Lithium X Energy Corp.
Management's Discussion and Analysis
of Financial Condition and Results of Operations
Annual Report – June 30, 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 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, 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. 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 100% 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 also owns 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 June 30, 2017, the Company's Board of Directors consisted of the following: Paul Matysek (Executive Chairman), Brian Paes-Braga, Harry Pokrandt, Robert McLeod, Michele Ashby.

Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.lithium-x.com.

Description of Properties

The Company holds properties in Salta, Argentina.

Salta, Argentina

Sal de los Angeles Project

In April 2016, the Company completed the acquisition of an initial 50% interest in the SDLA Project through the acquisition of 50% of the shares of Potasio y Litio de Argentina SA ("PLASA") from Aberdeen International Inc. ("Aberdeen"). In consideration for its 50% interest in the SDLA Project, the Company issued 8,000,000 common shares to Aberdeen and paid a finder's fee of 160,000 common shares of the Company to a third party. The shares issued in relation to the initial acquisition were valued at $1.89 per share, being the closing share price of the Company on April 20, 2016, for a total acquisition value of $15,422,400.

In July 2017, the Company acquired the remaining 50% interest in the shares of PLASA from Aberdeen in exchange for 6,000,000 common shares of the Company and a cash payment of $5,000,000 and all preexisting rights and obligations from the initial acquisition agreement were terminated. The Company is required to issue a further 3,000,000 common shares of the Company if the Company's shares trade for $3.00 or more for 20 consecutive days during the earlier of the three-year period to the third anniversary of closing the agreement or the date on which the Company's shares cease to be traded on the TSX Venture Exchange. The Company also announced the resignation of Aberdeen's nominee directors, Patrick Gleeson and Joseph Carrabba, from the board of directors of Lithium X.

PLASA had previously received correspondence from Borax Argentina S.A. ("Borax"), the owner of mineral rights other than minerals contained in brines on certain portions of the SDLA Project, claiming that prior work on the property (under previous owners and management) had impacted their interests. In September 2017, the Company, Borax and its parent entity, Orocobre Limited ("Orocobre"), entered into an agreement to settle any disputes and, in October 2017, the Company announced it had successfully completed the consolidation of the SDLA Project so that it now controls

100% of the mineral titles contained within the brine bearing regions of the Diablillos basin. The consolidation involved the acquisition of 2,700 hectares of claims from Borax, replacing the usufruct Lithium rights previously held by the Company over the Borax claims and an agreement to acquire a further 700 hectares currently owned by South American Salars S.A. ("SAS") for a total consideration of 650,000 common shares of Lithium X, US $1 million and a 1% Net Revenue Royalty (NRR) over the SDLA Project.

The Orocobre Agreements, entered into by the Company, its wholly-owned subsidiary, PLASA, Orocobre and its subsidiaries, Borax and SAS, provide for the following transactions:

1. PLASA acquires mineral title to the Borax claims, conceding a usufruct right in favour of Borax over the Borax claims in relation to the surface ulexite mineralization;

2. PLASA agrees to pay to Borax consideration of US$250,000 and to issue 650,000 common shares of Lithium X to Borax or its nominee;

3. PLASA to acquire the SAS claims for consideration of US$750,000 upon certain conditions being met by SAS; and

4. PLASA and Borax agree to cancel the existing 1.5% royalty on the Borax held tenements, in consideration of a 1% NRR over the entire SDLA project; and

5. Orocobre and PLASA mutually release each other from any potential or existing claims due to past activities by either party.

The Company intends to initiate a third party National Instrument 43-101 compliant Feasibility Study during the fall of 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

In May 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. At the request of SESA, the Company completed certain phases of the engineering plans and is awaiting review by the operational committee.

PLASA reserves the right to commercialize the lithium products.

SESA initiated construction of the Facility in June 2017, and has completed approximately 20% of the ponding area construction. The Company is reviewing options to accelerate the construction of the Facility. 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 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.

In September 2017, Lithium X announced the initial results of the drill program, which consisted of diamond drill holes DDD-08 to DDD-10 and sonic drill holes DSO-01 and DSO-02. The drill program was successful in expanding the brine field to the north and establishing favourable well field conditions.

Three diamond drill holes were completed to bedrock depths covering the northern basin extension defined by the previously completed seismic survey. DDD-09, drilled in the center of the northern basin extension intersected 564 mg/l Li over 179.5 metres starting at 84 metres below surface. The horizon is comprised of a single aquifer dominated by sands and gravels down to the basement interface at 244 metres, where highly fractured bedrock material hosts brine down to 263.5 metres. Brine sampling was conducted using drive point technology to ensure in-situ sampling and corroborated using a packer system.

Diamond drill holes DDD-08 and DDD-10 were drilled on the edges of the northern basin extension and intersected the same sand and gravel dominated aquifer. The drill holes intersected brine intervals of 400 mg/l lithium over 7.5 metres and 581 mg/l lithium over 68 metres, respectively. Average magnesium to lithium and sulphate to lithium ratios in the three drill holes range from 3.5 to 4.1 and 9.1 to 14.0 respectively, showing very similar brine characteristics to established resource brines. These drill holes successfully demonstrate brine continuity throughout the northern portion of the basin all the way to the basin margins.

Drill recoveries during the program ranged from 40% to 100%, showing a marked improvement over historical recoveries in the basin. 93 samples consisting of 15 cm intervals of drill core were collected and sent from Relative Brine Release Capacity ("RBRC") testing. RBRC testing provides valuable porosity data to help determine specific yield of the aquifer materials.

Two sonic drill holes were completed within known resource limits. DSO-01 was drilled just north of the salar surface where the proposed well-field is contemplated. The hole was drilled to the rig's maximum depth of 179 metres, encountering brine from 47 metres below surface to the end of the hole. The 132 metres intersection averaged 571 mg/l Li with the bottom 54 metres averaging 637 mg/l Li. Magnesium to lithium and sulphate to lithium ratios averaged 3.5 and 9.6 respectively over the 132 metre brine column. DSO-01 intersected a single aquifer dominated by sands and gravels, lithologies typically possessing favourable pumping conditions.

DSO-02 was drilled in the southern portion of the basin, with the primary purpose of providing additional stratigraphic and porosity data in order to enhance the confidence level of this area, where a large portion of the inferred resource is located. Both sonic drill holes averaged over 87% recovery and a total of 76 samples were sent for RBRC testing. Final brine sample results for DSO-02 and all RBRC results have not been received by the Company. These additional results will be released as received by the Company.

Approximately $19 million has been invested in the SDLA Project 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.

On February 24, 2017, the Company filed a National Instrument 43-101 technical report prepared by FloSolutions (Chile), dated February 24, 2017 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.

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^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 (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 resource estimate was developed for the SDLA 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.

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 km2 (Inferred resource area: 32.4 km2; the indicated resource area 22.2 km2. 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 SDLA Project, which is filed on SEDAR.

Arizaro Lithium Brine Project

In December 2016, 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 vendors 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 33,845 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.

The Arizaro exploration permits were received in August 2017. However, the Company has not initiated exploration of the Arizaro project. To date exploration by Lithium X has been limited to surface reconnaissance.

Sale of Nevada Properties

In May 2017, the Company sold its interest in both Clayton Valley North and Clayton Valley South to Pure Energy (the "Sale"). Under the Sale, the Company received 20,038,182 Pure Energy common shares valued at $0.60 per share, being the closing price of Pure Energy's common shares on the date of sale, and 2,022,290 Pure Energy warrants, valued at $523,847, exercisable at $0.75 until May 30, 2020, in consideration for its Nevada interests. The Pure Energy common shares and warrants received in accordance with the Sale are subject to restrictions. All common shares and common shares received on exercise of warrants are restricted from being sold for the first 12 months from the date of closing, after which 50% of the common shares and all common shares received on exercise of warrants are released from lock-up provisions. A further 12.5% of the common shares will be released from lock-up provisions every three months subsequently. The release schedule will be advanced if the Pure Energy shares reach $1.12 for twenty consecutive trading days at any point in the two year period from the date of sale.

In connection with the Sale, the Company also subscribed for 3,571,428 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, valued at $0.464 per share, and one half of a Pure Energy warrant, valued at $343,053 on a pro rata basis, with each whole warrant exercisable at a price of $0.75 until May 30, 2020. The Company is restricted from selling the shares of Pure Energy received under the subscription for a period of four months under securities requirements.

Under the Sale, the Company transferred 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, and recognized total proceeds of $11,987,265, net of transaction costs, resulting in a gain on disposition of $4,674,604.

As of June 30, 2017, Pure Energy's common shares were trading at $0.51 per share.

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

Year ended June 30, 2017	Clayton Valley South	Clayton Valley North	Nevada Properties Total	SDLA Project	Arizaro Project	Total
	$	$	$	$	$	$
Acquisition costs:						
Balance, June 30, 2016	3,780,964	1,403,151	5,184,115	15,696,330	-	20,880,445
Cash	-	-	-	79,162	374,961	454,122
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
Sale of Nevada properties	(3,780,964)	(2,737,967)	(6,518,931)	-	-	(6,518,931)
Balance, June 30, 2017	-	-	-	15,775,492	8,092,461	23,867,953
Exploration costs:						
Balance, June 30, 2016	26,221	111,062	137,283	213,209	-	350,492
Claims	104,008	64,494	168,502	-	-	168,502
Drilling	-	188,889	188,889	-	-	188,889
Lab analysis	-	-	-	83,374	-	83,374
Technical consulting	-	299,056	299,056	2,565,105	-	2,864,161
Technical studies for feasability	-	-	-	663,505	-	663,505
Technical studies for viability of drilling	-	-	-	510,395	-	510,395
Sale of Nevada properties	(130,229)	(663,501)	(793,730)	-	-	(793,730)
Balance, June 30, 2017	-	-	-	4,035,588	-	4,035,588
Total costs:						
Balance, June 30, 2017	-	-	-	19,811,080	8,092,461	27,903,541

Year ended June 30, 2016	Clayton Valley South	Clayton Valley North	Nevada Properties Total	SDLA Project	Total
	$	$	$	$	$
Acquisition costs:					
Balance, June 30, 2015	-	-	-	-	-
Cash	645,614	443,151	1,088,765	273,930	1,362,695
Shares issued on acquisition	3,135,350	960,000	4,095,350	15,422,400	19,517,750
Balance, June 30, 2016	3,780,964	1,403,151	5,184,115	15,696,330	20,880,445
Exploration costs:					
Balance, June 30, 2015	-	-	-	-	-
Claims	-	18,957	18,957	-	18,957
Technical Consulting	26,221	83,400	109,621	213,209	322,830
Rent	-	6,256	6,256	-	6,256
Travel	-	2,449	2,449	-	2,449
Balance, June 30, 2016	26,221	111,062	137,283	213,209	350,492
Total costs:					
Balance, June 30, 2016	3,807,185	1,514,213	5,321,398	15,909,539	21,230,937

Overall Performance and Results of Operations

Total assets increased to $62,836,955 at June 30, 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 June 30, 2017, were cash and cash equivalents of $20,144,411 (June 30, 2016: $9,683,877), investment in associate of $14,489,400 (June 30, 2016: $nil) and exploration assets of $27,903,541 (June 30, 2016: $21,230,937). Cash increased by $10,460,534 during the year ended June 30, 2017, as a result of the issuance of shares, net of share issuance costs, in the amount of $22,901,508 and the exercise of stock options in the amount of $147,700. The increase in cash was partially offset by exploration asset expenditures of $5,358,970, purchase of the Pure Energy units for $2,000,000, financing costs associated with the Sale of $396,641, and cash used in operating activities of $4,833,063.

Three months ended June 30, 2017 and 2016

The Company recorded loss and comprehensive loss of $1,417,016 for the three months ended June 30, 2017 (2016: $2,217,996). Loss from operating activities for the three months ended June 30, 2017, increased by $865,160 from $2,371,122 for the three months ended June 30, 2016, to $3,236,282 for the three months ended June 30, 2017. The increase in loss from operating activities is largely due to:

- An increase of $151,985 in professional fees. Professional fees were $184,807 for the three months ended June 30, 2017, compared to $32,822 for the three months ended June 30, 2016. This was due to higher audit and tax fees due to increased operations, and legal fees related to the Sale.

- An increase of $781,166 in share-based compensation. Share-based compensation was $1,880,959 for the three months ended June 30, 2017, compared to $1,099,793 for the three months ended June 30, 2016. 1,573,820 stock options with a value of $1,453,920 were granted during the three months ended June 30, 2016, whereas 1,645,000 stock options with a value of $1,791,976 were granted in the current period.

  The increase in loss was partially offset by:

- A decrease of $86,267 in travel. Travel was $159,704 for the three months ended June 30, 2017, compared to $245,971 for the three months ended June 30, 2016. This was related to a decrease in travel costs in the current period as compared to the same period in prior year.

- A decrease of $32,659 in marketing. Marketing was $111,246 for the three months ended June 30, 2017, compared to $143,905 for the three months ended June 30, 2016. This was related to a decrease in shareholder communication service costs in the current period.

Other items during the three months ended June 30, 2017, included gain on sale of exploration assets of $4,674,604 (June 30, 2016: $nil), relating to the Sale.

Year ended June 30, 2017 and 2016

The Company recorded loss and comprehensive loss of $2,422,156 for the year ended June 30, 2017 (2016: $5,263,189). Loss from operating activities for the year ended June 30, 2017, increased by $1,759,267 from $5,429,058 for the year ended June 30, 2016, to $7,188,325 for the year ended June 30, 2017. The increase in loss from operating activities is largely due to:

- An increase of $555,167 in management fees. Management fees were $1,591,167 for the year ended June 30, 2017, compared to $1,036,000 for the year ended June 30, 2016. This was due to an increase in payments made to key management personnel.

- An increase of $449,756 in professional fees. Professional fees were $510,988 for the year ended June 30, 2017, compared to $61,232 for the year ended June 30, 2016. This was due to higher audit and tax fees due to increased operations, and legal fees related to the Sale.

- An increase of $389,512 in marketing. Marketing was $783,803 for the year ended June 30, 2017, compared to $394,291 for the year ended June 30, 2016. This was related to an increase in shareholder communication services as operations expanded in the current year.

- An increase of $282,205 in office and administration. Office and administration was $418,191 for the year ended June 30, 2017, compared to $135,986 for the year ended June 30, 2016. This was due to higher general office costs associated with increased activity in the current year.

  The increase in loss was partially offset by:

- A decrease of $29,460 in share-based compensation. Share-based compensation was $2,543,243 for the year ended June 30, 2017, compared to $2,572,703 for the year ended June 30, 2016. 5,913,820 stock options with a value of $2,930,116 were granted during the year ended June 30, 2016, whereas 2,215,000 stock options with a value of $2,349,674 were granted in the current year.

- A decrease of $25,356 in travel. Travel was $581,899 for the year ended June 30, 2017, compared to $607,255 for the year ended June 30, 2016. This was related to a decrease in travel costs in the current year.

Other items during the year ended June 30, 2017, included gain on sale of exploration assets of $4,674,604 (June 30, 2016: $nil), relating to the Sale.

Selected Annual Information

		2017		2016		2015
Total Assets, June 30	$	62,836,955	$	31,308,102	$	760,603
Operating expenses	$	(7,188,325)	$	(5,429,058)	$	(126,734)
Share-based compensation		-		-		-
Gain on sale of exploration assets		4,674,604		-		-
Equity loss from investee		(57,356)		-		-
Finance and other income		151,587		164,485		7,758
Foreign exchange gain		(2,666)		1,384		-
Net loss and comprehesive loss for the year	$	(2,422,156)	$	(5,263,189)	$	(118,976)
Basic loss per share	$	(0.03)	$	(0.17)	$	(0.01)

Summary of Quarterly Results

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

	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenue	$ -	$ -	$ -	$ -
Income (loss) and comprehensive income (loss) for the period	1,417,016	(1,709,450)	(922,308)	(1,207,414)
Basic and diluted loss per share	0.02	(0.02)	(0.01)	(0.02)

	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenue	$ -	$ -	$ -	$ -
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)

Liquidity and Capital Resources

As at June 30, 2017, the Company had cash of $20,144,411 to settle current liabilities of $420,172 and had working capital of $19,884,306.

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, 2017, the Company had working capital of $19,884,306 consisting primarily of cash. 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.

In October 2017, the Company announced it had entered into an agreement with a syndicate of underwriters co-led by Cormark Securities Inc., Canaccord Genuity Corp and GMP Securities L.P. (collectively the "Underwriters") pursuant to which the Underwriters have agreed to purchase on a bought deal basis 6,850,000 units of the Company (the "Units") at a price of C$1.90 per Unit (the "Offering Price"), representing total gross proceeds of $13,015,000 (the "Offering"). Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole warrant a "Warrant"). Each Warrant will entitle the holder to acquire one common share of the Company at a price of C$2.75 for a period of 36 months following the Closing Date. In addition, the Company has granted the Underwriters an option (the "Over-Allotment Option"), to purchase up to 1,027,500 additional Units at the Offering Price for market stabilization purposes and to cover over-allotments, exercisable within 30 days of the date of closing. In the event that the Over-Allotment Option is exercised in its entirety, the aggregate gross proceeds of the Offering will be C$14,967,250.

Prior Financings

March 2017 Financing - Net Proceeds of $13,809,400

On March 14, 2017, the Company issued 7,900,000 shares at a price of C$1.90 per share for gross proceeds of $15,010,000 in a bought deal short form prospectus offering (the "March 2017 Offering"). Net proceeds from the March 2017 Offering were $13,809,400. A comparison of the use of proceeds disclosed in the prospectus to management's current estimate of the use of proceeds is as follows:

March 2017 Financing - Net Proceeds of $13,809,400	Intended Use of Proceeds	Actual Use of Proceeds	(Over)/Under-Expenditure at June 30, 2017
2017 Work Program and Feasibility Study	$ 7,500,000	$ 1,950,428	$ 5,549,572
Construction of Initial Ponding Facility	4,500,000	-	4,500,000
General working capital and corporate development	1,809,400	2,198,412	(389,012)
	$ 13,809,400	$ 4,148,840	$ 9,660,560

The Company incurred $1,950,428 on the 2017 work program for the SDLA Project, which included diamond and sonic drilling, long term pump tests and RBRC testing. The 2017 work program activities are ongoing as of June 30, 2017, with estimated completion in the first quarter of fiscal 2018. As of June 30, 2017, the Company has not incurred any expenditures on the Facility, as construction only commenced in June 2017 and the $4.5 million allocated to the Facility is not yet due and payable. The Company has used $2,198,412 of the proceeds from the March 2017 Offering for general working expenditures - $198,412 of this amount was used for additional expenses primarily related to legal work incurred in connection with the preparation of the short form prospectus for the March 2017 Offering, and $2,000,000 of this amount was used towards the Company's subscription for 3,571,428 Pure Energy units in May 2017.

July 2016 Financing - Net Proceeds of $9,290,511

On July 13, 2016, the Company issued 6,060,603 shares at a price of $1.65 per share for gross proceeds of $10,000,000. Net proceeds from the financing were $9,290,511. A comparison of the original intended use of proceeds to management's current estimate of the use of proceeds is as follows:

July 2016 Financing - Net Proceeds of $9,290,511	Intended Use of Proceeds	Actual Use of Proceeds	(Over)/Under-Expenditure at June 30, 2017
Acquisition, exploration and development of Nevada properties	$ 1,500,000	$ 1,366,933	$ 133,067
Acquisition, exploration and development of SDLA Project	2,000,000	2,041,610	(41,610)
General working capital and corporate development	5,790,511	5,229,704	560,807
	$ 9,290,511	$ 8,638,247	$ 652,264

The Company incurred $1,366,933 on exploration activities to advance the Nevada properties, $2,041,610 on advancing the SDLA Project in preparation for the 2017 work program and $5,229,704 on general and administrative costs.

Outstanding Share Data

During the year ended June 30, 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 year ended June 30, 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 year ended June 30, 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.

During the year ended June 30, 2017, the Company also issued 446,112 common shares, with a value of $999,291, to CVL in November 2016.

During the year ended June 30, 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 year ended June 30, 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 year ended June 30, 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 year ended June 30, 2017, 1,645,000 stock options to directors, officers, and consultants, with an exercise price of $1.90 and an expiry date of April 18, 2022, vesting immediately.

During the year ended June 30, 2017, 597,000 stock options were exercised for proceeds of $147,700.

Subsequent to June 30, 2017, 235,000 stock options were exercised for proceeds of $140,250.

As at the date of this report, there were 85,451,917 common shares issued and outstanding.

As at the date of this report, there were 7,436,820 stock options and no warrants outstanding.

Related Party Transactions

During the year ended June 30, 2017, key management personnel compensation totaled $2,802,956 (June 30, 2016: $2,690,195) comprised of management fees and bonuses of $1,386,167 paid to the Chief Financial Officer and companies controlled by the Company's Chief Executive Officer and Executive Chairman, $80,000 paid to directors and share-based compensation of $1,336,789 relating to 1,245,000 stock options granted to directors and officers of the Company.

Management fees and bonus of $205,000 (June 30, 2016: $270,000) were paid to a company controlled by the Company's former Chief Financial Officer. The Company entered into an advisory agreement with the former Chief Financial Officer for 48 months at $5,000 per month.

Risks and Uncertainties

The Company and its business are subject to a variety of risks. The majority of these risks are set out and described in our Annual Information Form and investors are referred to that document for more information regarding these risks. In addition, our operations and future plans are subject to a number of other risks, which are described in this MD&A and in our other filings with Canadian securities regulatory authorities, which may be accessed on our website or at www.sedar.com.

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 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.

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 June 30, 2017, the Company had cash of $20,144,411 to settle current liabilities of $420,172 and had working capital of $19,884,306.

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 does not believe it is exposed to material interest rate risks.

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.

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.