Lithium X Energy Corp.

(formerly Royce Resources Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2016 and 2015

(Expressed in Canadian Dollars)

KPMG LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lithium X Energy Corp. (formerly Royce Resources Corp.)

We have audited the accompanying consolidated financial statements of Lithium X Energy Corp. (formerly Royce Resources Corp.), which comprise the consolidated statement of financial position as at June 30, 2016, the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Lithium X Energy Corp. (formerly Royce Resources Corp.) as at June 30, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards**.**

Comparative Information

The consolidated financial statements of Lithium X Energy Corp. (formerly Royce Resources Corp.) as at and for the year ended June 30, 2015 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on September 30, 2015.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes that Lithium X Energy Corp. (formerly Royce Resources Corp.) has no current sources of revenues, has incurred losses in the years ended June 30, 2016 and 2015, and has an accumulated deficit at June 30, 2016. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about Lithium X Energy Corp.'s (formerly Royce Resources Corp.) ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants
October 19, 2016
Vancouver, Canada

Lithium X Energy Corp.

(formerly Royce Resources Corp.)

Consolidated Statements of Financial Position

As at June 30, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
Assets		
Current		
Cash and cash equivalents	$ **9,683,877**	$ 756,875
Amounts receivable (Note 5)	**145,900**	2,478
Prepaid expenses	**107,852**	1,250
	9,937,629	760,603
Investment in PLASA (Note 7)	**15,909,539**	-
Exploration and evaluation assets (Note 6)	**5,321,398**	-
PLASA receivables (Note 7)	**139,536**	-
	$ **31,308,102**	$ 760,603
Liabilities		
Current		
Accounts payable and accrued liabilities	$ **778,405**	$ 12,485
Shareholders' equity		
Common shares (Note 6,7,8)	**59,113,662**	26,047,407
Contributed surplus (Note 9)	**4,977,563**	2,999,050
Deficit	**(33,561,528)**	(28,298,339)
	30,529,697	748,118
	$ **31,308,102**	$ 760,603

Nature of operations and going concern (Note 1)

Subsequent events (Note 1,8,9)

Approved on behalf of the Board of Directors and authorized for issue on October 19, 2016

"Geir Liland"

Director

"Harry Pokrandt"

Director

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

Lithium X Energy Corp.

(formerly Royce Resources Corp.)

Consolidated Statements of Loss and Comprehensive Loss

For the years ended June 30, 2016 and 2015

(Expressed in Canadian Dollars)

		2016		2015
Expenses				
Share-based compensation (Note 9)	$	2,572,703	$	-
Management fees and bonuses (Note 10)		1,036,000		90,000
Marketing and travel		1,001,546		-
Advisory and consulting		555,504		-
Rent and office		135,986		15,160
Regulatory and transfer agent fees		66,087		14,704
Professional fees		61,232		6,870
Loss before other income		(5,429,058)		(126,734)
Other income		128,840		-
Finance income		35,645		7,758
Foreign exchange gain		1,384		-
Net loss and comprehensive loss for the year	$	(5,263,189)	$	(118,976)
Net loss per share - basic and diluted	$	(0.17)	$	(0.01)
Weighted average number of common shares outstanding - basic and diluted		31,820,423		10,029,063

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

Lithium X Energy Corp.

(formerly Royce Resources Corp.)

Consolidated Statements of Cash Flows

For the years ended June 30, 2016 and 2015

(Expressed in Canadian Dollars)

		2016		2015
Operating activities				
Net loss for the year	$	**(5,263,189)**	$	(118,976)
Item not involving cash:				
Share-based compensation (Note 9)		**2,572,703**		-
		(2,690,486)		(118,976)
Changes in non-cash operating working capital:				
Amounts receivable		**(143,422)**		334
Prepaid expenses		**(106,602)**		-
Accounts payable and accrued liabilities		**502,629**		2,591
		(2,437,881)		(116,051)
Investing activities				
Investment in associate		**(433,594)**		-
Exploration and evaluation asset expenditures		**(1,155,838)**		-
		(1,589,432)		-
Financing activities				
Proceeds from exercise of stock options		**84,250**		-
Proceeds on issuance of common shares net of share issuance costs		**12,870,065**		-
		12,954,315		-
Change in cash and cash equivalents during the year		**8,927,002**		(116,051)
Cash and cash equivalents at beginning of the year		**756,875**		872,926
Cash and cash equivalents at end of the year	**$**	**9,683,877**	$	756,875
Supplemental cash flow information				
Non-cash share issuance costs	**$**	**102,000**	$	-
Non-cash acquisition costs		**19,517,750**		-
Accrued exploration and evaluation asset expenditures		**70,210**		-
Accrued liabilities on investment in associate		**193,081**		-
	$	**19,883,041**	$	-
Cash and cash equivalents is comprised of:				
Cash	**$**	**22,132**	$	56,875
Term deposits		**9,661,745**		700,000
	$	**9,683,877**	$	756,875

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

Lithium X Energy Corp.

(formerly Royce Resources Corp.)

Consolidated Statements of Changes in Equity

For the years ended June 30, 2016 and 2015

(Expressed in Canadian Dollars)

	Common shares		Contributed		
	Number (Note 7,8,9)	Amount (Note 7,8,9)	Surplus	Deficit	Total Equity
Balance at June 30, 2014	10,029,063	$ 26,047,407	$ 2,999,050	$ (28,179,363)	$ 867,094
Net loss and comprehensive loss for the year	-	-	-	(118,976)	(118,976)
Balance at June 30, 2015	10,029,063	26,047,407	2,999,050	(28,298,339)	748,118
Private placements	30,854,139	13,501,119	-	-	13,501,119
Share issuance costs	-	(733,054)	-	-	(733,054)
Shares issued as finders fees on private placements	100,000	102,000	-	-	102,000
Share-based compensation	-	-	2,572,703	-	2,572,703
Exercise of stock options	700,000	678,440	(594,190)	-	84,250
Shares issued on acquisitions	18,295,000	19,155,350	-	-	19,155,350
Shares issued as finders fees on acquisitions	560,000	362,400	-	-	362,400
Net loss and comprehensive loss for the year	-	-	-	(5,263,189)	(5,263,189)
Balance at June 30, 2016	**60,538,202**	**$ 59,113,662**	**$ 4,977,563**	**$ (33,561,528)**	**$ 30,529,697**

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

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 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 June 30, 2016, the Company had working capital of $9,159,224 consisting primarily of cash and cash equivalents and subsequent to year end raised an additional $10,000,000 through the issuance of common shares (Note 8). 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. The 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 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”).

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at October 19, 2016, the date the Board of Directors approved the statements.

2. BASIS OF PRESENTATION (continued)

b) Basis of measurement

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

c) Functional and presentation currency

These 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 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 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 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.

2. BASIS OF PRESENTATION (continued)

d) Use of estimates and judgments (continued)

- 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 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 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:

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.

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.

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 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.

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 June 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.

(Expressed in Canadian Dollars)

5. AMOUNTS RECEIVABLE

		June 30, 2016		June 30, 2015
Input tax credits	$	126,531	$	1,435
Interest receivable		19,369		1,043
Total amounts receivable	$	145,900	$	2,478

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.

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.

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:

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

	Clayton Valley South	Clayton Valley North	Total
	$	$	$
Acquisition costs:			
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
Exploration costs:			
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
Total costs:			
Balance, June 30, 2016	3,807,185	1,514,213	5,321,398

7. INVESTMENT IN PLASA

On April 15, 2016, the Company completed the acquisition of an initial 50% interest in Potasio y Litio 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

(Expressed in Canadian Dollars)

7. INVESTMENT IN PLASA (continued)

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
			$ 15,422,400

The following table summarizes the change in investment in PLASA for 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

At June 30, 2016, PLASA receivables of $139,536 (June 30, 2015 – nil) were due from Aberdeen, consisting of its pro rata allocation of expenditures incurred by the Company on behalf of the joint venture.

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

		June 30, 2016
Current assets	$	1,752,997
Non-current assets		5,220,215
Current liabilities		1,249,596
Net assets	$	8,222,809

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		487,139
Company's share of comprehensive loss of PLASA		-
Carrying amount of interest in PLASA at June 30, 2016	$	15,909,539

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")

(Expressed in Canadian Dollars)

7. INVESTMENT IN PLASA (continued)

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: June 30, 2016 – 60,538,202 (June 30, 2015 – 10,029,063).

c) During the year ended June 30, 2016, the Company closed non-brokered private placements of 11,696,669 common shares at a price of $0.15 per share for gross proceeds of $1,754,500, 10,825,000 common shares at a price of $0.30 per share for gross proceeds of $3,247,500, and 8,332,470 common shares at a price of $1.02 per share for gross proceeds of $8,499,119. The Company paid cash of $631,054 and issued 100,000 common shares, with a deemed value of $1.02 per share, as finders fees in relation to these private placements.

Subsequent to June 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.

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, 2014 and 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	$ 0.79

(Expressed in Canadian Dollars)

9. STOCK OPTIONS (continued)

During the year ended June 30, 2016, the Company granted the following stock options:

i) 1,740,000 stock options to directors, officers, consultants and charities, with an exercise price of $0.15 and an expiry date of November 26, 2025, and vested immediately. Using the Black-Scholes option pricing model, the grant date fair value was determined to be $205,221, or $0.12 per option.

ii) 150,000 stock options to consultants with an exercise price of $0.15, an expiry date of November 26, 2018, and vesting over a period of one year. Using the Black-Scholes option pricing model, the grant date fair value was determined to be $8,742, or $0.06 per option.

iii) 1,000,000 stock options to directors, officers and consultants with an exercise price of $0.45 and an expiry date of December 31, 2025, and vested immediately. Using the Black-Scholes option pricing model, the grant date fair value was determined to be $353,896, or $0.35 per option.

iv) 450,000 stock options to consultants, with an exercise price of $0.83 and an expiry date of February 16, 2021, and vested immediately. Using the Black-Scholes option pricing model, the grant date fair value was determined to be $226,905, or $0.50 per option.

v) 1,000,000 stock options to directors, officers and consultants, with an exercise price of $1.12 and an expiry date of March 18, 2021, and vested immediately. Using the Black-Scholes option pricing model, the grant date fair value was determined to be $681,432, or $0.68 per option.

vi) 1,073,820 stock options to directors, officers and consultants, with an exercise price of $1.62 and an expiry date of June 29, 2021, and vested immediately. Using the Black-Scholes option pricing model, the grant date fair value was determined to be $1,058,128, or $0.99 per option.

vii) 500,000 stock options to directors, officers and consultants, with an exercise price of $1.62 and an expiry date of June 29, 2021, and vesting over a period of three years. Using the Black-Scholes option pricing model, the grant date fair value was determined to be $395,792 or $0.79 per option.

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

	2016
Risk-free interest rate	0.60% - 1.92%
Expected life	1.8 years - 10 years
Annualized volatility	75.00%
Dividend rate	0.00%
Forfeiture rate	0.00%

(Expressed in Canadian Dollars)

9. STOCK OPTIONS (continued)

The total fair value of stock options granted during the year ended June 30, 2016, was $2,930,115 (June 30, 2015: nil). During the year ended June 30, 2016, the Company recorded share-based compensation expense of $2,572,703 (June 30, 2015: nil).

During the year ended June 30, 2016, 700,000 stock options were exercised for proceeds of $84,250 (June 30, 2015: nil).

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

Outstanding	Exercisable		Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
150,000	75,000	$	0.15	November 26, 2018	2.4
450,000	450,000		0.83	February 16, 2021	4.6
130,000	130,000		0.11	March 1, 2021	4.7
1,000,000	1,000,000		1.12	March 18, 2021	4.7
1,573,820	1,123,820		1.62	June 29, 2021	5.0
20,000	20,000		0.11	January 19, 2022	5.6
20,000	20,000		0.11	January 7, 2023	6.5
170,000	170,000		0.12	February 3, 2024	7.6
1,540,000	1,540,000		0.15	November 26, 2025	9.4
1,000,000	1,000,000		0.45	December 31, 2025	9.5
6,053,820	5,528,820	$	0.79		6.8

Subsequent to June 30, 2016, the Company granted the following stock options:

i) 300,000 stock options were granted to directors and consultants, with an exercise price of $1.65 and an expiry date of July 13, 2021, and vested immediately.

ii) 120,000 stock options were granted to consultants, with an exercise price of $1.80 and an expiry date of July 28, 2021, and vested immediately.

Subsequent to June 30, 2016, 167,000 stock options were exercised for proceeds of $36,850.

10. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2016, key management personnel compensation totaled $2,960,195 (2015: nil) comprised of management fees and bonuses of $1,036,000 paid to companies controlled by the Company's chief executive officer, executive chairman and chief financial officer, $30,000 paid to directors and share-based compensation of $1,894,195 relating to 3,938,820 stock options granted to directors and officers of the Company.

(Expressed in Canadian Dollars)

11. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the Canadian federal and provincial income tax rates to earnings before income taxes as shown in the following table:

		2016		2015
Loss before income taxes	$	(5,263,189)	$	(118,976)
Canadian federal and provincial income tax rates		26.0%		26.0%
Income tax recovery based on the above rates		(1,368,000)		(31,000)
Increase due to:				
Non-deductible expenses and other permanent differences		669,000		-
Change in unrecognized undeductible temporary differences, and other		699,000		31,000
	$	-	$	-

Deferred tax assets have not been recognized for the following deducible temporary differences:

		2016		2015
Non-capital losses	$	10,379,000	$	7,562,000
Share issue costs		505,000		-
	$	10,884,000	$	7,562,000

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

The gross amount of the Canadian tax losses for which a tax benefit has not been recorded expire as follows:

2026	$	3,314,000
2027		2,567,000
2028		921,000
2029		107,000
2030		70,000
2031		98,000
2032		113,000
2032		103,000
2034		139,000
2035		130,000
2036		2,817,000
	$	10,379,000

Tax attributes are subject to review and potential adjustment by tax authorities.

12. 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 June 30, 2016, the Company had invested $9,661,745 (June 30, 2015: $700,000) 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 June 30, 2016, the Company has cash and cash equivalents of $9,683,877 to settle current liabilities of $778,405.

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 June 30, 2016 the Company had invested $9,661,745 (June 30, 2015 - $700,000) 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 June 30, 2016, the Company held $2,492,859 in US dollars (June 30, 2015: nil). The table below summarizes a sensitivity analysis for significant unsettled currency risk exposure with respect to the Company's financial instruments as at June 30, 2016, with all other variables held constant. It shows how comprehensive loss would have been affected.

12. FINANCIAL RISK MANAGEMENT (continued)

e) Foreign currency risk (continued)

by changes in the relevant risk variable that were reasonably possible at that date.

	Sensitivity Analysis, Change in USD		Increase (Decrease) in net income
Decrease in Net Income	-1%	$	(23,568)
Increase in Net Income	1%	$	23,568

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 year ended June 30, 2016.