



**SIGMA LITHIUM RESOURCES CORPORATION**  
(formerly Margaux Red Capital Inc.)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**AND**  
**FROM APRIL 13, 2017 (DATE OF INCORPORATION)**  
**TO**  
**DECEMBER 31, 2017**  
(EXPRESSED IN CANADIAN DOLLARS)

---

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying 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 consolidated financial statements have been prepared by management on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation of the International Financial Reporting Interpretations Committee ("IFRIC"). 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 judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Company's website and has ensured that it is consistent with the consolidated financial statements.

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 at least four times a year 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.

The consolidated financial statements have been audited by KPMG LLP ("KPMG LLP", a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative), in accordance with IFRS as issued by the IASB and interpretation of the IFRIC on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.

"Calvyn Gardner"  
*Chairman and Chief Executive Officer*

"Guilherme Guimarães"  
*Chief Financial Officer*



KPMG LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 4600  
Toronto, ON M5H 2S5  
Canada  
Tel 416-777-8500  
Fax 416-777-8818

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Sigma Lithium Resources Corporation

### **Opinion**

We have audited the consolidated financial statements of Sigma Lithium Resources Corporation (formerly Margaux Red Capital Inc.) (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of loss for the year ended December 31, 2018 and for the period from incorporation on April 13, 2017 to December 31, 2017
- the consolidated statements of loss and comprehensive loss for the year ended December 31, 2018 and for the period from incorporation on April 13, 2017 to December 31, 2017
- the consolidated statements of changes in shareholders' equity for the year ended December 31, 2018 and for the period from incorporation on April 13, 2017 to December 31, 2017
- the consolidated statements of cash flows for the year ended December 31, 2018 and for the period from incorporation on April 13, 2017 to December 31, 2017
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and for the period from the incorporation on April 13, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit 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 Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 2 in the financial statements which indicates that Sigma Lithium Resources Inc. has no sources of revenue and has experienced losses and negative cash flows for the periods ended December 31, 2018 and December 31, 2017. In addition, Sigma Lithium Resources Inc. expects to require additional capital resources to meet planned expenditures within the next 12 months, and there is no assurance that adequate financing will be available to meet these planned expenditures.

As stated in Note 2 in the financial statements, these events or conditions, along with other matters as set forth in Note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity'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. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. 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 in the auditors' report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 Entity'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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Daniel Gordon Ricica.

Toronto, Canada

May 2, 2019

# Sigma Lithium Resources Corporation

## Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

December 31,	2018	2017 (recast - note 23)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,160,792	\$ 280,833
Receivables and other assets (note 4)	354,382	57,166
<b>Total current assets</b>	<b>4,515,174</b>	<b>337,999</b>
<b>Receivables and other assets</b> (note 4)	<b>109,244</b>	<b>-</b>
<b>Exploration and evaluation assets</b> (note 5)	<b>13,822,524</b>	<b>2,580,260</b>
<b>Property and equipment</b> (note 6)	<b>629,714</b>	<b>91,182</b>
<b>Total assets</b>	<b>\$ 19,076,656</b>	<b>\$ 3,009,441</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Suppliers and other liabilities (notes 7 and 11)	\$ 2,389,814	\$ 491,254
VAT Taxes	4,274	102,389
Payroll taxes	250,620	-
Minority interest payable (note 10 and note 25(c)(d)(e))	2,737,333	3,810,290
Derivative component of Sigma Debenture (note 12)	-	7,415,000
Convertible debenture (note 12)	-	2,721,482
<b>Total current liabilities</b>	<b>5,382,041</b>	<b>14,540,415</b>
<b>Long-term liabilities</b>		
Minority interest payable (note 10 and note 25(c)(d)(e))	2,302,686	3,592,196
Provision (note 14)	10,026	29,597
<b>Total liabilities</b>	<b>7,694,753</b>	<b>18,162,208</b>
<b>Shareholders' equity (deficit)</b>		
Share capital (note 15)	32,232,166	697,582
Contributed surplus	5,865,293	221,244
Accumulated other comprehensive income	(112,322)	81,508
Deficit	(26,603,234)	(16,153,101)
<b>Total shareholders' equity (deficit)</b>	<b>11,381,903</b>	<b>(15,152,767)</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 19,076,656</b>	<b>\$ 3,009,441</b>

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

**Nature of operations** (note 1)

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

**Events after the reporting period** (note 25)

**Approved on behalf of the Board:**

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

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

---

## Sigma Lithium Resources Corporation

Consolidated Statements of Loss  
(Expressed in Canadian Dollars)

---

	Year Ended December 31, 2018	From April 13, 2017 (Date of Incorporation) to December 31, 2017 (recast - note 23)
<b>Operating expenses</b>		
General and administrative expenses (note 20)	\$ 6,317,042	\$ 1,046,738
Reverse takeover transaction costs (note 8)	2,799,730	-
Accretion	198,133	178,828
Interest on minority interest payable	375,876	-
Foreign exchange (gain) loss	(886,639)	15,951
Loss on derivative (note 12)	1,623,518	7,414,050
Depreciation	22,473	10,192
<b>Net loss</b>	<b>\$(10,450,133)</b>	<b>\$ (8,665,759)</b>
<b>Attributed to:</b>		
Equity holders of the Company	\$(10,450,133)	\$ (8,590,631)
Non-controlling interest	-	(75,128)
	<b>\$(10,450,133)</b>	<b>\$ (8,665,759)</b>
<b>Loss per common share</b>		
<b>Equity holders of the Company</b>		
Basic and diluted net loss per common share	\$ (0.23)	\$ (0.26)
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>45,170,955</b>	<b>33,600,001</b>

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



---

**Sigma Lithium Resources Corporation**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

---

	Year Ended December 31, 2018	From April 13, 2017 (Date of Incorporation) to December 31, 2017 (recast - note 23)
<b>Net loss</b>	\$(10,450,133)	\$ (8,665,759)
<b>Other comprehensive loss</b>		
<b>Amounts that may be reclassified subsequently to profit and loss</b>		
Cumulative translation adjustment	(193,830)	91,274
<b>Net loss and comprehensive loss for the period</b>	<b>\$(10,643,963)</b>	<b>\$ (8,574,485)</b>
<b>Attributed to:</b>		
Equity holders of the Company	\$(10,643,963)	\$ (8,509,123)
Non-controlling interest	-	(65,362)
	<b>\$(10,643,963)</b>	<b>\$ (8,574,485)</b>

---

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

# Sigma Lithium Resources Corporation

## Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

	Year Ended December 31, 2018	From April 13, 2017 (Date of Incorporation) to December 31, 2017 (recast - note 23)
<b>Operating activities</b>		
Net loss for the period	\$(10,450,133)	\$ (8,665,759)
Adjustments for:		
Depreciation	22,473	10,192
Stock-based compensation (notes 23 and 24)	2,678,027	126,000
Reverse takeover transaction costs (note 8)	1,749,730	-
Provision	(19,571)	(1,068)
Accretion and interest	574,009	179,110
Loss on derivative	1,623,518	7,414,050
Unrealized foreign exchange gain	(736,646)	(125,503)
Changes in non-cash working capital items:		
Receivables and other assets	(433,318)	(50,698)
Amounts payable and other liabilities	1,367,081	239,802
Taxes payable	(98,115)	95,668
Retained taxes and social charges	250,620	-
<b>Net cash used in operating activities</b>	<b>(3,472,325)</b>	<b>(778,206)</b>
<b>Investing activities</b>		
Contribution agreement, net of cash	-	2,043
Addition to lithium properties	(9,194,953)	(1,536,141)
Repayment of minority interest payable (note 10)	(1,706,567)	-
Purchase of property and equipment	(570,485)	-
Purchase of non-controlling interest (note 10)	-	(52,705)
Cash acquired on reverse takeover (note 8)	31,017	-
Long-term receivables	(109,244)	-
<b>Net cash used in investing activities</b>	<b>(11,550,232)</b>	<b>(1,586,803)</b>
<b>Financing activities</b>		
Issue of common shares (note 15)	20,040,000	1
Share issue costs	(1,386,843)	-
Proceeds from convertible debentures (note 12)	-	2,800,000
Transaction costs (note 12)	-	(245,433)
Bridge loan (note 13)	603,005	-
Repayment of bridge loans (note 13)	(641,635)	-
<b>Net cash provided by financing activities</b>	<b>18,614,527</b>	<b>2,554,568</b>
<b>Effect of exchange rate changes on cash held in foreign currency</b>	<b>287,989</b>	<b>91,274</b>
<b>Net increase in cash</b>	<b>3,879,959</b>	<b>280,833</b>
<b>Cash, beginning of period</b>	<b>280,833</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 4,160,792</b>	<b>\$ 280,833</b>

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

**Sigma Lithium Resources Corporation**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian Dollars)**

	Number of common shares	Share capital	Contributed Surplus	Accumulated other comprehensive income	Deficit	Non-controlling interest	Total
<b>April 13, 2017 (date of incorporation) - incorporation share issued</b>	<b>669,675</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>
Shares issued for lithium properties (note 9)	-	697,581	-	-	-	-	697,581
Contribution of lithium properties	-	-	-	-	-	83,585	83,585
Issue of convertible debentures (note 12)	-	-	11,244	-	-	-	11,244
Stock-based compensation (notes 23 and 24)	-	-	210,000	-	-	-	210,000
Net loss for the period	-	-	-	-	(8,590,631)	(75,128)	(8,665,759)
Other comprehensive income for the period	-	-	-	81,508	-	9,766	91,274
Acquisition of non-controlling interest (note 10)	-	-	-	-	(7,562,470)	(18,223)	(7,580,693)
<b>Balance, December 31, 2017 (recast note 23)</b>	<b>669,675</b>	<b>697,582</b>	<b>221,244</b>	<b>81,508</b>	<b>(16,153,101)</b>	<b>-</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)	-	(1,386,843)	-	-	-	-	(1,386,843)
Conversion of convertible debenture (note 12)	5,879,807	11,760,000	-	-	-	-	11,760,000
Stock-based compensation (notes 23 and 24)	-	-	4,946,941	-	-	-	4,946,941
Consideration for reverse takeover (note 8)	50,398,348	1,339,356	406,688	-	-	-	1,746,044
Fair value adjustment on modification of minority interest payable	-	-	72,491	-	-	-	72,491
Net loss for the year	-	-	-	-	(10,450,133)	-	(10,450,133)
Other comprehensive loss for the year	-	-	-	(193,830)	-	-	(193,830)
<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>\$ -</b>	<b>\$ 11,381,903</b>

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

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 1. Nature of operations

Sigma Lithium Resources Corporation (the "Company") 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 Stock Exchange (the "TSXV") under the symbol SGMA since May 9, 2018 and on the American stock exchange Over-the-Counter QB ("OTCQB") under the symbol SGMLF. The head office of the Company is at Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5 and its web site is [www.sigmalithiumresources.com](http://www.sigmalithiumresources.com).

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"). 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. Margaux Red Capital Inc. ("Margaux", the Company's former name) was classified as a Capital Pool Company as defined in Policy 2.4 of the TSXV. Margaux's principal purpose was to complete a Qualifying Transaction within 24 months from the date of its listing on the TSXV. (see note 8).

### 2. Basis of presentation and going concern

The financial statements as at, and for the year ended, December 31, 2018 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 December 31, 2018 and its ongoing operations, which include the salaries and related charges of its employees, suppliers and related parties.

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 \$(866,867) at December 31, 2018 (working capital deficit of \$14,202,416 at December 31, 2017). 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. From April 13, 2017 (the date of incorporation of Sigma Holdings) to December 31, 2017, the Company incurred a net loss of \$8,665,759 and had net cash outflows from operations of \$778,206. Additional financings will be required to develop the Lithium Properties, complete a feasibility study, start project construction and implementation and continue to finance its operations. While there is no assurance these funds can be raised, the Company believes such financings will become available as required. Although the Company entered into a heads of agreement for production pre-payment financing ("Pre-Payment") with Mitsui & Co. Ltd. ("Mitsui") on March 25, 2019, the advancement of the full amount of the funding under the Pre-Payment is subject to certain conditions. The Company received US\$3 million from Mitsui as the first installment of the Pre-Payment (note 25). 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.

These 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 may cast significant doubt about the Company's ability to continue as a going concern. These 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.

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 3. Significant accounting policies

#### (a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the period ended December 31, 2018. The Board of Directors approved these consolidated financial statements as at May 2, 2019.

#### (b) *Basis of presentation*

These consolidated financial statements have been prepared on a historical cost basis except for the re-valuation of certain financial instruments.

#### (c) *Basis of consolidation*

These consolidated financial statements incorporate the financial statements of the Company, Sigma Holdings (which is 100% owned by the Company) and SMSA (which is 100% owned by Sigma Holdings).

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

#### (d) *Foreign currencies*

The functional currency of the parent company is the Canadian dollar and the Brazilian Real for SMSA, as determined by management. The Canadian dollar is the currency in which it presents these consolidated financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of reporting period exchange rates are recognized in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The results and financial position of all of the entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) Assets and liabilities for each statement of financial position date presented are translated at the closing rate at the date of that statement of financial position;
- b) Income and expenses for each income statement are translated at average exchange rates; and
- c) All resulting exchange differences are recognized in other comprehensive income (loss).

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 3. Significant accounting policies (continued)

#### (e) Business combinations

Acquisitions of a business are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given up, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the subsidiary. Acquisition-related costs are recognized in profit and loss as incurred.

#### (f) Financial instruments

##### IFRS 9 Financial Instruments ("IFRS 9")

The Company adopted IFRS 9 in its financial statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018.

IFRS 9 includes guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities.

The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

<b>Classification</b>	<b>IAS 39</b>	<b>IFRS 9</b>
Cash	Loans and receivables (amortized cost)	Amortized cost
Receivables	Loans and receivables (amortized cost)	Amortized cost
Amounts payable and other liabilities	Other financial liabilities (amortized cost)	Amortized cost
Derivative component of debentures	FVTPL	FVTPL
Minority interest payable	Other financial liabilities (amortized cost)	Amortized cost
Convertible debentures	FVTPL	FVTPL

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 3. Significant accounting policies (continued)

#### (f) *Financial instruments (continued)*

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

#### (g) *Cash and cash equivalents*

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and guaranteed investment certificates which are available on demand by the Company. As at December 31, 2018 and December 31, 2017, the Company's cash and cash equivalents is comprised of cash and short-term deposits.

#### (h) *Exploration and evaluation expenditures*

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. The aggregate costs related to abandoned mineral rights are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

The carrying value of the Company's mineral interests is assessed for impairment when indicators of such impairment exist. Indicators may include the loss of the right to explore in the area; the Company deciding not to continue exploring or incurring substantial additional expenditures on the project; or it being determined that the carrying amount of the project is unlikely to be recovered by its development or sale. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated to determine the extent of the impairment loss, if any. The recoverable amount is determined as the higher of the fair value less costs of disposal for the asset and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment is determined on an asset by asset basis, whenever possible. If it is not possible to determine impairment on an individual asset basis, impairment is considered on the basis of a cash generating unit ("CGU"). CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other group of assets.

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 3. Significant accounting policies (continued)

#### (h) Exploration and evaluation expenditures (continued)

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged immediately to the statement of loss and comprehensive loss so as to reduce the carrying amount to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of loss and comprehensive loss.

#### (i) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Field equipment	20%	Straight line
Building	4%	Straight line
Fixtures	10%	Straight line
Furniture	10%	Straight line
Pilot plant	10%	Straight line

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statements of profit or loss and comprehensive profit or loss.

Where an item of equipment consists of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.



---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 3. Significant accounting policies (continued)

#### (j) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

#### (k) Share-based payment transactions

The fair value of share-based payments related to options is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of shares issuable in respect of options that are expected to vest.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

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 fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods and services received.

Under the Company equity incentive plan (the "Equity Incentive Plan"), selected participants are granted stock options ("Options") and/or restricted share units ("RSUs"), where each RSU represents the right to receive one common share upon expiration of an applicable restricted period (vesting). RSUs are measured at fair value on the grant date. Such equity settled share-based payment transactions are not remeasured once the grant date fair value has been determined. The RSU compensation expense is recognized on a straight-line basis over the vesting period using a graded (accelerated) amortization schedule, with a corresponding charge to contributed surplus. Compensation expense for RSUs incorporates an estimate for expected forfeiture rates based on historical forfeitures.

#### (l) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for the following temporary differences; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future where the timing of the reversal of the temporary differences can be controlled by the parent. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill which is not deductible for tax purposes.

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 3. Significant accounting policies (continued)

(l) *Income taxes (continued)*

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, a deferred tax asset is not recognized.

(m) *Restoration, rehabilitation and environmental obligations*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

(n) *Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(o) *Non-controlling interest*

Non-controlling interest represents the minority shareholders' interest in the Company's less than wholly-owned subsidiary. On initial recognition, non-controlling interest is measured at its proportionate share of the acquisition date recognized amount of identifiable net assets of the related subsidiary acquired by the Company. Subsequent to the acquisition date, adjustments are made to the carrying amount of non-controlling interest for the minority shareholders' share of changes to the subsidiary's equity. Changes in the Company's ownership interest that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

(p) *Revenue from contracts with customers*

IFRS 15, Revenue from contracts with customers ("IFRS 15") replaced IAS 18 Revenue, IAS 11 Construction contracts, and some revenue-related interpretations. The new standard was applied on January 1, 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue at either a point in time or over time. The model features a five-step analysis of transactions to determine when and how much revenue should be recognized. New estimates and judgmental thresholds were introduced, which may affect the amount and/or timing of revenue recognized. The application of the new standard had no impact on the consolidated financial statements as at December 31, 2018 as the Company does not have any current sources of revenue.

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 3. Significant accounting policies (continued)

#### (q) Significant accounting judgments and estimates

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

Critical accounting estimates:

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

- The recoverability of amounts receivable and value-added taxes receivable which are included in the consolidated statements of financial position;
- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements;
- The estimated useful lives of property and equipment which are included in the consolidated statement of financial position and the related depreciation included in the statement of loss;
- The inputs used in accounting for share-based payment transactions, including warrants; and
- Inputs used in determining the fair value of derivative component of convertible debt.

Critical accounting judgments:

- Management assessment of going concern and uncertainties of the Company's ability to raise additional capital and/or obtain financing to advance the Lithium Properties project;
- Management applied judgment in determining the functional currency of the Company as the Canadian Dollar and its subsidiary to be the Brazilian Real, based on the facts and circumstances that existed during the period;
- Management determination of no material restoration, rehabilitation and environmental exposure, based on the facts and circumstances that existed during the period; and
- The Company's review of its long-lived assets for impairment based on results to date and when events and changes in circumstances indicate that the carrying value of the assets may not be recoverable. IFRS 6 Exploration for and evaluation of mineral resources and IAS 36 – Impairment of assets requires the Company to make certain judgments in respect of such events and changes in circumstances, and in assessing their impact on the valuations of the affected assets. The Company's assessment is that as at December 31, 2018 and December 31, 2017, there are no indicators of impairment in the carrying value of its long-lived assets.

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

### 3. Significant accounting policies (continued)

(r) *New standards not yet adopted and interpretations issued but not yet effective*

The accounting pronouncements detailed in this note have been issued but are not yet effective. The Company has not yet adopted these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company is analyzing the impacts of this Interpretation on the consolidated financial statements.

#### **IFRS 16 Leases**

IFRS 16 Leases (“IFRS 16”) is effective for the Company on January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

The Company is currently evaluating the impact of IFRS 16 will have in the consolidated financial statements.

#### **IFRS 2 Share-based Payment (“IFRS 2”)**

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment, covering the measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements, and potentially the timing and amount of expense recognized for new and outstanding awards. There was no material impact on the Company’s consolidated financial statements upon adoption of this standard.

### 4. Receivables and other assets

<b>December 31,</b>	<b>2018</b>	<b>2017</b>
<b>Current</b>		
Prepaid land lease (note 11)	\$ 67,514	\$ 52,354
Prepaid expenses	189,063	-
Sales tax receivable	92,008	-
Advances	5,797	4,812
	<b>\$ 354,382</b>	<b>\$ 57,166</b>
<b>Long-term</b>		
Prepaid land lease (note 11)	\$ 109,244	\$ -
	<b>\$ 463,626</b>	<b>\$ -</b>

The amount of \$5,797 relates to an advance to an SMSA officer for travel expenses.

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

### 5. Exploration and evaluation assets

A summary of explorations costs is summarized below:

December 31,	2018	2017
<b>Opening balance</b>	\$ 2,580,260	\$ -
Geological costs	4,501,036	804,311
Drilling	4,606,553	1,399,884
Environmental	681,606	187,861
Engineering	1,722,291	67,256
Other	73,281	120,948
Cumulative translation adjustment	(342,503)	-
<b>Closing balance</b>	\$ 13,822,524	\$ 2,580,260

The exploration and evaluation assets include \$2,268,914 (2017 - \$nil) in RSU expense capitalized in Geological costs as disclosed in note 23.

### 6. Property and equipment

Cost	Furniture	Building	Machinery	Fixtures	Pilot plant	Total
<b>Balance, April 13, 2017</b> (date of acquisition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution agreement (note 9)	-	19,546	98,100	-	-	117,646
<b>Balance, December 31, 2017</b>	-	19,546	98,100	-	-	117,646
Additions	59,329	-	52,246	290,793	168,117	570,485
Cumulative translation adjustment	-	(2,032)	(10,200)	-	-	(12,232)
<b>Balance, December 31, 2018</b>	\$ 59,329	\$ 17,514	\$ 140,146	\$ 290,793	\$ 168,117	\$ 675,899

Accumulated amortization	Furniture	Building	Machinery	Fixtures	Pilot plant	Total
<b>Balance, April 13, 2017</b> (date of acquisition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accumulated depreciation - Contribution Agreement (note 9)	-	8,175	8,097	-	-	16,272
Depreciation	-	304	9,888	-	-	10,192
<b>Balance, December 31, 2017</b>	-	8,479	17,985	-	-	26,464
Depreciation	937	304	14,822	6,410	-	22,473
Cumulative translation adjustment	-	(882)	(1,870)	-	-	(2,752)
<b>Balance, December 31, 2018</b>	\$ 937	\$ 7,597	\$ 32,807	\$ 6,410	\$ -	\$ 46,185

Net book value	Furniture	Building	Machinery	Fixtures	Pilot plant	Total
<b>Balance, December 31, 2017</b>	\$ -	\$ 11,067	\$ 80,115	\$ -	\$ -	\$ 91,182
<b>Balance, December 31, 2018</b>	\$ 58,392	\$ 9,917	\$ 107,339	\$ 284,383	\$ 168,117	\$ 629,714

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

### 7. 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.

December 31.	2018	2017
Suppliers	\$ 1,927,271	\$ 301,098
Amounts payable to related parties (note 11)	-	75,156
Accrued interest on minority interest payable	375,876	-
Accrued liabilities	86,667	115,000
<b>Total amounts payable and other liabilities</b>	<b>\$ 2,89,814</b>	<b>\$ 491,254</b>

### 8. 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 Margaux 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 Margaux shares ("Share Exchange"). 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 (the "Share Consolidation") 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 share capital of the Company and Sigma Holdings post Share Exchange (but adjusting to reflect the subsequent 1:10 Share Consolidation) was 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

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 shared-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.

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

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

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 recognized in the consolidated statements of loss and comprehensive loss		2,799,730
		<b>\$ 2,796,044</b>

### 9. Contribution agreement

On July 10, 2017, pursuant to the terms of a contribution agreement between Sigma Holdings and Rix Mineração e Consultoria S.A. ("Rix"), a related party (the "Contribution Agreement"), Sigma Holdings issued 50,399,999 common shares to Rix in exchange for Rix's 89% interest in SMSA.

At the date of the Contribution Agreement: SMSA owned 100% of the Lithium Properties, Rix owned approximately 89% of the issued and outstanding common shares of SMSA and Arqueana Empreendimentos e Participações S.A. ("Arqueana"), the non-controlling interest shareholder, owned approximately 11% of the issued and outstanding common shares of SMSA.

At the date of the Contribution Agreement, the exploration and evaluation assets had the following assigned values:

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

### 9. Contribution agreement (continued)

<b>Allocation of purchase price</b>	<b>July 10, 2017</b>
Current assets	\$ 8,511
Non-current assets	
Property and equipment	101,374
Exploration and evaluation assets	960,119
	<u>\$ 1,070,004</u>
Current liabilities	\$ 288,838
Shareholder's equity (net equity)	781,166
	<u>\$ 1,070,004</u>
<b>Allocation of purchase price</b>	<b>July 10, 2017</b>
Net equity	\$ 781,166
Non-controlling interest	(83,585)
<b>Acquired</b>	<b>\$ 697,581</b>

Sigma Holdings' share issuance of 50,399,999 common shares and Arqueana's non-controlling interest of 11% were valued using the book value costs of Rix and Arqueana.

### 10. Minority interest note payable

In December 2017 Sigma Holdings acquired, through transactions involving Rix and Arqueana, 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.

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.

At December 31, 2017, under the SMSA Stock Purchase Agreement, purchase consideration of 20,200,000 Reais (\$7,650,245) was payable in six installments, as disclosed below. 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 ("A10 FIA"), 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.



# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

### 10. Minority interest payable (continued)

The following is the installment payment schedule as of December 31, 2018. The installments are subject to interest as per the monthly variation of the CDI ("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 denominated	Canadian translated	Carrying value December 31, 2018
March 15, 2019 <sup>(3)(4)(5)</sup>	7,830,341	2,751,350	\$ 2,737,333
March 15, 2020	3,000,000	1,054,111	1,011,288
March 15, 2021	3,000,000	1,054,111	976,862
March 28, 2022	1,000,000	351,370	314,536
<b>Total</b>			<b>\$ 5,040,019</b>

  

	Carrying value December 31, 2018
<b>Current</b>	\$ 2,737,333
<b>Long-term</b>	2,302,686
	<b>\$ 5,040,019</b>

(1) On December 8, 2017, 135,000 Reais (\$52,705) was paid towards the original December 15, 2017 installment.

(2) On January 31, 2018, 30,000 Reais (\$11,362) was paid in arrears towards the December 15, 2017 installment.

(3) On March 13, 2018, the SMSA Stock Purchase Agreement was amended where the second installment of 10,000,000 Reais (\$3,787,250) originally due on April 15, 2018 was divided into three payment tranches, as follows: the first tranche, in the amount of 2,000,000 Reais (\$757,450) due on May 15, 2018; the second tranche, in the amount of 2,000,000 Reais (\$757,450) due on July 15, 2018; and the third tranche, in the amount of 6,000,000 Reais (\$2,272,350) due on March 15, 2019. This amendment was subsequently amended on May 2, 2018.

(4) On May 2, 2018, the SMSA Stock Purchase Agreement was amended where the second installment of 10,000,000 Reais (\$3,787,250) originally due on April 15, 2018 had its payments further postponed and divided into three payment tranches, as follows: the first tranche, in the amount of 4,241,400 Reais (\$1,500,000) due on May 15, 2018; the second tranche, in the amount of 576,034 Reais (\$195,205) due on July 5, 2018; and the third tranche, in the amount of 5,182,566 Reais (\$1,879,921) added to the third installment due on March 15, 2019. On May 15, 2018 and July 5, 2018, the Company paid \$1,500,000 and \$195,205, respectively to Arqueana and Cismon (a third party, to settle a vendor financing on behalf of Arqueana). These amounts were offset towards the first and second tranches, as described above, were then satisfied in full.

(5) On December 31, 2018, 352,224 Reais (\$123,758) was paid towards the March 15, 2019 installment. In addition, 35,000 Reais (\$12,302) was paid in arrears towards the December 15, 2017 installment. The December 15, 2017 installment was satisfied in full.

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

### 10. Minority interest payable (continued)

The following Installments that were due as of December 31, 2017 are outlined below. The Installments were subject to interest as per the CDI ("Brazilian Interbank rate") accrued from December 15, 2017.

Due date	Reais denominated	Canadian translated	Carrying value December 31, 2017
December 15, 2017 <sup>(2)(3)(6)</sup>	200,000	\$ 75,745	\$ 75,745
April 15, 2018	10,000,000	3,787,250	3,787,250
March 15, 2019	3,000,000	1,136,175	1,106,433
March 15, 2020	3,000,000	1,136,175	1,082,232
March 15, 2021	3,000,000	1,136,175	1,058,625
March 28, 2022	1,000,000	378,725	344,906
			7,455,191
Payment			(52,705)
<b>Total</b>			<b>\$ 7,402,486</b>
			<b>Carrying value December 31, 2017</b>
<b>Current</b>			<b>\$ 3,810,290</b>
<b>Long-term</b>			<b>3,592,196</b>
			<b>\$ 7,402,486</b>

### 11. Related party transactions

(a) For the year ended December 31, 2018, the Company paid for shared office maintenance costs and secretarial administrative personnel to A10 Investimentos Ltda. through a Cost Sharing Agreement in the amount of \$35,178 (99,067 Reais) for the year ended December 31, 2018 (from April 13, 2017 (date of incorporation) to December 31, 2017 - \$nil).

(b) As of December 31, 2018, the Company has prepaid land leases to Miazga Participações S.A. (a Land Administration company) ("Miazga") for an amount of \$176,758 (December 31, 2017 - \$nil) and to Arqueana for an amount of \$nil (December 31, 2017 - \$52,354). On December 31, 2018 the Company owed \$nil. Comparatively, on December 31, 2017, the Company owed \$75,156 to related parties as follows: Rix for an amount of \$1,154, A10 FIA \$22,901, Arqueana for an amount of \$17,033 and Miazga for an amount of \$34,068.

(c) During the year ended December 31, 2018, the Company incurred lease expenses with Miazga of \$68,288 and Arqueana \$33,049 for the Lithium Properties, and expenses with Rix of \$16,392 for a car rental.

(d) During the year ended December 31, 2018, the Chief Executive Officer was paid \$183,353, a former senior officer (general counsel) was paid \$81,000, the Chief Financial Officer was paid \$103,011, SMSA's president was paid \$132,133 for services rendered (from April 13, 2017 (date of incorporation) to December 31, 2017 \$nil), \$26,666 for director's fees was accrued. These services were incurred in the normal course of operations for Company matters, at the exchange amount agreed to between the parties.

(e) Share-based compensation issued to key management personnel for the year ended December 31, 2018 was valued at \$3,970,979 (from April 13, 2017 (date of incorporation) to December 31, 2017 \$nil).

(f) On December 31, 2018, the Company owned McCarthy Tétrault LLC, a law firm where one of the Company's directors is a partner and another of the Company's directors is counsel, \$300,526 in legal fees.

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 12. 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 and the Share Exchange and Share Consolidation, as outlined in note 8, the terms of the new warrants are as follows: 275,390 warrants outstanding with an exercise price of \$0.50 per warrant with an expiry date of August 18, 2019.

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:

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

The value assigned to the 275,400 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 as noted below is disclosed in the statement of loss as a loss on derivative for the year ended December 31, 2018 totaling \$1,623,518.

### 13. 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% py 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. to satisfy the bridge loans and interest in full.

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

### 14. Provision

	December 31, 2018	December 31, 2017
Provision for legal claims (a)	\$ 10,026	\$ 29,597

(a) Refers to sundry infraction notices from the National Mineral Agency (ANM) (formerly called Department for Mineral Production (DNPM)) due to the following aspects:

- Non-presentation and/or late submission of the 2011 Annual Extraction Report (RAL) in the amount of Reais \$nil (December 31, 2017 - 56,850 Reais (\$21,531)). On November 1, 2018, SMSA paid ANM 57,451 Reais (\$20,091) and settled these claims;
- Mining right deposits in disagreement with the payment of licenses, in the period from 2009 to 2011 in the amount of 29,368 Reais (\$10,026) (December 31, 2017 21,298 Reais (\$8,066)).
- As at December 31, 2017 claims related to repair of degraded areas with a remote loss amount of 693,404 Reais, (\$223,276) for which no provision was recognized due to previous favorable rulings by the courts. On May 30, 2018, the case received a definitive and final ruling in favor of SMSA and the case was dismissed.

### 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 Sigma Holdings

	Number of common shares	Amount
<b>Balance, April 13, 2017 (date of incorporation)</b>	\$ -	\$ -
Incorporation shares issued <sup>(1)</sup>	669,675	1
Mineral property contribution (note 9)	-	697,581
<b>Balance, December 31, 2017 (recast - note 23)</b>	<b>669,675</b>	<b>697,582</b>
Shares issued <sup>(2)(3)</sup>	10,019,671	20,040,000
Agent warrant issued <sup>(2)</sup>	-	(217,929)
Share issue transaction costs (fees)	-	(1,386,843)
Conversion of convertible debenture (note 12)	5,879,807	11,760,000
Shares issued for reverse takeover (note 8)	50,398,348	1,339,356
<b>Balance, December 31, 2018</b>	<b>66,967,501</b>	<b>\$ 32,232,166</b>

<sup>(1)</sup> On April 13, 2017 (date of incorporation), 669,675 Sigma Holdings common shares was issued. On the same day the Company issued 1 common share for \$1 cash to Rix. In addition, on the same day, 1 Sigma Holdings common share was cancelled.

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

### 15. Share capital (continued)

<sup>(2)</sup> 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 exchange ratio and 1:10 share consolidation as disclosed in note 8. 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 as disclosed in note 8). 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.

<sup>(3)</sup> 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 as disclosed in note 8. 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.

### 16. Net loss per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2018 was based on the loss attributable to common shareholders of \$10,443,038 (from April 13, 2017 (date of incorporation) to December 31, 2017 - loss of \$8,665,759) and the weighted average number of common shares outstanding of 45,170,955 (from April 13, 2017 (date of incorporation) to December 31, 2017 - 33,600,001). 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, April 13, 2017 (date of incorporation)</b>	-	-
Issued (note 12)	275,390	11,244
<b>Balance, December 31, 2017</b>	<b>275,390</b>	<b>11,244</b>
Consideration for reverse takeover (note 8)	-	406,688
Agent warrants issued (note 15)	248,352	217,929
<b>Balance, December 31, 2018</b>	<b>523,742</b>	<b>635,861</b>

The following table reflects the actual warrants issued and outstanding as of December 31, 2018:

Expiry date	Exercise price (\$)	Warrants outstanding
August 18, 2019	0.50	275,390
March 29, 2020	2.00	248,352
		523,742

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 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.

Receivable consists of amounts due from management and related parties. Receivables are in good standing as of December 31, 2018. 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 minority interest note payable. The maturity analysis of financial liabilities as at December 31, 2018 is as follows:

	Less than one year	1-3 years	3-5 years	More than 5 years	Total
Accounts payable and other liabilities	\$ 2,363,147	\$ -	\$ -	\$ -	\$ 2,363,147
Minority interest payable	2,737,333	2,302,686	-	-	5,040,019

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 18. Financial risk management (continue)

#### (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 December 31, 2018, 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 notes 10, 12, and 13. The debt instruments as at December 31, 2018 are exposed to interest as per the CDI ("Brazilian Interbank rate").

##### (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:

---

<b>December 31,</b>	<b>2018</b>
---------------------	-------------

---

#### **(SMSA non-consolidated financial statements denominated in Brazilian Reais)**

##### **Brazilian Reais**

Current assets	<b>Reais</b>	<b>446,358</b>
Current liabilities	<b>Reais</b>	<b>(3,651,476)</b>

---

#### **(Company's non-consolidated financial statements denominated in US Dollars)**

##### **United States Dollar**

Cash in banks	<b>USD</b>	<b>\$ 2,590,951</b>
---------------	------------	---------------------

---

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 net loss by approximately \$241,000 with all other variables held constant.

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 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 income and deficit, which at December 31, 2018, totaled a surplus of \$11,408,570 (December 31, 2017 - deficit of \$15,152,767). The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2018 and December 31, 2017.

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.

### 20. General expenditures

---

	Year Ended December 31, 2018	From April 13, 2017 (date of incorporation) to December 31, 2017 (recast - note 23)
Stock-based compensation	\$ 2,678,027	\$ 126,000
Administration	444,959	108,546
Professional fees	869,940	233,981
Accounting	31,626	-
Consulting	97,589	-
Salaries and benefits	526,294	24,125
Business development	371,696	-
Legal	679,267	394,886
Travel	520,953	72,922
Other	70,024	19,780
Freight and transportation	-	57,356
Maintenance	-	6,250
Utilities	-	2,892
<b>Total general expenditures</b>	<b>\$ 6,290,375</b>	<b>\$ 1,046,738</b>

---



# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

### 21. Income tax note

A reconciliation between income tax expense and the product of accounting profit (loss) multiplied by the Company's statutory tax rate is provided below:

	Year Ended December 31, 2018	From April 13, 2017 (Date of Incorporation) to December 31, 2017
Loss before Income Tax	\$(10,450,133)	\$ (8,665,759)
Expected income tax expense (recovery) based on statutory rate	(2,821,536)	(2,220,337)
Adjustment to expected income tax benefit:		
Non-deductible expense	1,656,565	-
Tax benefits not recognized	1,165,150	2,243,042
Impact of foreign income tax rate differential	(136,366)	(46,130)
Permanent and other differences	136,366	23,425
	\$ -	\$ -

### Deferred Tax Assets and Liabilities

#### (a) Unrecognized deferred tax assets

Deferred tax assets are recognized for the carry-forward or unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized. The following represent the deductible temporary differences which have not been recognized in the financial statements.

December 31,	2018	2017
Share issue costs	\$ 306,550	\$ 210,198
Convertible debentures	-	7,346,776
Minority interest payable and unrealized FX	537,661	-
Loss carry forward - Brazil	2,524,706	576,626
Loss carry forward - Canada	10,059,444	315,112
	\$ 13,428,361	\$ 8,448,712

#### (b) Non-capital losses

The following table summarizes the Company's non-capital losses that can be applied against future taxable profit:

Country	Amount	Expiry date
Canada	\$ 10,059,444	2037 and 2038
Brazil	2,524,706	indefinite

The tax loss carry forward in Brazil which can be carried forward indefinitely, however only 30% of taxable income in one year can be applied against the loss carry-forward balance.

---

## Sigma Lithium Resources Corporation

### Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

#### 22. Commitments

Lease commitments:

	Less than 1 year	2 - 4 years	More than 5 years	Total
<b>Canadian</b>	<b>145,263</b>	<b>358,471</b>	<b>61,787</b>	<b>565,521</b>

The Company has three land lease agreements with Miazga for the land access under development mine and future plant installation areas at a total cost of \$81,096 per year. One lease has a 15 years term and the other two 5 year terms, with renewal clauses for one year terms thereafter. The Company has prepaid certain lease payments to Miazga (note 11). The agreements are subject to annual inflation adjustments.

The Company also has a land lease agreement with Arqueana where the administrative building and pilot plant are located at a total cost of \$34,157 per year. The agreement is a 5-year term contract, with a renewal clause for one year term thereafter. The agreement is subject to annual inflation adjustments.

The Company has a car rental agreement with Rix for \$8,522 per year.

#### 23. 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").

Awards granted under the Equity Incentive Plan may consist of Options and RSUs ("Awards"). Each Award is subject to the terms and conditions set forth in the Equity Incentive Plan and to those other terms and conditions specified by the Plan Administrators and memorialized in a written award agreement. Subject to adjustment in certain circumstances, the Equity Incentive Plan authorizes a maximum of 13,393,499 common shares (being 20% of the issued and outstanding common shares at the time of the approval of the Equity Incentive Plan) that are issuable to Participants and that may be subject to Awards.

The Company revalues the RSUs for which a grant date has not yet been determined at each period end reporting date using the fair value of common shares. Once the date of grant under IFRS has been established, the Company will revise the earlier estimate so that the amounts recognized for services received in respect of the grant are based on the grant date fair value of the RSUs. The grant date fair value of the RSUs equals the fair market value of the common shares, at the grant date. The fair value of these equity-settled awards is recognized as compensation expense over the period that related services are rendered with a corresponding increase in equity. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions should be satisfied. If the grant date has not been determined, the Company will estimate the fair value of the award over the period of the related services until a grant date has been finalized.

In accordance with the terms of the Equity Incentive Plan, initially, RSUs will vest on or after the third anniversary of the date of grant, subject to the right of the Plan Administrators to determine at the time of grant that a particular RSU will be exercisable in whole or in part on a different date and to determine at any time after the time of grant that a particular RSU will be exercisable in whole or in part on an earlier date for any reason. In addition, vesting of RSUs may be subject to performance tests at the discretion of the Plan Administrators.

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 23. Restricted share units (continued)

During the year ended December 31, 2018, the Company granted 4,700,000 RSUs to certain directors, officers and consultants under its Equity Incentive Plan. Included in this total were 150,000 RSU's with a grant date of June 18, 2018 with a weighted average grant price of \$1.60 and 4,550,000 RSU's with a grant date of August 29, 2018 with a weighted average grant price of \$2.20. On December 31, 2018, \$2,268,914, of issued RSUs were capitalized in exploration and evaluation assets.

The Company has recast the 2017 comparative figures to correct for an immaterial error related to stock based compensation of \$210,000, which has been updated in the 2017 consolidated statements of changes in shareholders' equity to recognize the fair value of 2,100,000 existing shares granted by the principal shareholders of the Company to directors and employees which \$210,000 was previously unrecognized (\$84,000 of which was capitalized).

As at December 31, 2018, there were 3,692,000 RSUs outstanding. The weighted average fair value of RSU's granted during the year ended December 31, 2018 was \$2.18 per share.

### 24. Stock options

Under the Equity Incentive Plan, the Plan Administrators may also grant Options to Participants. Any Options granted under the Equity Incentive Plan will have a maximum term of ten years, and will be exercisable at a price not less than the fair market value of a common share on issuance of the option, calculated in accordance with the terms of the Equity Incentive Plan.

The following table reflects the continuity of stock options:

	Number of stock options	Weighted average exercise price (\$)
<b>Balance, April 13, 2017 to December 31, 2017</b>	-	-
<b>Balance, December 31, 2017</b>	-	-
Granted (i)(ii)	524,000	2.18
<b>Balance, December 31, 2018</b>	<b>524,000</b>	<b>2.18</b>

(i) On August 29, 2018, 374,000 Options were granted with an exercise price of \$2.23 per share. The Options shall vest in 5 tranches, being 20% on each anniversary of the date of grant; except for 100,000 Options, whose vesting period is 50% on first anniversary and 50% on second anniversary of the date of grant. The grant date fair value of \$749,496 or \$2.00 per Option was valued using the Black-Scholes valuation model with the following assumptions: share price of \$2.00, expected dividend yield of 0%, expected volatility of 150% which is based on historical volatility of similar companies, risk-free rate of return of 2.20% and an expected maturity of 5 years. For the year ended December 31, 2018, \$156,709 was expensed to share-based compensation.

(ii) On November 2, 2018, 150,000 Options were granted with an exercise price of \$2.05 per share. The Options vest in 2 tranches, being 50% on each anniversary of the date of grant. The grant date fair value of \$300,000 or \$2.00 per Option was valued using the Black-Scholes valuation model with the following assumptions: share price of \$2.05, expected dividend yield of 0%, expected volatility of 139% which is based on historical volatility of similar companies, risk-free rate of return of 2.50% and an expected maturity of 5 years. For the year ended December 31, 2018, \$37,500 was expensed to share-based compensation.

---

# Sigma Lithium Resources Corporation

## Notes to Consolidated Financial Statements

Year ended December 31, 2018 and from April 13, 2017 (date of incorporation) to December 31, 2017  
(Expressed in Canadian Dollars, unless otherwise indicated)

---

### 24. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of December 31, 2018:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
August 28, 2028	2.23	9.67	374,000	-
November 2, 2028	2.05	9.85	150,000	-
		9.72	524,000	-

### 25. Event after the reporting period

(a) On January 7, 2019, 1,652,000 RSUs were cancelled.

(b) On March 14, 2019, the Company granted 254,000 RSUs to an officer and key employees of the Company.

(c) On March 27, 2019, SMSA paid Amilcar \$1,092,222 (3,250,562 Reais) on behalf of Arqueana which was deducted from the Company's installment towards the SMSA Stock Purchase Agreement (see note 10) due on March 15, 2019.

(d) On January 30 and on February 12, the Company paid Arqueana, towards the SMSA Stock Purchase Agreement installment (see note 10) due on March 15, 2019 the amounts of \$26,298 (73,700 Reais) and \$39,711 (111,294 Reais), respectively.

(e) On March 29, 2019, the Company and Arqueana signed the Second Amendment of the SMSA Stock Purchase Agreement (see note 10), where the third installment was divided into two tranches, being one of \$1,158,231 (3,435,556 Reais) that has been satisfied in full and the second of \$2,541,577 (7,233,329 Reais) due on September 15, 2019.

(f) On March 26, 2019, the Company signed a heads of agreement for the Pre-Payment with Mitsui. As per such heads of agreement, 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 over six years, extendable for another five years. The advancement of the full amount of the funding under the heads of agreement is subject to certain conditions such as the approval of a feasibility report and approval of environmental licenses. The initial tranche payment of US\$3,000,000 has been received by the Company on April 4, 2019, while the disbursements of the remaining tranches are subject to the described conditions.