Lithium X Energy Corp.

(formerly Royce Resources Corp.)
Management's Discussion and Analysis
of Financial Condition and Results of Operations
Annual Report – June 30, 2016

The following discussion is management's assessment and analysis of the results and financial condition of Lithium X Energy Corp. ("Lithium X" or the "Company") formerly Royce Resources Corp., and should be read in conjunction with the accompanying audited consolidated financial statements and related notes. The financial data was prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and all figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The effective date of this report is October 19, 2016.

The scientific and technical content and interpretations contained in this report have been reviewed and approved by VP of Project Development, William Randall, P Geo, a Qualified Person as defined by NI 43-101, Standards of Disclosure for Mineral Projects.

Description of Business

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 is quoted on 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. ("CVL"). The reactivation was effected pursuant to an amalgamation agreement (the "Amalgamation Agreement") among the Company and 1045564 B.C. Ltd. ("1045564"), the entity which previously held the option, dated November 5, 2015. The reactivated company was renamed as Lithium X Energy Corp. and changed its trading symbol from "ROY" to "LIX". Following the reactivation, Company's board of directors were Paul Matysek, Brian Paes-Braga, Geir Liland, Harry Pokrandt, and Robert McLeod.

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.

The Company concurrently completed a private placement of 11,696,669 common shares at $0.15 per share for gross proceeds of $1,754,500 and granted 1,890,000 stock options to certain directors, officers, and consultants of the Company, exercisable for periods ranging from three to ten years at $0.15 per share.

On December 24, 2015, the Company completed a non-brokered private placement of 10,825,000 shares at a price of $0.30 per share for gross proceeds of $3,247,500.

On February 16, 2016, the Company appointed William Randall, P Geo, as the new VP of Project Development.

On March 18, 2016, the Company completed a non-brokered private placement of 8,332,470 shares at a price of $1.02 per share for gross proceeds of $8,499,119.

On April 20th, 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"). On May 6, 2016 PLASA entered into a definitive Union Transitoria agreement ("JV Agreement") with Salta Exploraciones SA ("SESA") for the development of a pilot lithium production facility at the Project.

On June 28, 2016, the Company appointed Eduardo Morales as Chief Operating Officer.

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.

Description of Properties

The Company holds properties in Nevada, USA and in Salta, Argentina.

Salta, Argentina

Sal de los Angeles Project

On April 15, 2016, the Company acquired a 50% interest in PLASA from 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 over a two-year period and completing a Feasibility Study on the Project. In order to exercise the Option, the Company must issue common shares to Aberdeen valued at $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. 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.

In the event the Company does not exercise the Option, Aberdeen has the right for a 30-day period to acquire a 1% interest in PLASA back from the Company for $166,000 in cash. In the event that the Company does not meet the expenditure commitment or complete the Feasibility Study within two years, the Company must transfer 20% of the PLASA shares back to Aberdeen, resulting in the Company holding 30% of the outstanding PLASA shares.

Joint Venture Agreement

On May 6, 2016, PLASA entered into the JV Agreement with SESA for the construction and operation of a pilot facility, designed to initially produce approximately 2,500 tonnes per annum ("tpa") of lithium carbonate equivalent ("LCE"), and the production and sales from the facility. 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 an existing well on the Project.

The JV Company has the option to increase its operating facilities to 5,000 tpa LCE upon completing a full 12-month period of cash flow positive operations on an after-tax basis. SESA shall be the operator of the JV Company under the direction of an Operating Committee which consists of equal representation from SESA and PLASA. The JV Company ponding facility is restricted to 100 hectares (approximately 1%) of the 8,156 hectares that comprise the Sal de los Angeles property.

The Sal de los Angeles Project covers more than 95% of the Salar de Diablillos property located in Salta province at an average elevation of approximately 4,050 metres above sea level. The Project includes 32 mining claims covering approximately 8,156 hectares and is located near FMC Corp.'s Salar de Hombre Muerto lithium deposit, one of the world's largest lithium operations, and Galaxy Resources Ltd.'s Sal de Vida lithium deposit.

An Operating Committee has been formed, comprised of 2 members representing PLASA and 2 members representing SESA. The Operating Committee will direct and oversee all aspects of the engineering, construction and operation of the facilities, and is currently planning construction. The operator will be under the direction of the Operating Committee. Pursuant to the terms of the JV Agreement, SESA is required to submit detailed engineering plans within 60 days of signing for review and approval by the Operating Committee.

The ponding facility will be designed to operate using conventional evaporation-based processing.

PLASA reserves the right to commercialize the lithium products. PLASA must submit the necessary applications for the required permits, including the Environmental Impact Assessment, which was submitted to the Salta authorities. Construction of the ponds will commence once permits have been received. Other works will focus on well construction, pumping, and piping facilities, which are also subject to approval of the Environmental Impact Assessment and submission of relevant documentation to the underlying property owners of certain claims.

Approximately C$19 million has been invested in the property by previous operators, including $16.2 million in work completed between 2010 to 2015. Work included extensive exploration and definition drilling, pump tests, seismic & gravity geophysical surveys, basin and solution transport models, evaporation and metallurgical testing, and running a continuous pilot ponding plant on-site.

On August 30, 2016 the Company filed a National Instrument 43-101 technical report prepared by FloSolutions (Chile), dated August 29, 2016 and entitled Resource Estimate for Lithium & Potassium, Sal de los Angeles Project, Salta (Argentina) containing its first independent lithium ("Li"), potassium ("K") and boron ("B") resource estimate for the Sal de los Angeles Project.

The NI 43-101 resource estimate, prepared by FloSolutions and summarized in Table 1 below, includes an Indicated component of 194,860 tonnes of lithium at an average grade of 501 milligrams per litre ("mg/l") (1,037,000 tonnes of lithium carbonate equivalent) ("LCE") and 2,143,491 tonnes of potassium at an average grade of 5,512 mg/l (4,088,000 tonnes of potash ("KCl") equivalent). The resource estimate also established an inferred resource of 189,130 tonnes of lithium at 410 mg/l (1,007,000 tonnes of LCE) and 2,068,161 tonnes of potassium at 4,489 mg/l (3,948,000 tonnes KCl equivalent). The resource estimate establishes Sal de los Angeles as a large and high grade undeveloped lithium brine project.

Table 1. Sal de los Angeles Brine Resource Statement

	Indicated			Inferred		
	Li	K	B	Li	K	B
Aquifer area (km^2)	22.2			32.4		
Aquifer volume (km^3)	3.195			3.807		
Mean specific yield	12.2%			12.0%		
Brine volume (km^3)	0.390			0.457		
Mean grade (g/m^3)	60.8	668.5	67.6	49.3	539.0	60.7
Eq. concentration (mg/L)	501	5,512	556	410	4,489	505
Resource (tonnes)	194,860	2,143,491	216,807	189,130	2,068,161	232,601

Notes to this resource statement:

1. CIM definitions were followed for Mineral Resources.
2. The Qualified Person for this Mineral Resource estimate is Frits Reidel, CPG.
3. The Qualified Person relied entirely on data provided by Lithium X for the preparation of the resource estimate and no independent data collection was carried out to verify the accuracy of the data provided by Lithium X.
4. A lithium cut-off concentration of 100 mg/L has been applied to the resource estimate.
5. Numbers may not add due to rounding.

The effective date is August 29, 2016.

The reader is cautioned that mineral resources are not mineral reserves and do not have demonstrated economic viability.

The resource estimate was prepared in accordance with the guidelines of National Instrument 43-101 and uses best practice methods specific to brine resources, including a reliance on core drilling and sampling methods that yield depth-specific chemistry and drainable porosity measurements. The resource calculations were also confirmed using two different resource models. The work was completed by independent qualified person Mr. Frits Reidel of international hydrogeology firm FloSolutions. Frits Reidel is a consulting hydrogeologist and is a Member of the American Institute of Professional Geologists. Mr. Reidel has sufficient relevant experience to qualify as a "Qualified Person" as defined in NI 43-101. Mr. Reidel has worked on lithium resource estimates for numerous brine projects including Salar de Hombre Muerto, Salar de Olaroz, Salar de Cauchari and Salar de Maricunga.

The resource is defined by reverse circulation and core drilling, but it has also been sampled by low-flow pumping and pumping tests in numerous locations. The footprint of the resource is 55 square kilometres. The new Indicated, and Inferred resource incorporates 21 reverse circulation holes and 7 diamond drill core holes, for a total of 6,270 metres of drilling in 28 holes. This equates to nominal drill spacing of 2 boreholes per square kilometre. Over most of the basin, the brine resource comes to within a few metres of the surface and its thickness is defined by the basement contact, which itself was defined by drilling and seismic tomography surveys. The brine resource was defined from 5 metres to more than 185 metres depth in one area.

The resource estimate confirms the favourable chemistry of the Sal de los Angeles brine. The low magnesium to lithium ratio has been shown to be a significant factor in reducing the use of common reagents employed during lithium concentrate production using conventional solar ponds. Some important parameters of the brine composition are:

- Average density of the brine: 1.10 g/cm3
- Average Magnesium/Lithium ratio: 3.8
- Average Sulphate/Lithium ratio: 14.6

Based on the geological model, approximately 95% of the brine volume in this resource is hosted by predominantly sand and gravel aquifers; the balance is hosted in silt or clay dominated units.

The total contained lithium and potassium values are based on measurements of drainable porosity distributed throughout the aquifer volume that defines this resource and by pump tests performed within the indicated portion of the resource estimate. These methods of porosity determination, or specific yield, are designed to estimate the portion of the total porosity that can reasonably be expected to be drained by pumping; however, these in situ estimates may differ from total extractable quantities. The porosity of the resource volume varies with geology and the average for the entire database is approximately 12%. These porosity values compare favourably to other unconsolidated, clastic basins similar to Diablillos.

Resource Estimation Methodology

The resource estimate was developed for the Lithium X Sal de los Angeles Project using SgeMS software. Dr. Gregoire Mariethoz, Professor at the University of Lausanne, Switzerland led the numerical model effort to develop the resource estimate. The author was in close communication with Dr. Mariethoz throughout the model development process; all results have been reviewed and checked at various stages and are believed to be valid and appropriate for these resource estimates.

The total resource is calculated by multiplying, on the entire grid, the lithium concentration by the porosity. The overall resource is then estimated by taking the average of this weighted concentration on the entire grid. The following steps were carried out to calculate the lithium, potassium and boron resources:

1) Adjust a variogram on the data in x, y and z directions.
2) Definition of model grid (52,154 nodes) and node size (x =150 m, y=150, z=6m).
3) Interpolation of Li, K B and Specific Yield in each node in g/m3 using kriging with the variogram models of step 1.
4) Calculation of total resource.
5) Preparation of grade-tonnage curve for Li.

The primary analytical laboratory for the data used in this resource is ALS Environmental laboratory of Fort Collins, Colorado. ALS labs are accredited to ISO 9001:2008 and ISO14001:2004 for its geochemical and environmental labs for the preparation and analysis of numerous sample types, including waters. The details of analytical methodologies and quality assurance protocols are reported in the NI 43-101 technical report for the project, which is filed on SEDAR.

The porosity determinations were made by Daniel B. Stephens & Associates, Inc. Soil Testing and Research laboratory of Albuquerque, New Mexico. For 30 years, the DBS&A Soil Testing & Research Laboratory has been the premier provider of consistent and reliable soil properties testing. It is also the go-to facility for research, development, and implementation of novel technologies and instruments to aid in successful project outcomes and project cost reductions. The laboratory adheres to standardized testing methods and industry accepted procedures established by the American Society of Testing and Materials (ASTM), American Association of State Highway and Transportation Officials (AASHTO), Methods of Soil Analysis (MOSA), American Petroleum Institute (API), American Society of Agronomy (ASA), and procedures developed and patented by DBS&A personnel.

Clayton Valley, Nevada

Lithium X holds option agreements on 15,020 acres (6,078 hectares) in Nevada's Clayton Valley and land positions both north and south of Albemarle's Silver Peak lithium brine mine, North America's only lithium producer, making the Company the largest claim holder in the Clayton Valley. Clayton Valley North covers approximately 5,480 acres (2,217 hectares) in northern Clayton Valley, Nevada. The claims are contiguous to private lands and placer claims belonging to the lithium production facility of Albemarle Corporation. Historic drill information and a geophysical survey show the property covers basin-fill sediments which are similar to the sediments currently producing lithium brines. Two Albemarle production sized wells lie along the boundary. The Company has also acquired the Clayton Valley South Expansion ("Clayton Valley South"), totaling approximately 9,540 acres (3,861 hectares). The property is strategically located contiguous to the Silver Peak lithium mine operated by Albemarle Corp. on the northern boundary, the Clayton Valley South project operated by Pure Energy Minerals Ltd to the east and the Neptune property owned by Nevada Sunrise Gold Corporation to the west.

Clayton Valley North

The Company has an option to acquire a 100% interest in the NSP Lithium Claim Group from CVL, a privately held arm's length company. In order to exercise the option and earn the 100% interest in the NSP Lithium Claim Group, the Company must:

a) pay US$250,000 in cash to CVL on each of the first, second, third and fourth anniversaries of November 26, 2015 (the "Closing Date");

b) issue 446,112 common shares to CVL, on each of the first, second, third and fourth anniversaries of the Closing Date;

c) 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.

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.

On March 23, 2016, the Company announced it had received the necessary work permits from the Bureau of Land Management to complete four drill holes at its Clayton Valley North Lithium project in Nevada. The work forms part of the Phase 1 exploration program at Clayton Valley North and results, if positive, will be incorporated into a maiden resource estimate.

The Company is permitted to drill four exploration holes on two drill sites that will target potential lithium-brine-bearing formations, including a basal gravel aquifer that lies at the base of the valley. The initial drill program was designed by David Hawkins, Chief Hydrogeologist for Lithium X, with assistance from Will Randall, the Company's VP of Project Development. A third site, consisting of two drill holes, shall be determined based on the results of these first two drill sites.

The Company expects to drill these holes to a depth that will intersect the gravel aquifer in the lower part of the basin, which is expected to be approximately 350 meters. Each drill site is expected to consist of two closely spaced holes (one diamond core hole and another rotary) to maximize data collection for the initial resource at Clayton Valley North. By using this system the Company maximizes the capture of accurate lithological and brine samples, as well as allowing more thorough pump tests to be completed on relevant horizons. The current spacing between these drill sites, which lie immediately north of currently operating wells, is approximately 800 meters.

Clayton Valley South

On February 25, 2016, the Company completed the acquisition of a 100% interest in Clayton Valley South in Nevada's Clayton Valley. The acquisition makes the Company the largest claims holder in Nevada's Clayton Valley with over 15,020 acres (6,078 hectares) ("the Property"). The Property is both north and south of Albemarle's Silver Peak mine, North America's only lithium producer.

Clayton Valley South consists of 477 federal placer mining claims, totaling approximately 9,540 acres (3,861 hectares) and is located approximately 30 miles southwest of Tonopah, Nevada, within the Clayton Valley.

The Company plans to test several potential lithium-bearing aquifers on the properties. The geological structure of the sediment-filled deep basin underlying the claims is a target-rich environment. Analysis of geological, geophysical and drill log data shows evidence of potential lithium-bearing aquifers. Within these sediments there are several known lithium bearing aquifers; these are the salt aquifer system, main ash aquifer, lower ash aquifer and the lower gravel aquifer. Faults within the basin create infiltration barriers that hinder the dilution of lithium brines from the influx of fresh water from the surrounding mountains.

Historic and present drilling programs surrounding Clayton Valley South suggest the potential for discovery of lithium-bearing brines. Albemarle wells are less than 300 feet from the Property and current drilling by Pure Energy is estimated to be 800 feet from the Property.

Consideration for the acquisition consisted of a cash payment of $480,200 (US$350,000) and 4,000,000 common shares of the Company to the vendor. 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.

In June, 2016, by mutual consent, the binding letter of intent entered into between Lithium X and North South Petroleum Corp. ("North South") dated May 12, 2016, relating to the acquisition by North South of the CVL South Property from Lithium X was terminated. Lithium X received $100,000 USD in this transaction.

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

	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

Overall Performance and Results of Operations

Total assets increased to $31,308,102 at June 30, 2016, from $760,603 at June 30, 2015, as a result of the acquisitions of Clayton Valley North, Clayton Valley South and PLASA. The most significant assets at June 30, 2016, were cash and cash equivalents of $9,683,877 (June 30, 2015:

$756,875), exploration and evaluation assets of $5,321,398 (June 30, 2015: nil) and Investment in Associate of $15,909,539 (June 30, 2015: nil). Cash and cash equivalents increased by $8,927,002 during the year ended June 30, 2016, as a result of the issuance of shares, net of share issuance costs, in the amount of $12,870,065 and the exercise of stock options in the amount of $84,250. The increase in cash was partially offset by exploration and evaluation expenditures of $1,155,838 and investment in associate of $433,594 and cash used in operating activities of $2,437,881.

The Company recorded a loss of $5,263,189 for the year ended June 30, 2016 (2015: $118,976). Total expenses for the year ended June 30, 2016, increased by $5,302,324 from $126,734 for the year ended June 30, 2016, to $5,429,058 for the year ended June 30, 2016. This increase was a result of acquisitions of Clayton Valley North, Clayton Valley South, and PLASA, and share-based compensation. The details of expenses incurred during the year ended June 30, 2016, were as follows:

- Share-based compensation of $2,572,703 (2015: nil), which was the fair value of options vested during the period;
- Management fees of $1,036,000 (2015: $90,000), which consisted of payments made to key management personnel;
- Marketing and travel of $1,001,546 (2015: nil), which consisted of shareholder communication services, as well as transportation, accommodation, and meals;
- Advisory and consulting fees of $555,504 (2015: nil), which consisted of payments made in accordance with a financial advisory agreement and payments to consultants of the Company;
- Rent and office fees of $135,986 (2015: $15,160), which consisted mostly of rent and office expenses;
- Regulatory and transfer agent fees of $66,087 (2015: $14,704), which consisted of transfer agent, listing, and filing fees; and
- Professional fees of $61,232 (2015: $6,870), which consisted of audit, legal, and tax fees.

During the year ended June 30, 2016, the Company recorded a foreign exchange gain of $1,384 (June 30, 2015: nil), other income of $128,840 (June 30, 2015: nil), and finance income of $35,645 (June 30, 2015: $7,758) which consisted entirely of interest earned on the Company's cash and cash equivalents. The Company's short-term investments earn interest at a variable rate that is tied to the Bank of Canada prime rate, and thus finance income fluctuates with the prime rate and the amount of principal on deposit.

Fourth Quarter

The Company recorded a loss of $2,217,996 for the three months ended June 30, 2016 (2015: $30,134). Total expenses for the three months ended June 30, 2016, increased by $2,339,239 from $31,883 for the three months ended June 30, 2015, to $2,371,122 for the three months ended June 30, 2016. This increase was a result of the acquisitions of Clayton Valley North, Clayton Valley South, and PLASA, and share-based compensation. The details of expenses incurred during the three months ended June 30, 2016, were as follows:

- Share-based compensation of $1,099,793 (2015: nil), which was the fair value of options vested during the period;
- Management fees of $577,000 (2015: nil), which consisted of payments made to key management personnel;
- Marketing and travel of $389,876 (2015: nil), which consisted of shareholder communication services, as well as transportation, accommodation, and meals;
- Advisory and consulting fees of $182,571 (2015: $22,500), which consisted of payments made in accordance with a financial advisory agreement and payments to consultants of the Company;
- Rent and office fees of $66,877 (2015: $3,052), which consisted mostly of rent and office expenses;
- Professional fees of $32,822 (2015: $1,750), which consisted of audit and legal fees; and
- Regulatory and transfer agent fees of $22,183 (2015: $4,581), which consisted of transfer agent, listing, and filing fees.

During the three months ended June 30, 2016, the Company recorded a foreign exchange loss of $61 (June 30, 2015: nil), other income of $128,840 (June 30, 2015: nil) and finance income of $24,347 (June 30, 2015: $1,749), which consisted entirely of interest earned on the Company's cash and cash equivalents. The Company's short-term investments earn interest at a variable rate that is tied to the Bank of Canada prime rate, and thus finance income fluctuates with the prime rate and the amount of principal on deposit.

Summary of Quarterly Results

The following tables summarize the Company's financial information for the last eight quarters in accordance with IFRS:

	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Operating expenses	$ (1,271,329)	$ (1,232,912)	$ (322,113)	$ (30,001)
Other income	128,840	-	-	-
Finance income	24,347	8,905	1,112	1,281
Foreign exhange gain (loss)	(61)	1,445	-	-
Share-based compensation	(1,099,793)	(912,963)	(559,947)	-
Net loss and comprehensive loss for the period	$ (2,217,996)	$ (2,135,525)	$ (880,948)	$ (28,720)
Basic and diluted loss per share	$ (0.04)	$ (0.05)	$ (0.05)	$ (0.00)

	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Operating expenses	$ (31,883)	$ (29,490)	$ (36,614)	$ (28,747)
Finance income	1,749	1,748	2,081	2,180
Net loss and comprehensive loss for the period	$ (30,134)	$ (27,742)	$ (34,533)	$ (26,567)
Basic and diluted loss per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

The increase in net loss during Q2 2016 and Q3 2016 was mostly the result of the reactivation, acquisition of the Option Agreement, and share-based compensation recorded as the fair value of stock options granted during the period.

Liquidity and Capital Resources

As at June 30, 2016, the Company had cash and cash equivalents of $9,683,877 to settle current liabilities of $778,405 and had working capital of $9,159,224.

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. 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 sources of funds currently available to the Company for its acquisition and exploration projects are solely due from equity financing.

The Company has no bank debt or banking credit facilities in place.

Outstanding Share Data

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.

During the year ended June 30, 2016, the Company issued 6,400,000 common shares on acquisition of the Option Agreement, 4,295,000 common shares on acquisition of its 100% interest in Clayton Valley South and 8,000,000 common shares on acquisition of the initial 50% interest in PLASA.

During the year ended June 30, 2016, the Company granted 5,913,820 stock options to directors, officers, consultants, and charities, exercisable for periods ranging from three to ten years at exercise prices ranging from $0.15 to $1.62.

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

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.

Subsequent to June 30, 2016, 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.

Subsequent to June 30, 2016, 120,000 stock options were granted to consultants, with an exercise price of $1.80 and an expiry date of July 28, 2021.

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

As at the date of this report, there were 66,765,805 common shares issued and outstanding.

As at the date of this report, there were 6,306,820 stock options and no warrants outstanding.

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.

Risks and Uncertainties

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. 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 raise substantial doubt about the Company's ability to continue as a going concern.

The Company is engaged in the acquisition of mineral properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The Company will seek to counter these risks to the extent possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

The Company depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

The Company's significant risks are detailed below:

Commodity Price

Lithium Carbonate is not an exchange traded commodity and is sold directly to end users. The profitability of the Company's lithium operations will be dependent upon the market price of lithium. Lithium prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of lithium has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations.

Exploration, Development and Operating Risks

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of Lithium.

Environmental Risks and Hazards

The Company's activities are subject to extensive federal, provincial state and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

Government Regulation, Permits and Licenses

Government approvals, licences and permits are currently, and will in the future be, required in connection with the mining operations. To the extent such approvals are required and not obtained, the mining operations may be curtailed or prohibited from proceeding with planned operations, which could have an impact on the business and financial condition of the Company. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the mining operations and cause reduction in levels of production or require abandonment or delays in operations at the mining operations.

Permitting

The mining operations are subject to receiving and maintaining permits from appropriate governmental authorities. Although the Company believes that the owners and operators of the mining operations will obtain in due course, all required permits for their respective operations, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations, additional permits for any possible future changes to operations or additional permits associated with new legislation. Prior to any development on any of the properties, permits from appropriate governmental authorities may be required. There can be no assurance that the owners or operators of the mining operations will continue to hold all permits necessary to develop or continue operating at any particular property. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the owners or operators of the mining operations, resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

Argentina Country Risks

The Company acquired 50% of an Argentina domiciled corporation PLASA. PLASA will conduct exploration activities in Argentina which has, from time to time, experienced political and economic instability. PLASA may be materially adversely affected by risks associated with political instability and violence, war and civil disturbance, acts of terrorism, expropriation or nationalization, change in fiscal regimes, fluctuations in currency exchange rates, high rates of inflation, underdeveloped industrial and economic infrastructure; and enforceability of contractual rights. Provincial governments of Argentina have considerable authority over exploration and mining in their province and there are Argentinean provinces that have passed various laws to curtail or ban mining activities in those provinces. Argentina has had and is currently enduring a period of high inflation that could increase the operating costs. In addition, the Argentinean peso has been subject to large devaluations and revaluations in the past and may be subject to significant fluctuations in the future.

Critical Accounting Policies and Estimates

The Company prepares its annual financial statements in accordance with IFRS as issued by the International Accounting Standards Board.

The preparation of the 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.

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.

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.

Recently issued accounting pronouncements

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after the date of the accompanying audited consolidated financial statements.

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 the Statement of Loss and Comprehensive 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 periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

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 January 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.

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 is for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

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 is for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

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 is for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

Financial Instruments

Fair values of financial instruments have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value measurements of financial instruments are classified according to categories of the fair value hierarchy that reflect the significance of inputs used in making fair value measurements are as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

At June 30, 2016 and June 30, 2015, there were no financial assets and liabilities measured and recognized at fair value on a recurring basis. The fair value for 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.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

(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 accounts receivable. The Company reduces its credit risk on cash by maintaining its bank accounts at large international financial institutions. Accounts receivable consists mainly of amounts due from the Canadian government. As such, Management has concluded that the Company has no significant credit risk. The maximum exposure to credit risk is equal to the carrying value of the financial assets. No amounts are past due and no allowance for doubtful accounts have been recorded by the Company.

b) Liquidity risk

Cash and cash equivalents are held in bank accounts and are available on demand. Amounts receivable consists mainly of amounts due from the Canadian government. As at June 30, 2016, the Company had cash and cash equivalents of $9,683,877 to settle current liabilities of $778,405 and had working capital of $9,159,224.

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 balances and no interest-bearing debt. 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.

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.

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.

Management's Report on Internal Control over Financial Reporting

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Outlook

The Company is focused on becoming a low-cost supplier for the burgeoning lithium battery industry. Lithium X owns 50%, and has the option to acquire up to 80% of the Sal de los Angeles lithium-potash brine project in the prolific "Lithium Triangle" in mining friendly Salta province, Argentina, a well-known salar with positive historical economics, grade and size. A 2,500 tonne per year lithium carbonate equivalent ponding facility on the Sal de los Angeles property is in the permitting stage and will be built and operated by SESA. Lithium X is also exploring a large land package in Nevada's Clayton Valley, contiguous to the only producing lithium operation in North America – Silver Peak, owned and operated by Albemarle, the world's largest lithium producer, while also seeking additional opportunities in the lithium sector. Additional information relating to the Company is available on SEDAR at www.sedar.com.