

# **Lithium X Energy Corp.**

September 30, 2016

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

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

The accompanying unaudited condensed interim consolidated financial statements of Lithium X Energy Corp. (the "Company") have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. They include appropriate accounting principles, judgment and estimates in accordance with IFRS for interim financial statements.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditors.

# Lithium X Energy Corp.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

# Lithium X Energy Corp.

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	September 30, 2016	June 30, 2016
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 16,725,559	\$ 9,683,877
Amounts receivable (Note 5)	110,750	145,900
Prepaid expenses	147,754	107,852
Advances (Note 6)	162,850	-
	<b>17,146,913</b>	9,937,629
Investment in PLASA (Note 7)	16,650,476	15,909,539
Exploration and evaluation assets (Note 6)	5,504,232	5,321,398
PLASA receivables (Note 7)	139,536	139,536
	<b>\$ 39,441,157</b>	<b>\$ 31,308,102</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 337,843	\$ 778,405
<b>Shareholders' equity</b>		
Common shares (Note 6,7,8)	68,617,753	59,113,662
Contributed surplus (Note 9)	5,254,503	4,977,563
Deficit	(34,768,942)	(33,561,528)
	<b>39,103,314</b>	30,529,697
	<b>\$ 39,441,157</b>	<b>\$ 31,308,102</b>

Nature of operations and going concern (Note 1)

Subsequent events (Note 6,9)

Approved on behalf of the Board of Directors and authorized for issue on November 28, 2016

"Geir Liland"

Director

"Harry Pokrandt"

Director

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

# Lithium X Energy Corp.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended September 30, 2016	Three months ended September 30, 2015
<b>Expenses</b>		
Share-based compensation (Note 9)	\$ 442,981	\$ -
Marketing	351,508	-
Management fees (Note 10)	177,000	22,500
Advisory and consulting	115,538	-
Travel	66,515	-
Rent and office	62,535	3,094
Regulatory and transfer agent fees	20,776	3,537
Professional fees	17,055	870
<b>Loss before other income</b>	<b>(1,253,908)</b>	<b>(30,001)</b>
Finance and other income	49,249	1,281
Foreign exchange gain (loss)	(2,755)	-
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (1,207,414)</b>	<b>\$ (28,720)</b>
Net loss per share - basic and diluted	\$ (0.02)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	65,852,154	10,029,063

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

# Lithium X Energy Corp.

## Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended September 30, 2016	Three months ended September 30, 2015
<b>Operating activities</b>		
Net loss for the period	\$ (1,207,414)	\$ (28,720)
Item not involving cash:		
Share-based compensation (Note 9)	442,981	-
	(764,433)	(28,720)
Changes in non-cash operating working capital:		
Amounts receivable	35,150	(1,585)
Prepaid expenses	(39,902)	-
Advances	(162,850)	-
Accounts payable and accrued liabilities	(612,192)	(1,449)
	(1,544,227)	(31,754)
<b>Investing activities</b>		
Investment in PLASA (Note 7)	(569,307)	-
Exploration and evaluation asset expenditures (Note 6)	(182,834)	-
	(752,141)	-
<b>Financing activities</b>		
Proceeds from exercise of stock options	36,850	-
Proceeds on issuance of common shares net of share issuance costs	9,301,200	-
	9,338,050	-
<b>Change in cash and cash equivalents during the period</b>	<b>7,041,682</b>	<b>(31,754)</b>
Cash and cash equivalents at beginning of the period	9,683,877	756,875
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 16,725,559</b>	<b>\$ 725,121</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash	\$ 1,321,290	\$ 25,121
Term deposits	15,404,269	700,000
	\$ 16,725,559	\$ 725,121

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

# Lithium X Energy Corp.

## Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Common shares		Contributed		Total Equity
	Number (Note 7,8,9)	Amount (Note 7,8,9)	Surplus	Deficit	
<b>Balance at June 30, 2015</b>	10,029,063	\$ 26,047,407	\$ 2,999,050	\$ (28,298,339)	\$ 748,118
Net loss and comprehensive loss for the period	-	-	-	(28,720)	(28,720)
<b>Balance at September 30, 2015</b>	<b>10,029,063</b>	<b>\$ 26,047,407</b>	<b>\$ 2,999,050</b>	<b>\$ (28,327,059)</b>	<b>\$ 719,398</b>
<b>Balance at June 30, 2016</b>	60,538,202	\$ 59,113,662	\$ 4,977,563	\$ (33,561,528)	\$ 30,529,697
Private placement (Note 8)	6,060,603	10,000,000	-	-	10,000,000
Share issuance costs (Note 8)	-	(698,800)	-	-	(698,800)
Share-based compensation (Note 9)	-	-	442,981	-	442,981
Exercise of stock options (Note 9)	167,000	202,891	(166,041)	-	36,850
Net loss and comprehensive loss for the period	-	-	-	(1,207,414)	(1,207,414)
<b>Balance at September 30, 2016</b>	<b>66,765,805</b>	<b>\$ 68,617,753</b>	<b>\$ 5,254,503</b>	<b>\$ (34,768,942)</b>	<b>\$ 39,103,314</b>

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

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the Business Corporations Act (Alberta) on August 28, 1997, and continued to British Columbia effective May 11, 2011. The Company is listed on the TSX Venture Exchange under the symbol "LIX" and the OTCQB Venture Market in the United States under the symbol "LIXXF". The address of the Company's registered office is 25th Floor, 700 West Georgia Street, Vancouver, BC V7Y 1B3.

The Company is a lithium resource explorer and developer with a focus on becoming a low-cost supplier for the lithium battery industry. On November 26, 2015, the Company completed its reactivation pursuant to which it acquired an option (the "Option Agreement") to acquire a 100% interest in the NSP Lithium Claims in Nevada from Clayton Valley Lithium Inc. ("Clayton Valley") (Note 6).

The Company is in the process of evaluating its exploration properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and upon future profitable production.

These unaudited condensed interim consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company does not currently have a recurring source of revenue, other than interest income on its cash deposit and has historically incurred losses and negative cash flows. As at September 30, 2016, the Company had working capital of \$16,809,070 consisting primarily of cash and cash equivalents. Although the Company presently has sufficient financial resources to cover its existing obligations and operating costs and undertake its currently planned programs for the next year, the Company expects to require further funding in the longer term to fund ongoing exploration and evaluation activities and ultimately develop, construct and operate a mining operation. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. These conditions create a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

### 2. BASIS OF PRESENTATION

#### a) Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by IFRIC. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS have been omitted or condensed. Accordingly, these unaudited condensed interim consolidated

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 2. BASIS OF PRESENTATION (continued)

financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended June 30, 2016.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as at November 28, 2016, the date the Board of Directors approved the statements.

#### b) Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis.

#### c) Functional and presentation currency

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### d) Use of estimates and judgments

The preparation of these unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments that affect the application of accounting policies regarding certain types of assets, liabilities, revenues and expenses and estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and reported amounts of expenses recognized during the reporting period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

#### *Critical accounting judgements*

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments. The Company's assessment of its ability to continue as a going concern requires judgements about the Company's ability to execute its strategy by funding future working capital requirements. See Note 1.

#### *Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made relate to the following:

#### - Exploration and evaluation assets and impairment charges

The application of the Company's accounting policy for exploration expenditures requires estimates in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available. In

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 2. BASIS OF PRESENTATION (continued)

#### d) Use of estimates and judgments (continued)

the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs.

These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

#### - Valuation of investments in associate

The Company accounts for its investment in associate on an equity method basis and, at each period end, requires an assessment as to whether there are indicators of impairment that would require the Company to test the investment for impairment. As the underlying asset of the associate is an exploration and evaluation asset, the significant estimates are similar to the Company's exploration and evaluation assets discussed above. If indicators of impairment exist, the Company would be required to determine the net recoverable amount which is based on expected cash flows to be earned from the investment or fair value of the investment less cost to sell.

#### - Measurement of share-based compensation

The cost for share-based payments is based on the fair value of the award on the date of grant. The Company uses an option pricing model to determine this fair value which require assumptions about the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors. See Note 9 for significant assumptions made in determining share-based compensation.

### 3. SUMMARY OF ACCOUNTING POLICIES

#### a) Principles of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries 1056625 B.C. Ltd. ("1056625") and 1061582 B.C. Ltd. ("1061582"). All intercompany balances, transactions, revenues and expenses have been eliminated on consolidation.

Interest in associate and joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the unaudited condensed interim consolidated financial statements include the Company's share of the profit or loss of the equity accounted for investees until the date on which significant influence or joint control ceases.

#### b) Financial instruments

Upon initial recognition all financial instruments, including derivatives, are recognized on the balance sheet at fair value. Subsequent measurement of financial assets is then based on the instruments being classified into one of the following categories: fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale. Financial liabilities are classified as either fair value through profit or loss or other liabilities. The Company has designated its financial instruments into the following categories applying the indicated measurement methods subsequent to initial recognition:

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 3. SUMMARY OF ACCOUNTING POLICIES (continued)

#### b) Financial instruments (continued)

Financial Instruments	Category	Measurement Method
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost

The Company will assess at each reporting period whether any financial assets are impaired. An impairment loss, if any is recorded in profit or loss.

#### c) Cash and cash equivalents

Cash consists of cash held on deposit in bank accounts. Cash equivalents include short-term investments that have maturity dates of three months or less from the date of purchase, or they are redeemable prior to maturity without significant costs or penalties.

#### d) Exploration and evaluation assets

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred. Once the legal right to explore has been acquired, the Company capitalizes the costs of acquiring, maintaining its interest in, exploring and evaluating mineral properties until such time as the lease expires, it is abandoned, sold or considered impaired in value. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage. At each reporting date the carrying amounts of the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. Each of the Company's properties is considered to be a separate cash generating unit. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 3. SUMMARY OF ACCOUNTING POLICIES (continued)

#### e) Share-based compensation

The Company grants stock options to directors, officers, consultants and charities. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited to share capital.

#### f) Foreign currency translation

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the Company's functional currency at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

#### g) Income taxes

Income tax expense represents the sum of current tax expense and deferred tax expense. 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 based on the taxable profits for the year. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized based on differences in the financial statement carrying amount for assets and liabilities and the associated tax balance.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable profits against which deductible temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 3. SUMMARY OF ACCOUNTING POLICIES (continued)

#### h) Loss per share

The Company presents basic loss per share 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 net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive securities including stock options. Stock options are included in dilutive per share calculations only if their exercise prices are less than the average market price of the underlying common shares for the period.

#### i) Recently issued accounting pronouncements

Certain pronouncements applicable to the Company were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after the date of these unaudited condensed interim consolidated financial statements.

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

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost or financial assets measured at fair value. Gains and losses on re-measurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). IFRS 9 is effective for the Company for the annual period beginning on July 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

##### (b) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning July 1, 2018, and may consider earlier adoption. The Company does not currently have any revenue arrangements. Accordingly, the adoption of IFRS 15 is not expected to have a significant impact on the consolidated financial statements but may impact the accounting for future arrangements with customers.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 3. SUMMARY OF ACCOUNTING POLICIES (continued)

#### i) Recently issued accounting pronouncements (continued)

##### (c) IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, Leases. 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 a 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. The mandatory effective date of IFRS 16 for the Company is for the annual period beginning on or after July 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

##### (d) IAS 7, Statement of cash flows ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7, Statement of cash flows as part of its major initiative to improve presentation and disclosure in financial reports. These amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The mandatory effective date for these amendments for the Company is for the annual period beginning on July 1, 2017. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

##### (e) IAS 12, Income taxes ("IAS 12")

In January 2016, the IASB issued amendments to IAS 12, Income taxes. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset, and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The mandatory effective date for these amendments for the Company is for the annual period beginning on July 1, 2017. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

### 4. DETERMINATION OF FAIR VALUES

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. At September 30, 2016 and 2015, there were no financial assets and liabilities measured and recognized at fair value on a recurring basis. The fair value of cash and cash equivalents, receivables and accounts payable are not materially different from their carrying value given their short terms to maturity. In addition, the fair value for long term receivables approximate their carrying value.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)  
(Unaudited)

### 5. AMOUNTS RECEIVABLE

	September 30, 2016	June 30, 2016
Input tax credits	\$ 45,180	\$ 126,531
Interest receivable	65,570	19,369
<b>Total amounts receivable</b>	<b>\$ 110,750</b>	<b>\$ 145,900</b>

### 6. EXPLORATION AND EVALUATION ASSETS

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

#### a) Clayton Valley North

On November 26, 2015 (the "Closing Date"), the Company completed its reactivation pursuant to which it acquired an option to acquire a 100% interest in the NSP Lithium Claims in Nevada from Clayton Valley Lithium Inc. ("CVL"), a privately held arm's length company. The reactivation was effected pursuant to an amalgamation agreement (the "Amalgamation Agreement") among a subsidiary of the Company and 1045564 B.C. Ltd. ("1045564"), the entity which previously held the option. Pursuant to the Amalgamation Agreement, the Company issued an aggregate of 5,000,000 common shares to the shareholders of 1045564. In addition, the Company issued 1,000,000 common shares and paid \$184,397 (US\$140,000) to CVL as required by the Option Agreement dated November 5, 2015, and issued 400,000 common shares to a consultant for services provided to the Company. The shares issued in relation to this transaction were valued at \$0.15 per share, being the approximate market price of those shares on the date of issue.

In order to exercise the option and earn the 100% interest in the NSP Lithium Claim Group, the Company must:

- i) pay US\$250,000 in cash to CVL on each of the first, second, third and fourth anniversaries of the Closing Date;
- ii) issue 446,112 common shares to CVL, on each of the first, second, third and fourth anniversaries of the Closing Date;
- iii) incur a minimum of US\$4,500,000 on exploration expenditures on the NSP Lithium Claim Group over a three-year period and deliver a pre-feasibility study on the NSP Lithium Claim Group by no later than the fourth anniversary of the Closing Date.

The Company has agreed to issue an additional 1,000,000 common shares to CVL upon completion of a inferred resource calculation that confirms the presence on the NSP Lithium Claim Group of a minimum of 100,000 tons LCE grading no lower than a 28ppm Li grade average, and will pay US\$2,000,000, in cash or in common shares (or a combination) at the option of the Company, upon completion of a positive economic feasibility study on the NSP Lithium Claim Group.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)  
(Unaudited)

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

CVL will be granted a 2.5% royalty on revenues derived from the sale of lithium concentrate and other ores or minerals extracted from the NSP Lithium Claim Group and the Company has agreed to pay a minimum annual advance royalty of US\$250,000 to CVL commencing on the fifth anniversary of the Closing Date. The Company has the right to buy 1.5% of the Royalty at any time for US\$3,000,000.

The Company further acquired specified additional claims in consideration for payment to CVL of \$124,233 (US\$91,000). The Company has agreed to make minimum exploration expenditures of US\$250,000 within two years on certain of these claims.

During the three months ended September 30, 2016, the Company advanced \$162,850 (US\$125,000) to fund drilling work on the property.

Subsequent to September 30, 2016, the Company paid US\$250,000 and issued 446,112 common shares to CVL as required by the Amalgamation Agreement.

#### b) Clayton Valley South

On February 25, 2016, the Company completed the acquisition of a 100% interest in the Clayton Valley South Expansion in Nevada's Clayton Valley through the acquisition of all of the outstanding shares of 1061582 BC Ltd. from an unrelated party. The property consists of 477 federal placer mining claims, totaling approximately 9,540 acres and is located approximately 30 miles southwest of Tonopah, Nevada, within the Clayton Valley.

Consideration for the acquisition consisted of a cash payment of \$480,200 (US\$350,000) and the issue of 4,000,000 common shares of the Company to the vendor. The Company also granted the vendor a 2% net smelter return royalty. A finder's fee of 295,000 common shares of the Company was paid to a third party. The shares issued in relation to this transaction were valued at \$0.73 per share, being the closing share price of the Company on February 12, 2016.

At the time of the transactions, 1045564 B.C. Ltd. and 1061582 B.C. Ltd. did not have material other assets.

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation assets:

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

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

	Clayton Valley South	Clayton Valley North	Total
	\$	\$	\$
<b>Acquisition costs:</b>			
Balance, June 30 and September 30, 2016	3,780,964	1,403,151	5,184,115
<b>Exploration costs:</b>			
Balance, June 30, 2016	26,221	111,062	137,283
Consulting	8,722	14,332	23,054
Claims	-	159,780	159,780
Balance, September 30, 2016	34,943	285,174	320,117
<b>Total costs:</b>			
Balance, September 30, 2016	3,815,907	1,688,325	5,504,232

	Clayton Valley South	Clayton Valley North	Total
	\$	\$	\$
<b>Acquisition costs:</b>			
Balance, June 30, 2015	-	-	-
Cash	645,614	443,151	1,088,765
Shares issued on acquisitions	3,135,350	960,000	4,095,350
Balance, June 30, 2016	3,780,964	1,403,151	5,184,115
<b>Exploration costs:</b>			
Balance, June 30, 2015	-	-	-
Consulting	26,221	83,400	109,621
Claims	-	18,957	18,957
Rent	-	6,256	6,256
Travel	-	2,449	2,449
Balance, June 30, 2016	26,221	111,062	137,283
<b>Total costs:</b>			
Balance, June 30, 2016	3,807,185	1,514,213	5,321,398

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)  
(Unaudited)

### 7. INVESTMENT IN PLASA

On April 15, 2016, the Company completed the acquisition of an initial 50% interest in Potasio y Lito de Argentina SA ("PLASA"), which owns 100% of the Sal de los Angeles lithium-potash brine project ("Sal de los Angeles Project" or the "Project") in Argentina, from Aberdeen International Inc. ("Aberdeen"). In consideration for the 50% interest, the Company issued 8,000,000 common shares to Aberdeen. A finder's fee of 160,000 common shares of the Company was paid to a third party. The Project includes 32 mining claims covering approximately 8,156 hectares in the province of Salta, Argentina. Pursuant to the agreement the Company has the option (the "Option") to acquire an additional 30% interest after incurring \$3,000,000 in exploration and development expenditures (the "Expenditure Commitment") over a two-year period and completing a Feasibility Study on the Project. This \$3,000,000 forms part of the Company's investment and is capitalized to the investment as the expenditures are incurred. In order to exercise the Option, the Company must issue common shares to Aberdeen with a value of \$5,000,000 based on a 10% discount to the 20-day volume-weighted average price (VWAP) of its common shares at the date of exercise. If the Expenditure Commitment is not met, the Company is required to transfer to Aberdeen that number of outstanding shares representing 20% of the outstanding shares of PLASA. In the event the Company does not exercise the option to purchase the additional 30% of PLASA, Aberdeen has the right to acquire that number of shares of PLASA equal to 1% of the outstanding shares of PLASA in consideration for the payment of \$166,000 in cash. The Company does not consolidate the assets, liabilities and results of operations of PLASA as Aberdeen and the Company jointly control the relevant activities of PLASA. Accordingly, the Company accounts for its interest in PLASA using the equity method. The shares issued in relation to this transaction were valued at \$1.89 per share, being the closing share price of the Company on April 20, 2016. The shares issued in relation to this transaction were valued at \$1.89 per share, being the closing share price of the Company on April 20, 2016.

	# of shares issued	Share price	April 15, 2016
Shares issued	8,000,000	\$ 1.89	\$ 15,120,000
Shares issued as finders fees	160,000	1.89	302,400
			<b>\$ 15,422,400</b>

The following table summarizes the change in investment in PLASA for the three months ended September 30, 2016, and the year ended June 30, 2016:

Balance, April 15, 2016	\$ 15,422,400
Advanced funds	487,139
Equity loss in investment in associate	-
Balance, June 30, 2016	\$ 15,909,539
Advanced funds	740,937
Equity loss in investment in associate	-
Balance, September 30, 2016	\$ 16,650,476

At September 30, 2016, PLASA receivables of \$139,536 (June 30, 2016 – \$139,536) were due from Aberdeen, consisting of its pro rata allocation of expenditures incurred by the Company on behalf of the joint venture.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 7. INVESTMENT IN PLASA (continued)

The following is summarised financial information for PLASA, based on its financial statements prepared in accordance with IFRS:

	September 30, 2016
Current assets	\$ 1,461,275
Non-current assets	5,538,159
Current liabilities	1,299,850
Net assets	\$ 5,699,584
<hr/>	
Company's interest in net assets of PLASA on acquisition	\$ 2,885,435
Fair value adjustment to mineral property on acquisition	12,536,965
Funds advanced subsequent to acquisition	1,228,076
Company's share of comprehensive loss of PLASA	-
Carrying amount of interest in PLASA at September 30, 2016	\$ 16,650,476

On May 6, 2016, PLASA entered into a joint venture agreement ("JV Agreement") with Salta Exploraciones SA ("SESA") for the construction, operation, production and sales of a pilot facility, designed to produce up to 5,000 tonnes per annum ("tpa") of lithium carbonate equivalent ("LCE"). The project has not been the subject of a feasibility study and there is no guarantee the pilot plant will successfully produce a commercial product on a profitable basis or at all. The Company has not established the economic viability of the proposed operation or any mineral reserves that would support such operation. Under the terms of the JV Agreement, in order to earn a 50% stake in the JV Company, SESA must contribute an estimated US\$6 million or the required amount for the construction and operation of an initial 2,500 tpa LCE ponding facility by incurring all construction costs, including one full year of post-construction operation. PLASA must contribute US\$3.3 million for a 30% contributing participation in the JV Company and the right to commercialize the lithium products. In addition, PLASA is carried for 20% of the JV Company for contributing brine from existing wells on the Project.

### 8. CAPITAL STOCK

- a) Authorized: unlimited number of common shares and preferred shares without par value.
- b) Common shares issued and outstanding: September 30, 2016 – 66,765,805 (June 30, 2016 – 60,538,202).
- c) During the three months ended September 30, 2016, the Company closed a non-brokered private placement of 6,060,606 common shares at a price of \$1.65 per share for gross proceeds of \$10,000,000. The Company paid cash of \$698,800 as finders fees in relation to the private placement.

No common shares were issued during the three months ended September 30, 2015.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

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### 9. STOCK OPTIONS

The Company has established a "rolling" stock option plan (the "Plan") in compliance with the TSX Venture Exchange's policy for granting stock options. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares and the exercise term of any option granted under the Plan may not exceed ten years. The exercise price of each option cannot be less than the market price of the Company's stock at the date of grant. Each option vesting period is determined on a grant by grant basis by the Board of Directors.

A summary of the changes in stock options is presented below:

	Outstanding	Weighted average exercise price
Balance, June 30 and September 30, 2015	915,000	\$ 0.11
Cancelled	(75,000)	0.15
Granted	5,913,820	0.81
Exercised	(700,000)	0.12
Balance, June 30, 2016	6,053,820	0.87
Granted	420,000	1.69
Exercised	(167,000)	0.22
Balance, September 30, 2016	6,306,820	\$ 0.87

During the three months ended September 30, 2016, the Company granted the following stock options:

- i) 300,000 stock options to directors and consultants, with an exercise price of \$1.65 and an expiry date of July 13, 2021, and vested immediately. Using the Black-Scholes option pricing model, the grant date fair value was determined to be \$297,632, or \$0.99 per option.
- ii) 120,000 stock options to consultants with an exercise price of \$1.80, an expiry date of July 28, 2021, and vested immediately. Using the Black-Scholes option pricing model, the grant date fair value was determined to be \$131,080, or \$1.09 per option.

The following assumptions were used for the Black-Scholes valuation of the stock options granted during the three months ended September 30, 2016:

	2017
Risk-free interest rate	0.79% - 0.86%
Expected life	5 years
Annualized volatility	75.00%
Dividend rate	0.00%
Forfeiture rate	0.00%

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

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### 9. STOCK OPTIONS (continued)

The total fair value of stock options granted during the three months ended September 30, 2016, was \$428,712 (September 30, 2015: nil). During the three months ended September 30, 2016, the Company recorded share-based compensation expense of \$442,981 (September 30, 2015: nil), of which \$14,269 related to vesting.

During the three months ended September 30, 2016, 167,000 stock options were exercised for proceeds of \$36,850 (September 30, 2015: nil).

The following table summarizes information about the stock options outstanding at September 30, 2016:

Outstanding	Exercisable	Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
150,000	112,500	\$ 0.15	November 26, 2018	2.2
450,000	450,000	0.83	February 16, 2021	4.4
50,000	50,000	0.11	March 1, 2021	4.4
1,000,000	1,000,000	1.12	March 18, 2021	4.5
1,573,820	1,123,820	1.62	June 29, 2021	4.7
300,000	300,000	1.65	July 13, 2021	4.8
120,000	120,000	1.80	July 28, 2021	4.8
20,000	20,000	0.11	January 19, 2022	5.3
20,000	20,000	0.11	January 7, 2023	6.3
170,000	170,000	0.12	February 3, 2024	7.3
1,503,000	1,503,000	0.15	November 26, 2025	9.2
950,000	950,000	0.45	December 31, 2025	9.3
6,306,820	5,819,320	\$ 0.87		6.4

Subsequent to September 30, 2016, 195,000 stock options were exercised for gross proceeds of \$79,650.

### 10. RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2016, key management personnel compensation totaled \$390,421 (September 30, 2015: nil) comprised of management fees of \$177,000 paid to companies controlled by the Company's chief executive officer, executive chairman and chief financial officer, \$15,000 paid to directors and share-based compensation of \$198,421 relating to 200,000 stock options granted to directors of the Company.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)  
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### 11. FINANCIAL RISK MANAGEMENT

#### a) Credit risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk includes cash and cash equivalents and accounts receivable. The Company reduces its credit risk on cash by maintaining its bank accounts at large international financial institutions. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2016, the Company had invested \$15,404,269 (June 30, 2016: \$9,661,745) in short-term guaranteed investment certificates.

Amounts receivable consists mainly of amounts due from the Canadian government and amounts due from Aberdeen. As such, management has concluded that the Company has no significant credit risk related to its receivables.

The maximum exposure to credit risk is equal to the carrying value of these financial assets. No amounts are past due and no allowance for doubtful accounts have been recorded by the Company.

#### b) Liquidity risk

All liabilities are due within the next year. At September 30, 2016, the Company has cash and cash equivalents of \$16,725,559 to settle current liabilities of \$337,843.

#### c) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Company's net earnings or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

#### d) Interest rate risk

The Company has cash and cash equivalent balances and no interest-bearing debt. The Company does not believe it is exposed to material interest rate risks. As of September 30, 2016, the Company had invested \$15,404,269 (June 30, 2016: \$9,661,745) in short-term guaranteed investment certificates.

#### e) Foreign currency risk

The Company's reporting currency is the Canadian dollar and major purchases are transacted in Canadian and US dollars. The Company funds certain exploration expenses in the United States using US dollar currency converted from its Canadian dollar bank accounts held in Canada. The Company maintains US dollar bank accounts in Canada. The Company is subject to gains and losses from fluctuations in the US dollar against the Canadian dollar.

As at September 30, 2016, the Company held \$1,258,713 in US dollars (June 30, 2016: \$2,492,859). The table below summarizes a sensitivity analysis for significant unsettled currency risk exposure with respect to the Company's financial instruments as at September 30, 2016, with all other variables held constant. It shows how comprehensive loss would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2016 and 2015

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### 11. FINANCIAL RISK MANAGEMENT (continued)

#### e) Foreign currency risk (continued)

	Sensitivity Analysis, Change in USD	Increase (Decrease) in net income
Decrease in Net Income	-1%	\$ (14,444)
Increase in Net Income	1%	\$ 14,444

#### f) Capital management

The Company's capital is defined to be shareholders' equity. The Company's objective in managing capital is to ensure it has adequate working capital to meet day to day needs and access to sources of capital sufficient to finance its operations and to make planned capital expenditures or capital acquisitions as opportunities present themselves. The Company manages its capital structure and makes changes to it in light of changes in economic conditions, anticipated or planned capital expenditures, opportunities for acquisitions and the risk characteristics of the underlying investments.

The Company is not subject to any externally imposed capital requirements except for the requirements of the Company to incur \$3,000,000 in exploration and development expenditures over a two-year period in order to maintain its investment in PLASA (Note 7).

There have been no changes in the Company's approach to capital management in the three months ended September 30, 2016.