



**SIGMA LITHIUM RESOURCES CORPORATION  
CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS  
THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2019 AND 2018  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of Sigma Lithium Resources Corporation and subsidiaries (the "Company") are the responsibility of management and have been approved by the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management on a going concern basis in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not exact since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and the majority of its members are independent directors. The Audit Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the quarterly and the annual reports, the consolidated financial statements and the external auditors' reports. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

"Calvyn Gardner"  
*Chairman and Chief Executive Officer*

"Guilherme Guimarães"  
*Chief Financial Officer*

**Sigma Lithium Resources Corporation**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,503,303	\$ 4,160,792
Receivables and other assets (note 5)	376,843	354,382
<b>Total current assets</b>	<b>1,880,146</b>	<b>4,515,174</b>
<b>Non-current assets</b>		
Receivables and other assets (note 5)	130,296	109,244
Exploration and evaluation assets (note 6)	17,435,233	13,822,524
Property and equipment (note 7)	542,760	629,714
Right-of-use assets (note 8)	256,283	-
<b>Total assets</b>	<b>\$ 20,244,718</b>	<b>\$ 19,076,656</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Suppliers and other liabilities (notes 9 and 12)	\$ 3,620,741	\$ 2,389,814
Payroll and other taxes	281,593	254,894
Note payable (note 11)	2,186,183	2,737,333
Lease liability (note 8)	6,342	-
<b>Total current liabilities</b>	<b>6,094,859</b>	<b>5,382,041</b>
<b>Long-term liabilities</b>		
Deferred revenue (notes 4 and 3(b))	4,007,100	-
Note payable (note 11)	1,183,383	2,302,686
Lease liability (note 8)	259,543	-
Provision	9,339	10,026
<b>Total liabilities</b>	<b>11,554,224</b>	<b>7,694,753</b>
<b>Shareholders' equity</b>		
Share capital (note 15)	36,190,313	32,232,166
Contributed surplus	4,019,108	5,865,293
Accumulated other comprehensive loss	(60,296)	(112,322)
Accumulated deficit	(31,458,631)	(26,603,234)
<b>Total shareholders' equity</b>	<b>8,690,494</b>	<b>11,381,903</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 20,244,718</b>	<b>\$ 19,076,656</b>

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

**Nature of operations** (note 1)

**Basis of presentation and going concern** (note 2)

**Related parties** (notes 12 and 14)

**Event after the reporting period** (notes 11 and 23)

**Approved on behalf of the Board:**

(Signed) "Calvyn Gardner" \_\_\_\_\_, Director

(Signed) "Marcelo Paiva" \_\_\_\_\_, Director

# Sigma Lithium Resources Corporation

## Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018 (recast - note 9)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018 (recast - note 9)
<b>Operating expenses</b>				
General and administrative expenses (note 20)	\$ 1,007,651	\$ 2,326,339	\$ 3,714,364	\$ 6,059,163
Reverse takeover transaction costs (note 10)	-	-	-	2,799,730
Accretion and interest (note 9)	89,149	95,225	289,681	389,732
Foreign exchange loss	881,233	736,046	803,457	440,167
Loss on derivative (note 13)	-	-	-	1,623,518
Depreciation	15,724	5,214	47,895	15,376
<b>Net loss for the period</b>	<b>(1,993,757)</b>	<b>(3,162,824)</b>	<b>(4,855,397)</b>	<b>(11,327,686)</b>
<b>Other comprehensive loss</b>				
<b>Amounts that may be reclassified subsequently to profit and loss</b>				
Cumulative translation adjustment	423,425	759,575	52,026	1,140,003
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (1,570,332)</b>	<b>\$ (2,403,249)</b>	<b>\$ (4,803,371)</b>	<b>\$ (10,187,683)</b>
<b>Loss per common share</b>				
<b>Equity holders of the Company</b>				
Basic and diluted net loss per common share	\$ (0.02)	\$ (0.04)	\$ (0.07)	\$ (0.27)
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>68,843,355</b>	<b>66,967,501</b>	<b>68,001,957</b>	<b>37,723,802</b>

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

**Sigma Lithium Resources Corporation**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

Nine months ended September 30,	2019	2018 (recast - note 9)
<b>Operating activities</b>		
Net loss for the period	\$ (4,855,397)	\$(11,327,686)
Adjustments for:		
Depreciation	47,895	15,376
Stock-based compensation (notes 21 and 22)	853,551	2,938,365
Reverse takeover transaction costs (note 10)	-	1,749,730
Accretion and interest (note 9)	289,681	389,732
Shares issued for services (note 15)	57,600	-
Prepaid lease depreciation expense	37,319	-
Loss on derivative (note 13)	-	1,623,518
Unrealized foreign exchange gain	(634,655)	(752,065)
Deferred revenue (notes 4 and 3(b))	4,007,100	-
Changes in non-cash working capital items:		
Receivables and other assets	(43,513)	(402,962)
Amounts payable and other liabilities	1,230,927	653,363
Payroll and other taxes	26,699	136,974
Provision	(687)	(4,231)
<b>Net cash provided by (used in) operating activities</b>	<b>1,016,520</b>	<b>(4,979,886)</b>
<b>Investing activities</b>		
Addition to lithium properties	(2,619,536)	(3,376,538)
Repayment of note payable (note 11)	(1,255,536)	(1,720,312)
Purchase of property and equipment	(19,791)	(276,148)
Cash acquired on reverse takeover	-	31,017
<b>Net cash used in investing activities</b>	<b>(3,894,863)</b>	<b>(5,341,981)</b>
<b>Financing activities</b>		
Exercise of warrants	137,695	-
Lease payments (note 8)	(61,112)	-
Issue of common shares (note 15)	-	20,040,000
Share issue costs	-	(1,663,610)
Bridge loan (note 14)	-	603,005
Repayment of bridge loan (note 14)	-	(641,635)
<b>Net cash provided by financing activities</b>	<b>76,583</b>	<b>18,337,760</b>
<b>Effect of exchange rate changes on cash held in foreign currency</b>	<b>144,271</b>	<b>1,140,003</b>
<b>Net (decrease) / increase in cash</b>	<b>(2,657,489)</b>	<b>9,155,896</b>
<b>Cash, beginning of period</b>	<b>4,160,792</b>	<b>280,833</b>
<b>Cash, end of period</b>	<b>\$ 1,503,303</b>	<b>\$ 9,436,729</b>

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

## Sigma Lithium Resources Corporation

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)  
(Unaudited)

	Number of common shares	Share capital	Contributed Surplus	Accumulated other comprehensive income (loss)	Deficit	Total
<b>Balance, December 31, 2017</b>	<b>669,675</b>	<b>\$ 697,582</b>	<b>\$ 221,244</b>	<b>\$ 81,508</b>	<b>\$(16,153,101)</b>	<b>\$(15,152,767)</b>
Shares issued (note 15)	10,019,671	20,040,000	-	-	-	20,040,000
Agent warrants issued (note 15)	-	(217,929)	217,929	-	-	-
Share issue costs (note 15)	-	(1,663,610)	-	-	-	(1,663,610)
Conversion of convertible debenture (note 13)	5,879,807	11,760,000	-	-	-	11,760,000
Stock-based compensation (notes 21 and 22)	-	-	4,754,941	-	-	4,754,941
Consideration for reverse takeover	50,398,348	1,339,356	406,688	-	-	1,746,044
Net loss for the period (note 9)	-	-	-	-	(11,327,686)	(11,327,686)
Other comprehensive income for the period	-	-	-	1,140,003	-	1,140,003
<b>Balance, September 30, 2018 (note 9)</b>	<b>66,967,501</b>	<b>\$ 31,955,399</b>	<b>\$ 5,600,802</b>	<b>\$ 1,221,511</b>	<b>\$(27,480,787)</b>	<b>\$ 11,296,925</b>
<b>Balance, December 31, 2018</b>	<b>66,967,501</b>	<b>\$ 32,232,166</b>	<b>\$ 5,865,293</b>	<b>\$ (112,322)</b>	<b>\$(26,603,234)</b>	<b>\$ 11,381,903</b>
Exercise of RSUs (note 21)	1,606,000	3,344,920	(3,344,920)	-	-	-
Exercise of warrants	275,390	555,627	(417,932)	-	-	137,695
Shares issued for services (note 15)	30,000	57,600	-	-	-	57,600
Stock-based compensation (notes 21 and 22)	-	-	1,846,724	-	-	1,846,724
Fair value adjustment on modification of note payable (note 11)	-	-	69,943	-	-	69,943
Net loss for the period	-	-	-	-	(4,855,397)	(4,855,397)
Other comprehensive loss for the period	-	-	-	52,026	-	52,026
<b>Balance, September 30, 2019</b>	<b>68,878,891</b>	<b>\$ 36,190,313</b>	<b>\$ 4,019,108</b>	<b>\$(60,296)</b>	<b>\$(31,458,631)</b>	<b>\$ 8,690,494</b>

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

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# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

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### 1. Nature of operations

Sigma Lithium Resources Corporation (the "Company") (formerly named Margaux Red Capital Inc.) is a Canadian based lithium exploration and development company incorporated under the *Canada Business Corporations Act*. Its shares have been listed on the TSX Venture Exchange (the "TSXV") under the symbol SGMA since May 9, 2018 and on the American stock exchange Over-the-Counter QB under the symbol SGMLF. The head office of the Company is at Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5.

The Company has one direct wholly-owned subsidiary and one indirect wholly-owned subsidiary. Sigma Lithium Holdings Inc. (formerly Sigma Lithium Resources Inc.) ("Sigma Holdings") is domiciled in Canada and incorporated under the Business Corporations Act (British Columbia) by Articles of Incorporation dated April 13, 2017. Its registered office is located at Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. Sigma Holdings was incorporated for the purpose, through its wholly-owned Brazilian incorporated subsidiary Sigma Mineração S.A. ("SMSA"), of developing SMSA's lithium properties located in the State of Minas Gerais, Brazil. SMSA holds a 100% interest in four mineral properties: Genipapo, Grota do Cirilo, Santa Clara and São Jose, located in the cities of Araçuaí and Itinga, in the Vale do Jequitinhonha, State of Minas Gerais, Brazil (together, the "Lithium Properties").

On April 30, 2018, the Company closed its Qualifying Transaction with Sigma Holdings in a reverse take over (the "RTO"). The RTO was based on an exchange ratio whereby each Sigma Holdings share was exchanged for 9.9997 common shares of the Company (the "Share Exchange"). All equity instruments have been adjusted in the financial statements for the exchange ratio and for the Share Consolidation (as defined below). Prior to the RTO, the Company was classified as a Capital Pool Company as defined in Policy 2.4 of the TSXV.

Following the RTO, a share consolidation and name change were approved at the annual general and special meeting of shareholders held on June 18, 2018. The Company's name was changed to "Sigma Lithium Resources Corporation" and the outstanding common shares were consolidated on a 1:10 basis (the "Share Consolidation").

### 2. Basis of presentation and going concern

These condensed consolidated interim financial statements ("interim financial statements") of the Company and its subsidiaries have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). These interim financial statements do not contain all of the required annual disclosures and should be read in conjunction with the Company's December 31, 2018 annual consolidated financial statements.

The financial statements as at and for the three and nine months ended September 30, 2019 have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will be capable of fulfilling in the next 12 (twelve) months the payment of its outstanding liabilities at September 30, 2019 and its ongoing operations, which include the salaries and related charges of its employees, suppliers and notes payable.

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# **Sigma Lithium Resources Corporation**

## **Notes to Condensed Interim Consolidated Financial Statements**

**Nine Months Ended September 30, 2019**

**(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)**

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### **2. Basis of presentation and going concern (continued)**

The Company is presently in the stage of mineral exploration and evaluation of the Lithium Properties and, therefore, is subject to risks and challenges similar to other companies in comparable stages of exploration and evaluation. The Company has a working capital deficit of \$4,214,713 at September 30, 2019 (working capital deficit of \$866,867 at December 31, 2018). For the nine months ended September 30, 2019, the Company incurred a net loss of \$4,855,397 (nine months ended September 30, 2018 - \$11,327,686) and had net cash inflows from operations of \$1,016,520 (nine months ended September 30, 2018 - outflows of \$4,979,886). For the year ended December 31, 2018, the Company incurred a net loss of \$10,450,133 and had net cash outflows from operations of \$3,472,325. Additional financings will be required to develop the Lithium Properties, complete a detailed engineering, start project construction and continue to finance its operations. Although the Company entered into the Pre-Payment (as defined below) financing with Mitsui & Co. Ltd. ("Mitsui") on March 26, 2019, the advancement of the full amount of the Pre-Payment amount is subject to certain conditions, some of which are beyond the control of the Company. The Company received US\$3,000,000 (CAD\$4,007,100) from Mitsui on April 4, 2019 as the first installment of the Pre-Payment (note 4). The balance of the Pre-Payment is to be used for long lead items and other capital expenditures to construct the Lithium Properties project and will only provide a portion of the funding required for such construction.

On November 29, 2019 the Company entered into a revolving credit agreement with A10 Serviços Especializados de Avaliação de Empresas Ltda. (a company owned by certain Directors of the Company) providing for a \$6.6 million (US\$5 million) revolving credit facility, as described in note 23.

These unaudited condensed consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The certainty of funding future exploration expenditures and project implementation considering the availability of sources of additional financing cannot be assured at this time and, accordingly, these material uncertainties cast significant doubt about the Company's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not include adjustments to the carrying values and classifications of recorded assets and liabilities, which could be material, that might be necessary should the Company be unable to continue as a going concern.

### **3. Significant accounting policies**

#### *Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual consolidated financial statements required by IFRS as issued by the IASB.

The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2018, except as noted below, and should be read in conjunction with the annual audited financial statements as at and for the year ended December 31, 2018.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on November 29, 2019.



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# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

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### 3. Significant accounting policies (continued)

#### *New accounting policies*

#### (a) Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16" – effective January 1, 2019), replacing IAS 17 Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations. At January 1, 2019, the Company adopted IFRS 16. Upon adoption, the Company recognized \$330,230 of Right-of-Use assets and an equal amount of lease obligations with no adjustment required to retained earnings.

The Company has adopted IFRS 16 using the modified retrospective approach. Under this approach, the comparative information has not been restated and the reclassifications and adjustments arising from the new leasing rules are recognized in the opening statement of financial position on January 1, 2019.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to exercise that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

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# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

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### 3. Significant accounting policies (continued)

*New accounting policies (continued)*

#### (a) Leases and right-of-use assets (continued)

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

See note 8.

#### (b) Deferred revenue

The Company entered into a binding heads of agreement (the "HOA") with Mitsui as explained in note 4 pursuant to which the Company received advanced consideration against the delivery of Li<sub>2</sub>O spodumene concentrate production in reference to the Company's mine. The Company recognizes advanced consideration as deferred revenue and recognizes the amounts in revenue as it satisfies its performance obligation to deliver spodumene concentrate to the customer over the life of the contract on CIF basis. This is when the customer has legal title to, physical possession of, and the risks and rewards of ownership of the spodumene concentrate, and therefore, the ability to direct the use of, and obtain substantially all of the remaining benefits, from the spodumene concentrate.

### 4. Deferred revenue

On March 26, 2019, the Company signed the HOA with Mitsui. Mitsui will prepay the Company the amount of US\$30,000,000 for battery grade lithium concentrate supply of up to 55,000 tonnes annually (the "Pre-Payment") over six years, extendable for another five years at the option of Mitsui.

An initial tranche payment of US\$3,000,000 (CAD\$4,007,100) was received by the Company on April 4, 2019, while the disbursements of the remaining tranches are subject to certain conditions, such as the approval of a feasibility report by Mitsui, senior debt commitment, approval of environmental licenses (the latter of which was obtained on May 31, 2019), negotiations and execution of related definitive agreements.

As part of the total Pre-Payment amount, for the Company to meet its construction timetable, an amount of up to US\$7,000,000 (CAD\$9,270,100) will be made available that will be used for the deposits required to purchase long lead items for construction of the commercial production plant. Such payments are subject to Mitsui's approval and will be credited towards the overall Pre-Payment amount. Sigma did not request or receive any funds during the 3<sup>rd</sup> quarter of 2019.

### 5. Receivables and other assets

	September 30, 2019	December 31, 2018
Prepaid land lease (note 12)	\$ 126,133	\$ 176,758
Land environmental compensation	31,802	-
Prepaid expenses	176,623	189,063
Sales tax receivable	143,470	92,008
Travel advances (note 12)	29,111	5,797
	<b>\$ 507,139</b>	<b>\$ 463,626</b>

# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

### 5. Receivables and other assets (continued)

	September 30, 2019	December 31, 2018
Current	\$ 376,843	\$ 354,382
Non-current	130,296	109,244
	<b>\$ 507,139</b>	<b>\$ 463,626</b>

### 6. Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition and exploration of mineral rights. Such costs include, among others, geological, geophysical studies, exploratory drilling and sampling, feasibility studies and technical reports.

A summary of explorations costs is summarized below:

	September 30, 2019	December 31, 2018
<b>Opening balance</b>	<b>\$ 13,822,524</b>	<b>\$ 2,580,260</b>
Personnel costs	1,664,697	3,400,413
Geological costs	657,787	1,100,623
Drilling	56,371	4,606,553
Environmental	286,821	681,606
Engineering	1,922,087	1,722,291
Other	135,590	73,281
Cumulative translation adjustment	(1,110,644)	(342,503)
<b>Closing balance <sup>(a)</sup></b>	<b>\$ 17,435,233</b>	<b>\$ 13,822,524</b>

(a) The exploration and evaluation assets include \$993,173 capitalized in personnel costs (RSU expenses) during the period ending September 30, 2019 (year ended December 31, 2018 - \$2,268,914).

### 7. Property and equipment

Cost	Vehicle	Furniture	Building	Machinery	Fixtures	Pilot plant	Total
<b>At December 31, 2018</b>	\$ -	\$ 59,329	\$ 17,514	\$ 140,146	\$ 290,793	\$ 168,117	\$ 675,899
Additions	7,633	-	-	12,158	-	-	19,791
Cumulative translation adjustment	-	(5,630)	(1,672)	(14,157)	(27,619)	(15,607)	(64,685)
<b>At September 30, 2019</b>	<b>\$ 7,633</b>	<b>\$ 53,699</b>	<b>\$ 15,842</b>	<b>\$ 138,147</b>	<b>\$ 263,174</b>	<b>\$ 152,510</b>	<b>\$ 631,005</b>

  

Accumulated amortization	Vehicle	Furniture	Building	Machinery	Fixtures	Pilot plant	Total
<b>At December 31, 2018</b>	\$ -	\$ 937	\$ 7,901	\$ 30,937	\$ 6,410	\$ -	\$ 46,185
Depreciation	547	4,329	511	10,524	21,217	10,767	47,895
Cumulative translation adjustment	-	(88)	(396)	(7,244)	(333)	2,226	(5,835)
<b>At September 30, 2019</b>	<b>\$ 547</b>	<b>\$ 5,178</b>	<b>\$ 8,016</b>	<b>\$ 34,217</b>	<b>\$ 27,294</b>	<b>\$ 12,993</b>	<b>\$ 88,245</b>

# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

### 7. Property and equipment (continued)

Net book value	Vehicle	Furniture	Building	Machinery	Fixtures	Pilot plant	Total
At December 31, 2018	\$ -	\$ 58,392	\$ 9,613	\$ 109,209	\$ 284,383	\$ 168,117	\$ 629,714
At September 30, 2019	\$ 7,086	\$ 48,521	\$ 7,826	\$ 103,930	\$ 235,880	\$ 139,517	\$ 542,760

### 8. Leases

#### Right-of-use assets

IFRS 16 adoption - right-of-use asset recognition	\$ 330,230
<b>Right-of-use assets at January 1, 2019</b>	<b>330,230</b>
Additions	60,363
Disposal	(76,605)
Depreciation	(37,319)
Cumulative translation adjustment	(20,386)
<b>Balance, September 30, 2019</b>	<b>\$ 256,283</b>

Right-of-use assets consist of land for the project.

#### Maturity analysis – contractual undiscounted cash flows

##### As at September 30, 2019

Less than one year	\$ 43,959
Year 2	43,959
Year 3	43,959
Year 4	43,959
More than 5 years	443,251
<b>Total undiscounted lease obligation</b>	<b>\$ 619,087</b>

#### Lease obligations

At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using a weighted average interest rate of 14.3%, which is the Company's incremental borrowing rate. The continuity of the lease liability is presented in the table below:

Opening lease commitment at December 31, 2018	\$ 565,521
Recognition exemption for short term rentals	(42,612)
Contracts not in scope of IFRS 16	(239,106)
Discounting using the incremental borrowing rate as at January 1, 2019	(93,577)
Extension options reasonably certain to be exercised	140,004
<b>Lease liability at January 1, 2019</b>	<b>330,230</b>
Additions	61,148
Disposal	(78,911)
Interest expense	35,646
Lease payments	(61,112)
Cumulative translation adjustment	(21,116)
<b>Lease liability at September 30, 2019</b>	<b>\$ 265,885</b>

# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

### 8. Leases (continued)

#### As at September 30, 2019

Lease obligations	\$	265,885
Less current portion		6,342
<b>Non-current portion</b>	<b>\$</b>	<b>259,543</b>

### 9. Suppliers and other liabilities

Amounts payable to suppliers and accrued liabilities of the Company are principally comprised of amounts outstanding for purchases relating to general operating activities.

	September 30, 2019	December 31, 2018
Suppliers	\$ 2,890,592	\$ 1,927,271
Amounts payable to related parties (note 12)	15,998	-
Accrued interest on note payable (note 11)	607,484	375,876
Accrued liabilities	106,667	86,667
<b>Total amounts payable and other liabilities</b>	<b>\$ 3,620,741</b>	<b>\$ 2,389,814</b>

The Company has recast the comparative interest expense figures for the three and nine months ended September 30, 2018, to correct for an immaterial error of \$87,071 and \$318,220, respectively, for the related interest expense on note payable that were not previously accrued and reflected in the Company's interim financial statements for the three and nine months ended September 30, 2018.

### 10. Qualifying transaction - Reverse takeover

On April 30, 2018, Sigma Holdings and the Company (under its former name of Margaux Red Capital Inc.) completed the RTO. The RTO involved an exchange of shares pursuant to which Sigma Holdings' shareholders received Company common shares in exchange for 100% of their Sigma Holdings shares. The RTO was based on an exchange ratio whereby each Sigma Holdings share was exchanged for 9.99967 Company common shares. As a result, following the RTO, holders of Sigma Holdings shares owned 99% of the outstanding Company shares. All equity instruments have been adjusted in the financial statements for the exchange ratio and the share consolidation noted below unless otherwise noted.

Following the RTO, a share consolidation of 1:10 was approved at the annual general and special meeting of the Company's shareholders held on June 18, 2018. As well, the Company's name was changed to "Sigma Lithium Resources Corporation". The respective share capitals of the Company and Sigma Holdings post Share Exchange (but adjusting to reflect the subsequent 1:10 Share Consolidation) were as follows:

#### The Company

	Number of common shares	Amount
Balance, April 30, 2018	669,678	\$ 697,235

#### Sigma Holdings

	Number of common shares	Amount
Balance, April 30, 2018	50,398,348	\$ 697,581

# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

### 10. Qualifying transaction - Reverse takeover (continued)

In accordance with IFRS 3, Business Combination, the substance of the transaction is a reverse take-over of a non-operating company. The transaction does not constitute a business combination as the Company does not meet the definition of a business under the standard. As a result, the transaction is accounted for as a share-based payment under IFRS 2 with Sigma Holdings being identified as the acquirer and the equity consideration issued being measured at fair value. The resulting consolidated financial statements are presented as a continuance of Sigma Holdings.

The identifiable assets and liabilities of the Company are recognized at fair value at the acquisition date, with the excess of the fair value of the equity interest over the fair value of the net assets acquired to the consolidated statements of loss and comprehensive loss as a listing expense.

IFRS 2, share-based payment was applied to the RTO as Sigma Holdings would have issued shares with a value in excess of the assets received, with the difference recognized in comprehensive loss as a reverse takeover transaction cost. The amount assigned to the RTO cost of \$2,799,730 is the difference between the fair value of the consideration and the net identifiable assets of the Company acquired by Sigma Holdings, and cash transaction cost, included in the consolidated statements of loss.

The fair value of the consideration is determined based on the percentage of ownership the Company (the legal parent's) shareholders have in the consolidated entity after the transaction. This represents the fair value of the shares that Sigma Holdings would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of Sigma Holdings acquiring 100% of the shares in the Company. The fair value of the consideration in the RTO is equivalent to the fair value of the 669,678 Sigma Holdings shares determined to have been issued by Sigma Holdings and controlled by original Company shareholders and warrants to purchase 275,390 Sigma Holdings shares. Such fair value was estimated to be \$1,339,356 based on the fair market value of \$2.00 per share, the price of the financing on April 30, 2018 disclosed in note 15. The fair value of the warrants was estimated to be \$406,688 net of transaction costs using the Black-Scholes valuation model on the following assumptions: share price of \$2.00, dividend yield 0%, volatility 61.97% (calculated using similar companies), exercise price of \$0.50, risk-free interest rates of 1.84%, and expected life of 1.30 years. The fair value of the consideration also included \$1,050,000 in cash costs.

Based on the statement of financial position of the Company at the time of the RTO, the net assets with an estimated fair value deficit of \$3,686, were acquired by Sigma Holdings.

<b>Consideration</b>	<b>Number of securities</b>	<b>Amount</b>
Shares	669,678	\$ 1,339,356
Incremental value of warrants	275,390	406,688
Transaction costs	-	1,050,000
<b>Total consideration</b>		<b>\$ 2,796,044</b>
<b>Identifiable assets acquired</b>		
Cash		\$ 31,017
Accounts payable		(34,703)
		(3,686)
Reverse takeover transaction costs		2,799,730
		<b>\$ 2,796,044</b>

# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

### 11. Note payable

In December 2017 Sigma Holdings acquired, through transactions involving Rix Mineração e Consultoria S.A. (“Rix”) (a company owned by certain directors of the Company), a related party, and Arqueana Empreendimentos e Participações S.A. (“Arqueana”), (a company owned by certain directors of the Company), the 11% interest in SMSA that it did not previously own. As a result, Sigma Holdings consolidated the ownership of 100% of the Lithium Properties, for \$7,650,245 (20,200,000 Reais) to be paid in six installments.

In connection with these transactions, Sigma Holdings and SMSA entered into the following agreements:

- An agreement for stock purchase and sale and other covenants (the “SMSA Stock Purchase Agreement”) dated December 15, 2017,
- The Amilcar Royalty Agreement, and
- The Rix Royalty Agreement.

If the Sigma Holdings principals, defined as Calvyn Gardner, Marcelo Paiva, Alvaro Barbosa, Ana Cristina Cabral, Tadeu Carneiro, Itamar Resende, and A10 Investimentos Fundo de Investimento de Ações Investimento no Exterior, cease to have an aggregate indirect interest of at least 30% in SMSA on a fully-diluted basis, any remaining installments will become due immediately.

The Amilcar Royalty Agreement provides for a net smelter return, calculated at the rate of 1% of the gross revenues of SMSA, less all taxes and costs incurred in the process of extraction, production, processing, treatment, transportation and commercialization of the products sold. SMSA has a purchase option on the Amilcar Royalty Agreement, exercisable anytime, for the price of US\$3,800,000. Amilcar has a put option on the Amilcar Royalty Agreement, for the same price, exercisable (i) in case SMSA enters into commercial production and reaches the threshold of 40,000 tonnes of mineral products concentrates per year; or (ii) the SMSA original controlling group ceases to have an indirect interest of at least 30% in SMSA on a fully diluted basis. The Rix Royalty Agreement provides for a net smelter return calculated at the rate of 1%, over the gross revenues of SMSA, less taxes, returns and sale commissions.

The following is the installment payment schedule as of September 30, 2019. The installments are subject to interest as per the monthly variation of the CDI of approximately 6.4% per annum (the Brazilian Interbank rate) from December 15, 2017 to the due date of their respective payments. Interest on overdue payments accrues at 1% per month plus a 10% penalty.

Due date	Reais (undiscounted)	Canadian equivalent to Reais (undiscounted)	Carrying value September 30, 2019
March 15, 2020	3,000,000	\$ 954,077	\$ 933,157
July 31, 2020 <sup>(1)</sup>	4,159,309	1,322,808	1,253,026
March 15, 2021	3,000,000	954,077	896,402
March 28, 2022	1,000,000	318,026	286,981
			<b>\$ 3,369,566</b>
<b>Carrying value</b>			<b>September 30, 2019</b>
<b>Current</b>			<b>\$ 2,186,183</b>
<b>Long-term</b>			<b>1,183,383</b>
			<b>\$ 3,369,566</b>

# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

### 11. Note payable (continued)

(1) On March 29, 2019, the Company and Arqueana signed the Second Amendment of the SMSA Stock Purchase Agreement, where an installment due on March 15, 2019 was divided into two tranches: a tranche of \$1,255,536 (3,671,032 Reais) that has been satisfied in full and a second tranche of \$1,420,990 (4,159,309 Reais) due on September 15, 2019.

On August 29, 2019, the Company and Arqueana signed the 3<sup>rd</sup> Amendment of the SMSA Stock Purchase Agreement, where the installment due on September 15, 2019, in the amount of \$1,420,990 (4,159,309 Reais) was postponed to July 31, 2020.

On November 20, 2019, the Company and Arqueana signed the 4<sup>th</sup> Amendment of the SMSA Stock Purchase Agreement, where the installment due on July 31, 2020, in the amount of \$1,420,990 (4,159,309 Reais) was postponed to December 31, 2020. Payment schedule was revised as follows:

Due date	Reais (undiscounted)	Canadian equivalent to Reais (undiscounted)	Carrying value
March 15, 2020	3,000,000	954,077	\$ 933,157
December 31, 2020	4,159,309	1,322,808	1,233,199
March 15, 2021	3,000,000	954,077	896,402
March 28, 2022	1,000,000	318,026	286,981
<b>Total</b>			<b>\$ 3,349,739</b>
			<b>September 30, 2019</b>
<b>Current</b>			<b>\$ 933,157</b>
<b>Long-term</b>			<b>2,416,582</b>
			<b>\$ 3,349,739</b>

### 12. Related party transactions

(a) For the three and nine months ended September 30, 2019, the Company paid for shared office maintenance costs, support personnel and secretarial administrative personnel to A10 Investimentos Ltda. (a company owned by certain Directors of the Company) through a Cost Sharing Agreement the amount of \$42,086 and \$65,008, respectively (three and nine months ended September 30, 2018 - \$43,983 and \$98,414, respectively). The amounts were recognized at the exchange amount.

(b) As of September 30, 2019, the Company had prepaid land leases to Miazga Participações S.A. (a land administration company owned by certain Directors of the Company) ("Miazga") for an amount of \$109,943 (December 31, 2018 - \$176,758) and to Arqueana in the amount of \$16,190 (December 31, 2018 - \$nil). The amounts were recognized at the exchange amount.

(c) During the three and nine months ended September 30, 2019, the Company incurred lease expenses with Miazga of \$14,412 and \$54,009, respectively (three and nine months ended September 30, 2018 - \$15,912 and \$48,760, respectively) and Arqueana \$8,439 and \$25,141, respectively (three and nine months ended September 30, 2018 - \$7,956 and \$24,380, respectively) for the Lithium Properties, and expenses with Rix of \$nil and \$3,484 (three and nine months ended months ended September 30, 2018 - \$1,985 and \$6,367, respectively) for a car rental. The amounts were recognized at the exchange amount.



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# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

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### 12. Related party transactions (continued)

(d) On June 1, 2019, the Company purchased, at exchange amount, in 12 installments, a car from Rix. The Company paid \$1,997 and \$2,680, respectively for the three and nine ended September 30, 2019, towards this car purchase.

(e) For the three and nine months ended September 30, 2019, the Company paid travel advances of \$nil and \$29,111, respectively (three and nine months ended September 30, 2018 - \$4,470 and \$59,748, respectively) to its management. These advances were incurred in the normal course of operations for the Company and are to be offset by expense reports. The amounts were recognized at the exchange amount.

(f) At September 30, 2019, the Company owed McCarthy Tétrault LLP, a law firm where one of the Company's directors is a partner and another of the Company's directors is legal counsel, \$533,937 (December 31, 2018 \$300,526) in legal fees. The amounts were recognized at the exchange amount.

(g) On November 29, 2019, the Company entered into the revolving credit facility agreement, as described in note 23(c).

### 13. Convertible debentures

On August 17, 2017 Sigma Holdings closed a private placement of convertible senior unsecured debentures ("Sigma Holdings Debentures") in the aggregate principal amount of \$2,800,000, convertible into common shares of Sigma Holdings at a conversion price of \$0.50 per share.

On April 30, 2018, as part of closing the RTO, the Sigma Holdings Debentures were converted into 5,880,000 Sigma Holdings shares (prior to the Share Exchange and Share Consolidation), with a fair value of \$11,760,000 calculated at \$2.00 per share. 280,000 penalty shares were included in the 5,880,000 Sigma Holdings shares as the RTO was not completed prior to March 31, 2018. After consideration of the Share Exchange and the Share Consolidation, there are 5,879,807 outstanding shares of the Company issued as a result of the conversion of the Sigma Holdings Debentures.

In connection with the private placement of the Sigma Holdings Debentures, Sigma Holdings entered into an agency agreement with the agent pursuant to which Sigma Holdings (i) paid an agency fee of \$137,700 and (ii) issued warrants to acquire 275,390 Sigma Holdings shares. Each such warrant was exercisable for one common share of Sigma Holdings at an exercise price of \$0.50 per share with an expiry date of August 18, 2019.

The Sigma Holdings warrants were exchanged for Company warrants in accordance with the terms of the RTO. After the completion of the RTO as outlined in note 8 of the audited December 31, 2018 consolidated financial statements and the Share Exchange and Share Consolidation, as outlined in note 8 of the audited December 31, 2018 consolidated financial statements. The terms of the new warrants were as follows: 275,390 warrants outstanding with an exercise price of \$0.50 per warrant with an expiry date of August 18, 2019. All of the warrants were exercised on July 11, 2019 (see note 17).

For accounting purposes, the Sigma Holdings Debentures were separated into their liability, derivative and warrant components using the residual method. Total costs of \$245,433 were incurred for the private placement of the Sigma Holdings Debentures. The Sigma Holdings Debentures were separated into liability component of \$2,546,530, derivative component of \$950, and warrant component of \$7,016 on the date of issue. As an active market was not available for the Sigma Holdings Debentures, the fair value was determined using the most appropriate valuation model. For the Sigma Holdings warrants, the following weighted average assumptions were used in the Black-Scholes valuation model:

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Risk free rate	1.22%
Expected life	2.0 Years
Expected dividend yield	nil
Estimated volatility	81%

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# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

### 13. Convertible debentures (continued)

The value assigned to the 275,390 Sigma Holdings warrants was determined to be \$11,244. The derivative component was revalued using a valuation model creating a loss of \$1,063,518. This derivative loss in addition to a \$560,000 loss on the penalty shares is disclosed in the statement of loss as a loss on derivative for the nine months ended September 30, 2018 totaling \$1,623,518.

### 14. Bridge loans

On March 15, 26 and 29, 2018, A10 Serviços Especializados de Avaliação de Empresas Ltda. provided bridge loans to SMSA of 500,000 Reais (\$170,500), 520,000 Reais (\$177,320) and 727,600 Reais (\$248,112), respectively, with interest calculated pursuant to the CDI (Brazilian Interbank Rate) plus a 4% per annum spread, accrued from the date of their respective disbursements. The bridge loans had due dates on April 30, and May 30, 2018, automatically renewable on a rolling basis.

On July 18, 2018, \$641,635 was paid to A10 Serviços Especializados de Avaliação de Empresas Ltda. (a company owned by certain Directors of the Company) to satisfy the bridge loans and interest in full.

### 15. Share capital

#### a) Authorized share capital

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

#### b) Common shares issued by the Company

	Number of common shares	Amount
<b>Balance, December 31, 2017</b>	<b>669,675</b>	<b>\$ 697,582</b>
Shares issued <sup>(1)(2)</sup>	10,019,671	20,040,000
Agent warrant issued <sup>(1)</sup>	-	(217,929)
Share issue transaction costs (fees)	-	(1,663,610)
Conversion of convertible debenture (note 13)	5,879,807	11,760,000
Shares issued for reverse takeover	50,398,348	1,339,356
<b>Balance, September 30, 2018</b>	<b>66,967,501</b>	<b>\$ 31,955,399</b>
<b>Balance, December 31, 2018</b>	<b>66,967,501</b>	<b>\$ 32,232,166</b>
Exercise of RSUs (note 21)	1,606,000	3,344,920
Exercise of warrants	275,390	555,627
Shares issued for services <sup>(3)</sup>	30,000	57,600
<b>Balance, September 30, 2019</b>	<b>68,878,891</b>	<b>\$ 36,190,313</b>

# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

### 15. Share capital (continued)

(1) On April 30, 2018, Sigma Holdings completed a brokered private placement offering of 10,000,000 subscription receipts at a price of \$2.00 per subscription receipt for gross proceeds of \$20,000,000, before taking into account the Share Exchange ratio and the 1:10 Share Consolidation. After consideration of the Share Exchange and Share Consolidation the shares outstanding relating to this share issuance amounted to 9,999,671. In connection with the brokered private placement offering, Sigma Holdings issued warrants entitling the agent to purchase 248,352 Sigma Holdings shares (prior to taking into account the Share Exchange and Share Consolidation). After consideration of the Share Exchange and Share Consolidation, the warrants outstanding relating to the brokered private placement offering amounted to 248,352. The fair value of the agent warrants was treated as a share issue cost. The fair value of the warrants was estimated to be \$217,929 using the Black-Scholes valuation model on the following assumptions: share price of \$2.00, dividend yield 0%, volatility 80.0% (calculated using similar companies), exercise price of \$2.00, risk-free interest rates of 1.76%, and expected lives of 2.0 years.

(2) Immediately prior to closing of the RTO, Sigma Holdings completed a private placement of 20,000 Sigma Holdings shares at a subscription price of \$2.00 per Sigma Share (the "Pre-Closing Private Placement") for aggregate gross proceeds of \$40,000 before taking into account the Share Exchange and Share Consolidation. The Pre-Closing Private Placement was completed in order for the Company to have the required number of public shareholders to list as a Tier 1 Issuer in accordance with the policies of the TSXV.

(3) On July 8, 2019, the Company issued 30,000 common shares to Richardson GMP Limited as required by an introductory fee agreement dated November 2, 2017.

### 16. Net loss per common share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2019 was based on the loss attributable to common shareholders of \$1,993,757 and \$4,855,397, respectively (three and nine months ended September 30, 2018 - loss of \$3,162,824 and \$11,327,686, respectively) and the weighted average number of common shares outstanding of 68,843,355 and 68,001,957, respectively (three and nine months ended September 30, 2018 - 66,967,501 and 37,723,802, respectively). Diluted loss per share for each of the periods presented did not include the effect of RSU's, stock options and warrants as they are anti-dilutive.

### 17. Warrants

	Number of warrants	Grant date fair value
<b>Balance, December 31, 2017</b>	<b>275,390</b>	<b>\$ 11,244</b>
Consideration for reverse takeover	-	406,688
Agent warrants issued (note 15)	248,352	217,929
<b>Balance, September 30, 2018, December 31, 2018</b>	<b>523,742</b>	<b>635,861</b>
Exercise of warrants	(275,390)	(417,932)
<b>Balance, September 30, 2019</b>	<b>248,352</b>	<b>217,929</b>

The following table reflects the actual warrants issued and outstanding as of September 30, 2019:

Expiry date	Exercise price	Warrants outstanding
March 29, 2020	2.00	248,352
		<b>248,352</b>

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# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

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### 18. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk).

#### (i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Cash is held with a Canadian chartered bank and a financial institution in Brazil, from which management believes the risk of loss to be minimal.

Receivables consist of amounts due from management and related parties (see notes 5 and 12). Receivables are in good standing as of September 30, 2019. Management believes that the credit risk with respect to these amounts receivable is minimal.

#### (ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity or debt funding.

See note 2 - going concern.

The Company's cash is currently invested in business accounts with high-credit quality financial institutions which are available on demand by the Company.

The Company's financial obligations consist of accounts payable and other liabilities and the contractual value of the accounts payable and other liabilities and note payable. The maturity analysis of financial liabilities as at September 30, 2019 is as follows:

	Less than one year	1-3 years	3-5 years	More than 5 years	Total
Accounts payable and other liabilities	\$ 3,620,741	\$ -	\$ -	\$ -	\$ 3,620,741
Discounted lease payments	6,342	15,739	20,915	222,889	265,885
Note payable	2,186,183	1,183,383	-	-	3,369,566

#### (iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

##### (a) Interest rate risk

The Company has cash balances. The Company's current policy is to invest surplus cash in high yield savings accounts with a Canadian chartered bank with which it keeps its bank accounts. As at September 30, 2019, the Company did not have any surplus cash. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

The Company also had debt instruments, as disclosed in note 11. The debt instruments as at September 30, 2019 and December 31, 2018 are exposed to interest as per the CDI (Brazilian Interbank rate).

# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

### 18. Financial risk management (continued)

(iii) Market risk (continued)

(b) Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company also has significant balances in Brazilian Real that are subject to foreign currency risk.

The Company had the following balances in the prescribed currencies:

		September 30, 2019	December 31, 2018
<b>(SMSA financial statements denominated in Brazilian Reais)</b>			
<b>Brazilian Reais</b>			
Current assets	Reais	1,303,369	446,358
Current liabilities	Reais	(6,329,708)	(3,651,476)
<b>(Company's financial statements denominated in US Dollars)</b>			
<b>United States Dollar</b>			
Cash in banks	USD	908,026	2,590,951

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and other liabilities denominated in Brazilian Real and US dollars. Sensitivity to a plus or minus 5% change in the foreign exchange rate of the Brazilian Reais compared to the Canadian dollar would affect other comprehensive loss by approximately \$80,000 with all other variables held constant; and by approximately \$60,000 in a plus or minus 5% change in the foreign exchange rate of the US dollar compared to the Canadian dollar.

### 19. Capital management

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives, including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, accumulated other comprehensive loss and deficit, which at September 30, 2019 totaled \$8,690,494 (December 31, 2018 - \$11,381,903). The Company's capital management objectives, policies and processes remained unchanged during the nine months ended September 30, 2019.

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to the Lithium Properties.

# Sigma Lithium Resources Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

### 20. General and administrative expenditures

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Stock-based compensation	\$ 327,656	\$ 880,597	\$ 853,551	\$ 2,938,365
Salaries and benefits	286,793	240,044	679,429	617,866
Legal	90,353	62,901	570,759	416,502
Travel	117,077	99,598	481,017	319,025
Professional fees	30,683	686,418	381,179	1,161,765
Administration	213,217	78,221	469,467	186,203
Write-off of sales tax in Canada	(143,470)	-	-	-
Business development	61,770	215,069	185,842	252,636
Accounting	23,572	29,477	93,120	29,477
Freight and transportation	-	12,784	-	69,595
Maintenance	-	15,927	-	34,480
Utilities	-	5,303	-	33,249
<b>Total general expenditures</b>	<b>\$ 1,007,651</b>	<b>\$ 2,326,339</b>	<b>\$ 3,714,364</b>	<b>\$ 6,059,163</b>

### 21. Restricted share units

The Company's Board of Directors has adopted the Equity Incentive Plan. The Equity Incentive Plan received majority (and majority of disinterested) shareholder approval in accordance with the policies of the TSXV at the annual and special meeting of the Company's shareholders held on June 18, 2018. The Equity Incentive Plan is available to (i) the directors of the Company, (ii) the officers and employees of the Company and its subsidiaries and (iii) designated service providers who spend a significant amount of time and attention on the affairs and business of the Company or a subsidiary thereof (each, a "Participant"), all as selected by the Company's Board of Directors or a committee appointed by the Company's Board of Directors to administer the Equity Incentive Plan (the "Plan Administrators").

	Number of RSUs
<b>Balance, December 31, 2017</b>	-
Granted <sup>(1)</sup>	4,700,000
<b>Balance, September 30, 2018</b>	<b>4,700,000</b>
<b>Balance, December 31, 2018</b>	<b>3,692,000</b>
Forfeited <sup>(2)</sup>	(1,008,000)
Granted <sup>(3)</sup>	1,118,000
Cancelled <sup>(5)</sup>	(50,000)
Exercised <sup>(3)(4)</sup>	(1,606,000)
<b>Balance, September 30, 2019</b>	<b>2,146,000</b>

(1) During the nine months ended September 30, 2018, the Company granted 4,700,000 RSUs to officers and key employees of the Company.

(2) On January 7, 2019, 1,008,000 RSUs were forfeited.

(3) During the first quarter of 2019, the Company granted 1,118,000 RSUs to an officer and key employees of the Company, of which 364,000 were exercised on March 25, 2019.

(4) On May 1, 2019, 1,242,000 common shares were issued related to the exercise of RSUs.

(5) On May 22, 2019, 50,000 RSUs were cancelled.

## Sigma Lithium Resources Corporation

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

### 22. Stock options

	Number of stock options	Weighted average exercise price
<b>Balance, December 31, 2017</b>	-	\$ -
Granted	374,000	2.23
<b>Balance, September 30, 2018</b>	<b>374,000</b>	<b>\$2.23</b>
<b>Balance, December 31, 2018</b>	<b>524,000</b>	<b>\$2.18</b>
Forfeited	(50,000)	2.23
Cancelled	(224,000)	2.23
<b>Balance, September 30, 2019</b>	<b>250,000</b>	<b>\$2.12</b>

The following table reflects the actual stock options issued and outstanding as of September 30, 2019:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
August 28, 2028	2.23	8.92	100,000	-
November 2, 2028	2.05	9.10	150,000	-
		9.03	250,000	-

### 23. Events after the reporting period

(a) On November 6, 2019, the Company filed the Feasibility Study Report at [www.sedar.com](http://www.sedar.com).

(b) On November 20, 2019, the Company and Arqueana signed the 4<sup>th</sup> Amendment to the SMSA Stock Purchase Agreement, where the \$1,420,990 (4,159,309 Reais) installment originally due on July 31, 2020 was postponed to December 31, 2020.

(c) On November 29, 2019 the Company entered into an agreement with A10 Serviços Especializados de Avaliação de Empresas Ltda. (a company owned by certain directors of the Company) providing for a \$6.6 million (US\$5 million), bearing interest at 11% per annum, calculated in US Dollars from the day funds are drawn. This credit line has a one year term, which is the maturity day for all funds drawn, if any. The revolving credit facility was obtained to fund the Company's ongoing working capital. As of November 29, 2019, the date of this report, no funds of the revolving credit facility have been drawn.