltd. | British Columbia, Canada |
| 1134989 Nevada Ltd. | Nevada, USA |

All intercompany transactions, balances, revenues and expenses are eliminated on consolidation.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The more significant areas are as follows:

- the estimates and assumptions used in the share-based payments;
- the determination that the Company has no decommissioning liabilities; and
- the determination of recoverability on exploration and evaluation assets.

Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- the determination that the Company will continue as a going concern for the next year; and
- the assessment of the deferred income tax assets and liabilities are probable to be recovered from future income.

b) Functional currency

The majority of transactions are in Canadian dollars and therefore the reporting and functional currency of the Company and its subsidiaries is the Canadian dollar.

c) Exploration and evaluation assets

The cost of acquiring and maintaining the Company's interest in its exploration and evaluation assets are capitalized on a property-by-property basis pending determination of the technical feasibility and the commercial viability of the project. The capitalized costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. When a license is relinquished or a project is abandoned, the related costs are recognized in profit and loss immediately.

Exploration and evaluation costs are expensed as incurred. Costs directly related to the acquisition are capitalized once the legal rights to explore the exploration and evaluation assets are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are first tested for impairment, then transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

Management reviews the carrying value of capitalized exploration and evaluation assets at least annually. The review is based on the Company's intentions for development of an undeveloped property. If a project does not prove viable, all unrecoverable costs associated with the project net of any previous impairment provisions are written off. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped property. Amounts shown for exploration and evaluation assets, net of write-downs and recoveries, are not intended to represent present or future values.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and evaluation assets (continued)

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties are in good standing.

d) Impairment

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indications of impairment exist, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, as if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

e) Decommissioning liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities and may from time to time incur decommissioning liabilities and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for a decommissioning liability is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at February 29, 2020 and February 28, 2019, the Company had not incurred any decommissioning liabilities related to the exploration and development of its mineral properties.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

g) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized is transferred to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

h) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issuance costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

i) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate resource properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned value based on the residual value method and included in the share warrant reserve. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments. When warrants are cancelled or are not exercised at the expiry date, the amount previously recognized is transferred to deficit.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Loss per share

The Company uses the treasury stock method in computing loss per share. Under this method, basic loss per share is computed by dividing losses available to common shareholders by the weighted average number of common shares outstanding during the year. For all periods presented the existence of warrants and options causes the calculation of fully diluted loss per share to be anti-dilutive. Accordingly, fully diluted loss per share information has not been shown.

k) Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statements of financial position subsequent to inception and how changes in value are recorded. Reclamation deposits are measured at amortized cost with subsequent impairments recognized in profit or loss and cash and term deposit are classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statements of financial position subsequent to inception and how changes in value are recorded. Accounts payable, notes payable and due to related parties are classified as amortized cost.

As at February 29, 2020 and February 28, 2019, the Company did not have any derivative financial liabilities.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Income taxes

The Company utilizes the asset and liability method of accounting for deferred taxes. Under the liability method, deferred income taxes and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against the asset can be utilized.

m) Recent accounting pronouncements

The Company has adopted the following accounting standards effective March 1, 2019, which had no significant impact on the consolidated financial statements:

- IFRS 16 – Leases
- IFRIC 23 – Uncertainty Over Income Tax Treatments

4. TERM DEPOSIT

The Company has a \$25,000 term deposit which earns interest at 1.20% per annum and matures on December 18, 2020. The term deposit has been assigned as security to the Bank of Nova Scotia. As at February 29, 2020, the Company accrued \$61 in interest receivable.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

| | Colorado Property | Fish Lake Valley | Atlantis | Fish South Property | Gap Lode Claim Block Property | TLC Property | Extinction Ridge Property | Total |
|-----------------------------------|-------------------|------------------|-------------|---------------------|-------------------------------|----------------|---------------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, February 28, 2018 | 4,826,000 | 1,490,511 | 4,999,028 | 1,966,851 | - | - | - | 13,282,390 |
| Additions: | | | | | | | | |
| Common shares issued | - | 76,500 | 32,000 | 22,000 | 4,140,000 | 130,000 | 107,500 | 4,508,000 |
| Option payments in cash | - | 128,940 | 12,828 | - | 39,201 | 131,785 | 131,115 | 443,869 |
| Maintenance fees | 54,309 | 122,080 | 32,294 | 25,674 | 12,156 | 14,739 | - | 261,252 |
| Write-off | - | (1,818,031) | (5,076,150) | (2,014,525) | - | - | - | (8,908,706) |
| Balance, February 28, 2019 | 4,880,309 | - | - | - | 4,191,357 | 276,524 | 238,615 | 9,586,805 |
| Additions: | | | | | | | | |
| Maintenance fees | - | - | - | - | - | 78,956 | 12,518 | 91,474 |
| Write-off | (4,880,309) | - | - | - | (4,191,357) | - | - | (9,071,666) |
| Balance, February 29, 2020 | - | - | - | - | - | 355,480 | 251,133 | 606,613 |

Colorado Property - Nevada, USA

On May 24, 2016, the Company entered into an agreement to acquire all the outstanding share capital of 1067323 B.C. Ltd. ("1067323 BC"), a privately-held British Columbia based mineral exploration company, by issuing 1,200,000 common shares with a fair value of \$8,340,000. 1067323 BC has a wholly-owned subsidiary, 1067323 Nevada Ltd. For accounting purposes, this transaction was considered to be outside the scope of IFRS 3 *Business Combinations* since 1067323 BC was inactive prior to the transaction and was limited to the holding of the Colorado Property and accordingly did not constitute a business. The transaction was accounted for in accordance with IFRS 2 *Share-based Payment* whereby the Company was deemed to issue shares in exchange for the net assets of 1067323 BC together with its right to earn a 100% interest in mineral claims of the Colorado Property.

1067323 BC is a party to an earn-in option agreement with Colorado Exploration Inc. ("Colorado Optionor") to acquire a series of 193 placer and 44 lode claims, over 4,870 acres (1,971 hectares) in Fish Lake Valley, Nevada, USA (the "Colorado Property"). As at August 29, 2019, the Company decided not to extend the lease with the county's BLM. The Company wrote-off the related costs it had incurred resulting in a write-off of \$4,880,309 being recognized during the year ended February 29, 2020.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Fish Lake Valley Project - Nevada, USA

On March 8, 2016 and amended subsequently on February 14, 2018, the Company entered into a Share Purchase Agreement to acquire 100% of 1032701 B.C. Ltd. ("1032701 BC") by issuing 800,000 common shares at a fair value of \$1,000,000. 1032701 BC has a wholly-owned subsidiary, 1032701 Nevada Ltd. ("1032701 Nevada"), which holds the earn-in option as described below. For accounting purposes, this transaction was considered to be outside the scope of IFRS 3 *Business Combinations* since 1032701 BC was inactive prior to the transaction and its only asset was the Fish Lake Valley property and accordingly did not constitute a business. The transaction was accounted for in accordance with IFRS 2 *Share-based Payment* whereby the Company was deemed to issue shares in exchange for the net assets of 1032701 BC together with its right to earn a 100% interest in the mineral claims of the Fish Lake Valley project.

The "Fish Lake Valley Project" consists of a series of 98 placer claims comprising a total of 7,840 acres in Esmeralda County, Nevada, USA. As at April 30, 2019, the Company decided not to proceed with the acquisition and terminated the option agreement. The Company wrote-off the related costs it had incurred resulting in a write-off of \$1,818,031 being recognized during the year ended February 28, 2019.

Atlantis Property - Nevada, USA

On May 6, 2016, the Company entered into a Share Purchase Agreement to acquire 100% of 1065604 B.C. Ltd. ("1065604 BC") by issuing 906,666 common shares at a fair value of \$4,760,000. For accounting purposes, this transaction was considered to be outside the scope of IFRS 3 *Business Combinations* since 1065604 BC was inactive prior to the transaction and was limited to the holding of the Atlantis Property and accordingly did not constitute a business. The transaction was accounted for in accordance with IFRS 2 *Share-based Payment* whereby the Company was deemed to issue shares in exchange for the net assets of 1065604 BC together with its right to earn an 80% interest in the mineral claims of the Atlantis Property.

Prior to the above noted acquisition, 1065604 BC entered into a Property Option Agreement with Nevada Sunrise Gold Corporation ("Atlantis Optionor") to acquire a 80% undivided interest in the Atlantis property. The Atlantis property consists of a series of 69 placer claims and 19 association placer claims, comprising a total of 2,882 acres, located in Esmeralda County, Nevada, USA. As at April 30, 2019, the Company decided not to proceed with the acquisition and terminated the option agreement. The Company wrote-off the related costs it had incurred resulting in a write-off of \$5,076,150 being recognized during the year ended February 28, 2019.

Fish South Property - Nevada, USA

On June 1, 2016, the Company, through 1032701 Nevada Ltd., finalized an option agreement with TY & Sons Explorations (Nevada), Ltd. ("FS Optionor"), who has the right to acquire a 100% interest in a series of mineral claims located in Esmeralda County, Nevada, USA (the "Fish South Property"), subject to a 2.5% NSR.

As at June 1, 2018, the Company fulfilled its commitments and acquired an 80% undivided interest in the Fish South property. As at April 30, 2019, the Company decided not to proceed with the acquisition and terminated the option agreement. The Company wrote-off the related costs it had incurred resulting in a write-off of \$2,014,525 being recognized during the year ended February 28, 2019.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Gap Lode Claim Block Property - Nevada, USA

On March 6, 2018, the Company entered into a share purchase agreement to acquire 100% of 1134989 B.C. Ltd. ("1134989 BC"), an arm's length party to the Company, by issuing 12,000,000 common shares at a fair value of \$4,140,000. 1134989 BC has a wholly-owned subsidiary, 1134989 Nevada Ltd. ("1134989 Nevada"). For accounting purposes, this transaction was considered to be outside the scope of IFRS 3 *Business Combinations* since 1134989 BC was inactive prior to the transaction and was limited to the holding of the Gap Lode Claim Block properties and accordingly did not constitute a business. The transaction was accounted for in accordance with IFRS 2 *Share-based Payment* whereby the Company was deemed to issue shares in exchange for the net assets of 1134989 BC together with its right to earn an 100% interest in the mineral claims of the Gap Lode Claim Block Property. The Gap Lode Claim Block Property consists of a series of 54 unpatented lode claims located in Esmeralda County, Nevada, USA.

Prior to the above noted acquisition, 1134989 BC entered into a mineral property option agreement with David Mough to acquire a 100% undivided interest in the Gap Lode Claim Block Property. The required cash payment of \$13,295 (US\$10,000) was paid by 1134989 BC prior to the acquisition. During the year ended February 29, 2020, the Company decided not to proceed with the acquisition of the property, resulting in a write-off of \$4,191,357 being recognized.

Tonopah Claystone Claims ("TLC") Property - Nevada, USA

On August 13, 2018, the Company finalized a purchase/royalty agreement with Nevada Alaska Mining Co., Inc. ("TLC Royalty Holder"), who has the claims and title to a series of unpatented lode mining claims located in Nye County, Nevada, USA (the "TLC Property"), subject to an overriding 2.5% gross royalty, of which 1.25% can be purchased within 3 years for \$1 million. Under the agreement, the terms of the purchase is outlined below:

| | Common Shares | Cash |
|---|------------------|----------------|
| | # | US\$ |
| On or before three business days following receipt of the approval of the TSX-V to the transaction ("TLC Closing Date") (issued and paid) | 250,000 | 50,000 |
| Within 90 days of the TLC Closing Date (paid) | - | 50,000 |
| Total | 250,000 | 100,000 |

In addition, if the Company calculates a mineral resource on the TLC Property exceeding 500,000 tons of Lithium Carbonate Equivalent ("LCE") in all reserve categories, the Company will issue a bonus payment of 250,000 shares to TLC Royalty Holder. An additional 250,000 shares will be issued to TLC Royalty Holder if the calculation exceeds 1,500,000 tons of LCE on the TLC Property. As at November 21, 2018, the Company fulfilled its commitments and acquired a 100% undivided interest in the TLC property. During the year ended February 28, 2019, the Company issued 250,000 common shares at a fair value of \$130,000 and paid \$131,785 (US\$100,000) to TLC Royalty Holder.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Extinction Ridge Property - Nevada, USA

On November 5, 2018, the Company finalized a purchase/royalty agreement with Nevada Alaska Mining Co., Inc. ("Extinction Ridge Royalty Holder"), who has the claims and title to a series of unpatented lode mining claims located in Eureka County, Nevada, USA (the "Extinction Ridge Property"), subject to an overriding 2% gross royalty, of which 1% can be purchased within 6 years for \$1 million. Under the agreement, the terms of the purchase is outlined below:

| | Common Shares | Cash |
|---|------------------|----------------|
| | # | US\$ |
| On or before five business days following receipt of the approval of the TSX-V to the transaction ("Extinction Ridge Closing Date") (issued and paid) | 250,000 | 50,000 |
| Within 90 days of the Extinction Ridge Closing Date (paid) | - | 50,000 |
| Total | 250,000 | 100,000 |

In addition, if the Company calculates a mineral resource on the Extinction Ridge Property exceeding 50,000,000 pounds of Vanadium Pentoxide ("V₂O₅") in all reserve categories, the Company will issue a bonus payment of 250,000 shares to Extinction Ridge Royalty Holder. An additional 250,000 shares will be issued to Extinction Ridge Royalty Holder if the calculation exceeds 150,000,000 pounds of V₂O₅ on the Extinction Ridge Property. As at February 4, 2019, the Company fulfilled its commitments and acquired a 100% undivided interest in the Extinction Ridge Property. During the year ended February 28, 2019, the Company issued 250,000 common shares at a fair value of \$107,500 and paid \$131,115 (US\$100,000) to Extinction Ridge Royalty Holder.

6. RECLAMATION DEPOSITS

Reclamation deposits consist of a term deposit and bonds recorded at cost and held as security by the Provincial Government of British Columbia and the State of Nevada respectively, with regards to certain exploration properties described in Note 5.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | February 29, 2020 | February 28, 2019 |
|---------------------|----------------------|----------------------|
| | \$ | \$ |
| Accounts payable | 307,053 | 670,811 |
| Accrued liabilities | 69,659 | 49,037 |
| | 376,712 | 719,848 |

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

| | For the year ended February 29, 2020 | For the year ended February 28, 2019 |
|--------------------------|--|--|
| | \$ | \$ |
| Management fees | 355,681 | 365,520 |
| Share-based compensation | 128,050 | 112,315 |
| | 483,731 | 477,835 |

All related party transactions are recorded at the exclusive amount which is the amount agreed to by the Company and the related party. During the year ended February 29, 2020, the Company entered into the following transactions with key management personnel:

- Paid or accrued management fees of \$235,681 (February 28, 2019 – \$239,219) to the Chief Executive Officer of the Company (“CEO”) and to a company controlled by the CEO. As at February 29, 2020, notes payable includes a non-interest bearing demand loan of \$35,000 (February 28, 2019 - \$nil) payable to the CEO of the Company. As at February 29, 2020, the Company owed \$100,717 (February 28, 2019 - \$nil) to the CEO and Company controlled by the CEO for unpaid fees.
- Paid or accrued management fees of \$120,000 (February 28, 2019 – \$126,301) to a director of the Company and a company controlled by the director. As at February 29, 2020, the Company owed \$138,885 (February 28, 2019 – \$nil) to a company controlled by a director of the Company for unpaid fees and expense reimbursements.

9. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. The Company includes the components of shareholders' equity in its management of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares to raise cash and obtain bridging loans from related parties. The Company's investment policy is to invest its cash in investment instruments in financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

There were no changes in the Company's management of capital during the year ended February 29, 2020.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

10. SHARE CAPITAL

Authorized

Unlimited number of common shares, without par value.

Issued

During the year ended February 29, 2020:

On September 30, 2019, the Company completed a private placement of 5,796,331 units at a price of \$0.15 per unit for gross proceeds of \$869,450. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable to acquire one additional common share at an exercise price of \$0.25 per share for a period of two years.

On January 21, 2020, the Company completed a private placement of 10,156,530 units at a price of \$0.10 per unit for gross proceeds of \$1,015,653. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable to acquire one additional common share at an exercise price of \$0.125 per share for a period of two years.

The Company issued 2,843,332 common shares in connection with the exercise of 2,843,332 warrants with a weighted average exercise price of \$0.265 for total proceeds of \$753,333.

During the year ended February 28, 2019:

On March 20, 2018, the Company issued 180,000 common shares with a fair value of \$76,500 in accordance to the amended option agreement for Fish Lake Valley Project as described in Note 5.

On May 2, 2018, the Company implemented a share split on its outstanding share capital on a two-for-one basis. This share split has been applied retrospectively and as a result all shares, options, warrants, and per share amounts are stated on a post-split basis.

On May 11, 2018, the Company issued 100,000 common shares with a fair value of \$32,000 in accordance to the option agreement for the Atlantis Property as described in Note 5.

On June 1, 2018, the Company issued 100,000 common shares with a fair value of \$22,000 in accordance to the option agreement for the Fish South Property as described in Note 5.

On June 13, 2018, in accordance with a share purchase agreement dated March 6, 2018, the Company issued 12,000,000 common shares with a fair value of \$4,140,000 to the shareholders of 1134989 BC, to acquire all of the outstanding share capital of 1134989 BC as described in Note 5.

On September 20, 2018, the Company completed a private placement of 11,256,500 units at a price of \$0.40 per unit for gross proceeds of \$4,502,600. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant is exercisable to acquire one additional common share at an exercise price of \$0.75 per share for a period of two years. Finders' fees of \$140,182 were paid and 350,455 common share purchase warrants, having the same terms as the warrants issued under the private placement, were issued in connection with completion of the private placement. The finders' warrants were valued at an aggregate of \$79,413 or \$0.22 per warrant using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 2.19%, volatility of 130%, and nil forecasted dividend yield.

On October 3, 2018, the Company issued 250,000 common shares with a fair value of \$130,000 in connection with the purchase/royalty agreement for the TLC Property as described in Note 5.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Issued (continued)

During the year ended February 28, 2019: (continued)

On January 29, 2019, the Company issued 250,000 common shares with a fair value of \$107,500 in connection with the purchase/royalty agreement for the Extinction Ridge Property as described in Note 5.

The Company issued 2,138,570 common shares in connection with the exercise of 2,138,570 warrants with an exercise price of \$0.375 for total proceeds of \$801,963. In addition, the Company issued 150,000 common shares in connection with the exercise of 150,000 stock options with an exercise price of \$0.31 for total proceeds of \$46,500. As a result, the Company transferred \$43,695 representing the fair value of the exercised share options from reserves to share capital.

Warrants

During the year ended February 29, 2020, the Company issued the following warrants:

- In connection with the September 2019 private placement, 5,796,331 warrants with an exercise price of \$0.25 per warrant.
- In connection with the January 2020 private placement, 10,156,530 warrants with an exercise price of \$0.125 per warrant.

During the year ended February 28, 2019, the Company issued the following warrants:

- In connection with the September 2018 private placement, 5,628,250 warrants with an exercise price of \$0.75 per warrant plus 350,455 agents' warrants with an exercise price of \$0.75 per warrant having a total value of \$79,413.

In January 2020, the Company amended the terms of an aggregate of 21,411,430 outstanding warrants previously issued by the Company with an exercise price of \$0.375 and expiry date of February 1, 2020. Under the amendment, the term of these warrants will be extended by an additional twenty-four months such that they will be now exercisable until February 1, 2022.

Details of common share purchase warrants outstanding at February 29, 2020 are as follows:

| Number of warrants | Exercise price | Remaining life | Expiry date |
|--------------------|----------------|----------------|--------------------|
| | \$ | (years) | |
| 130,000 | 0.50 | 0.55 | September 15, 2020 |
| *595,000 | 2.50 | 0.10 | April 6, 2020 |
| 5,978,705 | 0.75 | 0.58 | September 20, 2020 |
| 3,512,999 | 0.25 | 1.59 | September 30, 2021 |
| 10,046,530 | 0.125 | 1.90 | January 21, 2021 |
| 21,411,430 | 0.375 | 1.93 | February 1, 2022 |
| 41,674,664 | | | |

*Subsequent to February 29, 2020, these warrants expired unexercised.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019
(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Warrants (continued)

A summary of changes of warrants outstanding is as follows:

| | Warrants | Weighted average exercise price |
|-----------------------------------|-------------------|------------------------------------|
| | | \$ |
| Balance, February 28, 2018 | 27,303,898 | 0.56 |
| Issued | 5,978,705 | 0.75 |
| Exercised | (2,138,570) | 0.375 |
| Expired | (136,000) | 0.35 |
| Balance, February 28, 2019 | 31,008,033 | 0.61 |
| Issued | 15,952,861 | 0.17 |
| Exercised | (2,843,332) | 0.26 |
| Expired | (2,442,898) | 1.88 |
| Balance, February 29, 2020 | 41,674,664 | 0.39 |

Stock Options

The Company has established a stock option plan for directors, employees, and consultants. Under the Company's stock option plan, the exercise price of each option is determined by the Board, subject to the Discounted Market Price policies of the TSX Venture Exchange. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued shares at the time the options are granted. The aggregate number of options granted to any one optionee in a 12 month period is limited to 5% of the issued shares of the Company. The options vest on the date of grant.

On February 4, 2020, the Company issued 2,200,000 stock options to certain officers, directors, and employees of the Company at an exercise price of \$0.125. These options were granted for a period of five years and vest upon issuance. The estimated fair value, \$563,420, was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.21%, forfeiture rate of 0%, no annual dividends, expected volatility of 124% and a market price of shares at grant date \$0.30.

On June 29, 2018, the Board of Directors of the Company approved the issuance 1,200,000 stock options to certain officer, directors, and consultants at an exercise price of \$0.35. These options were granted for a period of five years and vest upon issuance. The estimated fair value, \$385,080, was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.93%, forfeiture rate of 0%, no annual dividends, expected volatility of 153% and a market price of shares at grant date \$0.35.

As at February 29, 2020, the following options were outstanding and exercisable:

| Number of options | Exercise price | Remaining life | Expiry date |
|-------------------|----------------|----------------|------------------|
| | \$ | (years) | |
| 3,400,000 | 0.31 | 2.95 | February 9, 2023 |
| 1,200,000 | 0.35 | 3.33 | June 29, 2023 |
| 2,200,000 | 0.25 | 4.94 | February 4, 2025 |
| 6,800,000 | | | |

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019
(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Stock Options (continued)

A summary of changes of stock options outstanding is as follows:

| | Options | Weighted average exercise price \$ |
|-----------------------------------|------------------|--|
| Balance, February 28, 2018 | 3,550,000 | 0.31 |
| Granted | 1,200,000 | 0.35 |
| Exercised | (150,000) | 0.31 |
| Balance, February 28, 2019 | 4,600,000 | 0.32 |
| Granted | 2,200,000 | 0.25 |
| Balance, February 29, 2020 | 6,800,000 | 0.30 |

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, term deposit, accounts payable, notes payable, and due to related parties. As at February 29, 2020, the Company classifies its cash and term deposit as fair value through profit and loss, its accounts payable, notes payable, and due to related parties at amortized cost. The fair values of these financial instruments approximate their carrying values because of their current nature.

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Cash and term deposit is classified under Level 1.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices). The Company does not have any financial instruments classified under Level 2.

Level 3 – Valuations in the level are those with inputs for the asset or liability that are not based on observable market data. Accounts payable and accrued liabilities are classified under Level 3.

The Company's financial instruments are exposed to the following risks:

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and term deposit. The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at February 29, 2020 relating to cash and term deposit of \$829,689. The cash and term deposit is held at a Canadian chartered bank and the Company considers the credit risk to be minimal.

American Lithium Corp.

Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. As at February 29, 2020, the Company had a cash balance of \$804,628 to settle liabilities of \$651,315. Liquidity risk is assessed as low.

Foreign Exchange Risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable that are denominated in a foreign currency. As at February 29, 2020, the Company had a net liability of US\$105,222. A 10% fluctuation in the foreign exchange rate of the United States dollar against the Canadian dollar would affect the Company's cash and accounts payable and accrued liabilities by approximately \$14,200.

Interest Rate Risk

The Company has cash balances and term deposits with interest based on the prime rate. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of lithium. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

During the year ended February 29, 2020, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

12. SEGMENTED INFORMATION

As of February 29, 2020, the Company's operations are limited to a single industry segment being the acquisition, exploration and development of mineral properties. All of the Company's interests in mineral properties are located in Nevada, USA.

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

| | For the year ended February 29, 2020 | For the year ended February 28, 2019 |
|---|---|---|
| | \$ | \$ |
| Supplemental cash-flow disclosure: | | |
| Interest | - | - |
| Income taxes | - | - |
| Supplemental non-cash disclosure: | | |
| Shares issued for exploration and evaluation assets (Note 5) | - | 4,508,000 |
| Share issue costs in accounts payable and accrued liabilities | 8,619 | - |
| Reclassification of expired warrants | 488,352 | - |

14. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

| | For the year ended February 29, 2020 | For the year ended February 28, 2019 |
|--|--|--|
| | \$ | \$ |
| Combined statutory tax rate | 27% | 27% |
| Income tax recovery at combined statutory rate | 3,366,666 | 4,526,043 |
| Permanent difference and other | (156,808) | (1,170,500) |
| Effect of change in future income tax rates | 10,037 | 10,589 |
| Change in deferred tax asset not recognized | (3,219,895) | (3,366,131) |
| Net deferred tax recovery | - | - |

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets are presented below:

| | February 29, 2020 | February 28, 2019 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Non-capital losses carry forwards | 3,669,687 | 3,192,603 |
| Share issuance costs | 47,089 | 63,238 |
| Resource development and exploration costs | 6,309,901 | 3,550,941 |
| Net deferred tax assets not recognized | 10,026,677 | 6,806,782 |

American Lithium Corp.

Notes to Consolidated Financial Statements

For the years ended February 29, 2020 and February 28, 2019

(Expressed in Canadian Dollars)

14. INCOME TAXES (continued)

As at February 29, 2020, the Company has \$13,591,433 (February 28, 2019 – \$11,824,457) of non-capital losses carry forwards available to reduce taxable income for future year, which expire between 2026 and 2040.

The Company also has certain allowances in respect of resource development and exploration costs of approximately \$23,976,000 (February 28, 2019 – \$22,738,000) which, subject to certain restrictions, are available to offset against future taxable income. The application of non-capital losses and resource development costs against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

In assessing the realizability of deferred tax assets, management considers whether it is probable that the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

15. SUBSEQUENT EVENTS

- a) Subsequent to February 29, 2020, the Company issued 13,178,960 common shares in connection with the exercise of 13,178,960 warrants for total proceeds of \$3,645,421. In addition, the Company also issued 1,265,000 common shares in connection with the exercise of 1,265,000 stock options for total proceeds of \$398,750.
- b) In June 16 2020, 500,000 common shares were issued to the TLC Royalty Holder in connection with the TLC Property purchase/royalty agreement, see Note 5 for details.
- c) In April 2020, 595,000 share purchase warrants with an exercise price of \$2.50 expired unexercised.