

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

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"), and should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements and related notes as well as the audited consolidated financial statements and annual MD&A for the year ended June 30, 2016. 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 May 25, 2017.

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 OTCQX 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. The Company holds properties in Salta, Argentina and Nevada, USA. The Company's flagship project, Sal de los Angeles lithium brine project (the "SDLA Project"), as well as the newly acquired Arizaro Lithium Brine Project (the "Arizaro Project") are located in the prolific "Lithium Triangle" in mining friendly Salta province, Argentina. Lithium X owns 50%, and has the option to acquire up to 80%, of the Sal de los Angeles lithium brine project. The Arizaro Project consists of 33,846 hectares in 11 mining claims covering parts of the western and eastern portions of the Salar de Arizaro, one of the district's largest known salt lakes. Lithium X will also own 19.99% of Pure Energy Minerals Inc. ("Pure Energy"), a company exploring a large land package surrounding Albemarle's Silver Peak lithium brine mine in Clayton Valley, Nevada.

As of the date of this MD&A and as of March 31, 2017, the Company's Board of Directors consisted of the following: Paul Matysek (Executive Chairman), Brian Paes-Braga, Harry Pokrandt, Robert McLeod, Michele Ashby, Joseph Carrabba and Patrick Gleeson.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.lithium-x.com](http://www.lithium-x.com).

### Description of Properties

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

#### Salta, Argentina

##### *Sal de los Angeles Project*

On April 15, 2016, the Company acquired a 50% interest in Potasio y Litio de Argentina SA ("PLASA") 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 shares issued in relation to this transaction were valued at \$15,120,000, being the closing share price of the Company on April 20, 2016. The SDLA 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 (the "Feasibility study") on the SDLA 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.

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.

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

The Company intends to initiate a third party National Instrument 43-101 compliant Feasibility Study during Q3 2017 and is currently performing test work, focusing on brine processing on site and resource upgrades to reserves. Next steps will include engaging the consulting team and developing a formal timeline.

### *Joint Venture Agreement*

On May 6, 2016, PLASA entered into the JV Agreement with Salta Exploraciones SA ("SESA") (the "JV Company") for the construction and operation of an initial ponding facility (the "Facility"), designed for an output of approximately 2,500 tonnes per annum ("tpa") of lithium carbonate equivalent ("LCE"). Under the terms of the JV Agreement, 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 SDLA 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 positive cash flow 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 SDLA Project covers more than 95% of the Salar de Diablillos located in the Salta province of Argentina, at an average elevation of approximately 4,050 metres above sea level. The SDLA 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.

PLASA reserves the right to commercialize the lithium products.

On February 21, 2017 the Company announced that it has received permits for the construction of the Facility to be constructed as part of the JV Agreement. Final engineering design and drawings have been completed for the Facility, camp expansion completed and machinery is on site to initiate construction of the ponding area. Construction activities will begin immediately. The SDLA Project has not been the subject of a feasibility study and there is no guarantee the Facility will successfully produce a commercial product on a profitable basis or at all.

There is a significant risk that production from the pilot ponding facility will not be profitable, and the risks are even greater given that no feasibility study has been prepared. The Company has not established the economic viability of the proposed operation or any mineral reserves that would support the same. It also does not disclose the higher risk of failure of this production decision in the circumstances. The purpose of the pilot program is not to commence commercial production but to utilize the expertise and experience of its new joint venture partner, SESA using brine from an existing free flowing artesian well which will contribute initial brine to the pilot ponding facility. SESA is a consortium of Argentina based engineering and construction firms with extensive experience in the design, construction and operation of lithium brine facilities in Argentina's Puna region, where the SDLA Project is located.

### *2017 Work Program*

An exploration program commenced in February 2017, focusing on resource expansion and resource category upgrade.

An additional seismic survey has been completed over the northern portion of the Diablillos basin. At present the entire basin is covered by seismic surveys allowing for full basin models to be created with accuracy. A drill program consisting of diamond drilling to basement depths further north of the existing resource boundary and sonic drilling in the northern and southern portions of the basin is planned. The northern portion of the basin contains higher grade brines hosted in predominantly sand and gravel layers, with approximately 9 square kilometres of this area yet untested by drilling. The 2017 work program will also include drilling a production well in the proposed well-field site and long term pumping tests. The data collected during this program will be incorporated into an upgraded resource and maiden reserve statement as part of the Feasibility Study.

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

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

On February 24, 2017, the Company filed a National Instrument 43-101 technical report prepared by FloSolutions (Chile), dated February 29, 2016 with an effective date of 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 "Report"). A copy of the report can be found on [www.sedar.com](http://www.sedar.com).

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).

**Table 1. Indicated and inferred resources for the Sal de los Angeles Project, August 29, 2016 (Lithium cut-off concentration of 100 mg/L applied)**

	Indicated			Inferred		
	Li	K	B	Li	K	B
Aquifer area (km <sup>2</sup> )	22.2			32.4		
Aquifer volume (km <sup>3</sup> )	3.195			3.807		
Mean specific yield	12.2%			12.0%		
Brine volume (km <sup>3</sup> )	0.390			0.457		
Mean grade (g/m <sup>3</sup> )	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 (2014) were followed for Mineral Resources.
2. The Qualified Person for this Mineral Resource estimate is Frits Reidel, CPG.
3. A lithium cut-off concentration of 100 mg/L has been applied to the resource estimate.
4. Numbers may not sum due to rounding.
5. The effective date is August 29, 2016.

The effective date of this resource statement is August 29, 2016.

The resource estimate was developed for the Lithium X Sal de los Angeles Project using SgeMS software. Dr. Gregoire Mariethoz, member of the FloSolutions team, led the numerical model effort to develop the resource estimate and worked under the author's guidance. All aspects of the numerical modeling were reviewed and approved throughout the resource estimate process by the author, and therefore verified by the author.

The following steps were carried out to calculate the Li, K and B resources:

### 1. Evaluation of the spatial distribution of the assay data (brine concentrations and drainable porosity)

Analysis of the assay data indicate that brine concentrations (Li, K, and B) are not correlated with porosity (Sy), and therefore they can be both interpolated independently on a regular grid.

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

Geostatistical analysis provides the most appropriate method to interpolate values when data are scarce. The most common methods are either kriging (in order to obtain an averages estimation) or stochastic simulations (to obtain different scenarios, therefore allowing to estimate uncertainty). In this resource estimate only the kriging methodology was applied using the SGeMS software [Remy *et al.*, 2009]. If brine concentrations and porosity were correlated together, the interpolation would need to be constrained such that this correlation would need to be respected throughout the grid. This could be accomplished with co-kriging or co-simulations, which are significantly more cumbersome to apply. Fortunately the use of these methods is not justified here.

There is a strong correlation between Li, K and B, but are not correlated with Sy. Li, K, and B were modeled separately; therefore their strong correlation is not explicitly imposed in the simulations. However, since the final resource estimate for each element only depends on the relationship to drainage porosity, this should not affect the final estimates, and it is not necessary to use co-kriging or co-simulation. The high and low values in each simulation of Li; K and B taken separately, might not be highly correlated, however, on average the data tend to agree, and in the kriging the high values of Li tend to be at the same locations as the high values of K and B.

The first step of the geostatistical analysis is to adjust variograms on the data. Variograms are needed in 3 directions: N-S horizontal, E-W horizontal, and vertical for the brine concentration datasets as well as the porosity data. The horizontal variograms rely on few data and are inferred largely empirically due to the spacing between boreholes and their relatively small number.

### 2. Definition of model grid

The model domain covers an area 54.6 km<sup>2</sup> (Inferred resource area: 32.4 km<sup>2</sup>; the indicated resource area 22.2 km<sup>2</sup>. The model grid for the resource area consist of 52,154 nodes with a node size of 150 m in the x and y directions and 6 m in the v direction.).

### 3. Kriging

Kriging represents in each point the most probable value and therefore can be used to obtain a single estimate. However, kriging is a smooth estimate that does not account for heterogeneity, and therefore it often represents a conservative estimate. In particular here, it will not account for areas of very high or very low concentration or extreme porosity values. Kriging can be seen as the average of all possible scenarios. Interpolation of the Li, K and B concentrations in mg/L and Sy in each node was carried out using kriging and the variogram models derived in Step 1. Figure 14.1 through 14.3 show depth slices at the 4,000 m, 3,950 m and 3,904 m elevation through the kriged Li, K and B concentration distribution models.

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.

### ***Arizaro Lithium Brine Project***

In January 2017, the Company entered into a binding purchase and sale agreement (the "Agreement") to acquire 100% of the Arizaro Project in Argentina's Salta Province, for a purchase price of 3,500,000 common shares of the Company and US\$250,000, subject to certain conditions. In consideration for the Arizaro Project, the Company has paid US\$250,000 and issued 3,500,000 common shares with a value of \$7,350,000 to the vendor for a 100% interest in the Arizaro Project. In connection with the purchase a fee of 5% of the total acquisition price (US\$12,500 and 175,000 common shares with a value of \$367,500) was also paid.

The Arizaro Project consists of 33,846 hectares in 11 mining claims covering parts of the western and eastern portions of the Salar de Arizaro, one of the district's largest and least explored salars thought to contain elevated lithium brine values. The entire salar is staked with other current landholders in Arizaro including Eramet, Sentient and REMSA (Salta Government).

The Arizaro Project benefits from good infrastructure in the Puna region, and is set to benefit from further development of adjacent large-scale mining projects, including First Quantum's Taca-Taca copper project and Fortuna Silver's Lindero gold project. Salar de Arizaro is traversed by a highway and railroad that connect the Arizaro Project to Chile and Pocitos, where natural gas and an Industrial Park are found. Historical sampling on the western margins of the Salar de Arizaro show elevated lithium values near surface contained within a classic halite dominant salar, much like nearby Rincon, Salar del Hombre Muerto and Atacama projects, all of which host advanced or producing lithium brine operations. The Company is currently permitting an initial exploration program and has submitted the necessary permits to the Salta authorities.

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

### Clayton Valley, Nevada, USA

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 Clayton Valley Lithium Inc. ("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:

- 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) expend a minimum of US\$4,500,000 on exploration expenditures on the NSP Lithium Claim Group over a three-year period as follows: US\$1,000,000, US\$1,500,000, and US\$2,000,000 by each of November 2016, 2017 and 2018; and
- iv) deliver a pre-feasibility study on the NSP Lithium Claim Group by no later than November 2019.

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 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 Company initiated the drill program in Q3 2016 and has completed drilling of the first drill hole. Results from the drilling are being reviewed. Subject to positive results from the first drill hole the Company intends to proceed to commence drilling of a second hole on the second permitted site. The current spacing between these drill sites, which lie immediately north of currently operating wells, is approximately 800 meters.

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

During the nine months ended March 31, 2017, the Company paid \$335,525 (US\$250,000) and issued 446,112 common shares with a value of \$999,291, to CVL as required by the Amalgamation Agreement on the first anniversary of the Closing Date and upon agreement with the CVL that the expenditure commitment for November 2016 was met. As of March 31, 2017, the exploration expenditure requirement of US\$1,000,000 by November 2016 had not been met. Subsequent to March 31, 2017, the Company and CVL entered into agreements under which the Company's option interest in the Clayton Valley North property is to be transferred to Pure Energy.

### *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).

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 \$3,135,350.

### **Sale of Clayton Valley, Nevada, USA**

On May 11, 2017, the Company announced that it had entered into definitive agreements with Pure Energy for the sale of its interest in Nevada (the "Sale"). In connection with the Sale, the Company is also subscribing for 3,571,424 units of Pure Energy at a price of \$0.56 per unit for a total subscription cost of \$2,000,000. Each subscribed unit consists of one Pure Energy common share and one half of a Pure Energy common share purchase warrant, with each whole warrant exercisable at a price of \$0.75 for a period of three years.

Under the proposed Sale, the Company will be transferring to Pure Energy, all its interests in Nevada, consisting of its option from CVL to acquire the Clayton Valley North project, and its claims comprising the Clayton Valley South Expansion. The Company's Nevada interests, when combined with Pure Energy's Clayton Valley South lithium brine project (consisting of approximately 4,450 hectares and having a 43-101 inferred mineral resource containing approximately 816,000 metric tonnes of lithium carbonate equivalent), will create a combined Clayton Valley project consisting of more than 10,500 hectares (approximately 26,300 acres).

Under the Sale, the Company will receive 20,038,000 Pure Energy common shares and 2,022,289 Pure Energy common share purchase warrants, exercisable at \$0.75 for a period of three years, in consideration for its Nevada interests.

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

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

	Clayton Valley South	Clayton Valley North	Nevada Properties Total	Arizaro Project	Total
	\$	\$	\$	\$	\$
<b>Acquisition costs:</b>					
Balance, June 30, 2016	3,780,964	1,403,151	5,184,115	-	5,184,115
Cash	-	-	-	374,961	374,961
Shares issued on acquisition	-	-	-	7,717,500	7,717,500
1st year anniversary payment to CVL - Cash	-	335,525	335,525	-	335,525
1st year anniversary payment to CVL - Shares	-	999,291	999,291	-	999,291
Balance, March 31, 2017	3,780,964	2,737,967	6,518,931	8,092,461	14,611,392
<b>Exploration costs:</b>					
Balance, June 30, 2016	26,221	111,062	137,283	-	137,283
Claims	104,008	64,494	168,502	-	168,502
Drilling	-	188,889	188,889	-	188,889
Technical Consulting	-	299,056	299,056	-	299,056
Balance, March 31, 2017	130,229	663,501	793,730	-	793,730
<b>Total costs:</b>					
Balance, March 31, 2017	3,911,193	3,401,468	7,312,661	8,092,461	15,405,122

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

## Overall Performance and Results of Operations

Total assets increased to \$60,462,520 at March 31, 2017, from \$31,308,102 at June 30, 2016, primarily as a result of a bought deal public offering in March 2017 for \$15,010,000, July 2016 private placement for \$10,000,000, and shares issued pursuant to acquisitions in the year valued at \$7,717,500. The most significant assets at March 31, 2017, were cash and cash equivalents of \$26,454,448 (June 30, 2016: \$9,683,877), Investment in PLASA of \$17,996,870 (June 30, 2016: \$15,909,539) and exploration assets of \$15,405,122 (June 30, 2016: \$5,321,398). Cash and cash equivalents increased by \$16,770,571 during the nine months ended March 31, 2017, as a result of the issuance of shares, net of share issuance costs, in the amount of \$22,916,427 and the exercise of stock options in the amount of \$127,750. The increase in cash was partially offset by exploration asset expenditures of \$1,366,933, investment in associate of \$2,041,610, and cash used in operating activities of \$2,865,063.

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

### ***Three months ended March 31, 2017 and 2016***

The Company recorded a loss of \$1,709,450 for the three months ended March 31, 2017 (2016: \$2,135,525). Loss from operating activities for the three months ended March 31, 2017, decreased by \$289,789 from \$2,145,875 for the three months ended March 31, 2016, to \$1,856,086 for the three months ended March 31, 2017. The decrease in loss from operating activities is largely due to:

- A decrease of \$24,827 in advisory and consulting fees. Advisory and consulting was \$280,195 for the three months ended March 31, 2017, compared to \$305,022 for the three months ended March, 31 2016. This was related to a decrease in consulting costs in the current period.
- A decrease of \$740,285 in share-based compensation. Share-based compensation was \$172,678 for the three months ended March 31, 2017, compared to \$912,963 for the three months ended March 31, 2016. 1,450,000 stock options with a value of \$908,337 were granted during the three months ended March 31, 2016, whereas 150,000 stock options with a value of \$128,986 were granted in the current period.
- A decrease of \$101,383 in travel. Travel was \$189,906 for the three months ended March 31, 2017, compared to \$291,289 for the three months ended March, 31 2016. This was due to higher initial travel costs associated with the expansion of operations in the same period last year.

The decrease in loss was partially offset by:

- An increase of \$324,000 in management fees. Management fees were \$677,000 for the three months ended March 31, 2017, compared to \$353,000 for the three months ended March 31, 2016. This was due to an increase in payments made to key management personnel.
- An increase of \$66,714 in office and administration. Office and administration was \$113,768 for the three months ended March 31, 2017, compared to \$47,054 for the three months ended March 31, 2016. This was due to higher general office costs associated with increased activity in the current period.
- An increase of \$180,020 in professional fees. Professional fees were \$202,074 for the three months ended March 31, 2017, compared to \$22,054 for the three months ended March 31, 2016. This was due to higher legal and tax fees relating to increased business development activity in the current period.

### ***Nine months ended March 31, 2017 and 2016***

The Company recorded a loss of \$3,839,172 for the nine months ended March 31, 2017 (2016: \$3,045,193). Loss from operating activities for the nine months ended March 31, 2017, increased by \$894,107 from \$3,057,936 for the nine months ended March 31, 2016, to \$3,952,043 for the nine months ended March 31, 2017. The increase in loss from operating activities is largely due to:

- An increase of \$422,170 in marketing. Marketing was \$672,557 for the nine months ended March 31, 2017, compared to \$250,387 for the nine months ended March 31, 2016. This was related to an increase in shareholder communication services as operations expanded in the current period.
- An increase of \$572,000 in management fees. Management fees were \$1,031,000 for the three months ended March 31, 2017, compared to \$459,000 for the three months ended March 31, 2016. This was due to an increase in payments made to key management personnel.
- An increase of \$215,145 in office and administration. Office and administration was \$284,254 for the nine months ended March 31, 2017, compared to \$69,109 for the nine months ended March, 31 2016. This was due to higher general office costs associated with increased activity in the current period.
- An increase of \$297,771 in professional fees. Professional fees were \$326,181 for the nine months ended March 31, 2017, compared to \$28,410 for the nine months ended March 31, 2016. This was due to higher legal and tax fees relating to increased business development activity in the current period.
- An increase of \$84,344 in finance and other income. Finance and other income, consisting almost entirely of interest earned on the Company's cash and cash equivalents, was \$95,642 for the nine months ended March 31, 2017, compared to \$11,298 for the nine months ended March 31, 2016. This was due to higher average cash balances on hand during the current period.



# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

The increase in loss was partially offset by:

- A decrease of \$810,626 in share-based compensation. Share-based compensation was \$662,284 for the nine months ended March 31, 2017, compared to \$1,472,910 for the nine months ended March 31, 2016. 4,340,000 stock options with a value of \$1,476,196 were granted during the nine months ended March 31, 2016, whereas 570,000 stock options with a value of \$557,698 were granted in the current period.

### Summary of Quarterly Results

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

	Q3 2017		Q2 2017		Q1 2017		Q4 2016	
Revenue	\$	-	\$	-	\$	-	\$	-
Loss and comprehensive loss for the period		(1,709,450)		(922,308)		(1,207,414)		(2,217,996)
Basic and diluted loss per share		(0.02)		(0.01)		(0.02)		(0.04)

	Q3 2016		Q2 2016		Q1 2016		Q4 2015	
Revenue	\$	-	\$	-	\$	-	\$	-
Loss and comprehensive loss for the period	\$	(2,135,525)	\$	(880,948)	\$	(28,720)	\$	(30,134)
Basic and diluted loss per share	\$	(0.12)	\$	(0.05)	\$	(0.00)	\$	(0.00)

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

### Liquidity and Capital Resources

As at March 31, 2017, the Company had cash and cash equivalents of \$26,454,448 to settle current liabilities of \$1,348,743 and had working capital of \$25,572,249.

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 March 31, 2017, the Company had working capital of \$25,572,249 consisting primarily of cash and cash equivalents. Although the Company presently has sufficient financial resources to cover its existing obligations and operating costs and undertake its currently planned programs for the next year, the Company expects to require further funding in the longer term to fund ongoing exploration 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.

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 nine months ended March 31, 2017, the Company closed a non-brokered private placement of 6,060,603 common shares at a price of \$1.65 per share for gross proceeds of \$10,000,000.

During the nine months ended March 31, 2017, the Company closed a bought deal public offering of 7,900,000 common shares of the Company at a price of \$1.90 per share for gross proceeds of \$15,010,000.

During the nine months ended March 31, 2017, the Company also issued 3,500,000 common shares to the vendor and 175,000 common shares with a value of \$367,500, as a fee pursuant to the Agreement.

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

During the nine months ended March 31, 2017, the Company also issued 446,112 common shares, with a value of \$999,291, to CVL in November 2016.

During the nine months ended March 31, 2017, 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.

During the nine months ended March 31, 2017, 120,000 stock options were granted to consultants with an exercise price of \$1.80, an expiry date of July 28, 2021.

During the nine months ended March 31, 2017, 150,000 stock options to a consultant, with an exercise price of \$2.21 and an expiry date of February 1, 2020, vesting quarterly over the first year.

During the nine months ended March 31, 2017, 437,000 stock options were exercised for proceeds of \$127,750.

Subsequent to March 31, 2017, the Company granted 1,645,000 stock options were granted to directors, officers, and consultants with an exercise price of \$1.90 and an expiry date of April 18, 2022.

Subsequent to March 31, 2017, 40,000 stock options were exercised for proceeds of \$6,000.

As at the date of this report, there were 79,096,917 common shares issued and outstanding.

As at the date of this report, there were 7,791,820 stock options and no warrants outstanding.

### Related Party Transactions

During the nine months ended March 31, 2017, key management personnel compensation totaled \$1,284,421 (March 31, 2016: \$1,068,324) comprised of management fees of \$1,031,000 paid to companies controlled by the Company's Chief Executive Officer, Executive Chairman and Chief Financial Officer, \$55,000 paid to directors and share-based compensation of \$198,421 relating to 200,000 stock options granted to directors 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 March 31, 2017, the Company had working capital of \$25,572,249 consisting primarily of cash and cash equivalents. Although the Company presently has sufficient financial resources to cover its existing obligations and operating costs and undertake its currently planned programs for the next year, the Company expects to require further funding in the longer term to fund ongoing exploration 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.

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.

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

### *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, licenses 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.

### *Litigation*

The Company is subject to litigation risks. All industries, including the mining industry, are subject to legal claims with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's financial position or results of operations.

PLASA has received correspondence from Borax Argentina SA ("Borax"), the owner of rights to minerals other than minerals contained in brines, which include lithium, potassium and boron, on certain portions of the SDLA Project, claiming that prior work on the property (under previous owners and management) has impacted their interests. The Company is in discussions with Borax's parent company regarding this matter. No provision has been made in the Company's financial statements.

### *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.

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

### *Argentina Country Risks*

The Company acquired 50% of an Argentina domiciled corporation PLASA, who has a joint venture with SESA. The Company also has a wholly owned subsidiary, Tortuga de Oro S.A. acquired pursuant to the Arizaro Project. These entities will conduct exploration and development activities in Argentina which has, from time to time, experienced political and economic instability. They 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, currency controls and foreign exchange restrictions, 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.

Changes, if any, in mining or investment policies or shifts in political attitudes in Argentina may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations including with respect to, but not limited to, restrictions on production, price controls, import or export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations and profitability of the Company.

Further, it is the case that the legal system in Argentina may not be as developed or may be complex and time-consuming, which leads to a higher level of uncertainty in the application and determination of legal issues, potentially resulting in regulatory delays, ill-motivated use of courts or regulatory bodies and inconsistency in interpretation and enforcement of applicable laws. Such risks are part of overall risks of doing business in a foreign jurisdiction and should be taken into account by any potential investor.

### *Joint Venture Risks*

The Company holds direct and indirect interests in two joint venture projects – the SDLA Project and the SESA Joint Venture Agreement, both in Argentina. The Company's interest in these projects is subject to the risks customarily associated with the conduct of joint ventures, including (i) disagreement with joint venture partners on how to develop and operate the mine efficiently, (ii) inability to exert influence over certain strategic decisions, (iii) inability of joint venture partners to meet their obligations, and (iv) litigation regarding joint venture matters. Each of these risks could have a material adverse impact on the Company's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. In addition, the Company is not always the operator of its joint venture projects. To the extent the Company is not the operator, the success of any operations will be dependent on third party operators and the Company may be unable to have any significant influence on the direction or control of the activities of the operators. The Company will be subject to the decisions made by the operators of the joint venture projects and will rely on the operators for accurate information about the projects.

### **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.

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

### *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 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 asset, the significant estimates are similar to the Company's exploration 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.

### **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.

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

### 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 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. At March 31, 2017, the Company had cash and cash equivalents of \$26,454,448 to settle current liabilities of \$1,348,743 and had working capital of \$25,572,249.

#### 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

# Lithium X Energy Corp.

## Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter Report – March 31, 2017

---

and is satisfied with the credit ratings of its banks. As of March 31, 2017 the Company had invested \$7,500,000 (June 30, 2016: \$9,661,745) in short-term guaranteed investment certificates.

e) Foreign currency risk

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

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, and US\$3.3 million for the Facility.

### 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. The Company is currently seeking attractive and accretive acquisitions in the lithium sector. Lithium X is leveraging the extensive track record of its management team in identifying and acquiring lithium brine development projects.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).