

# Lithium X Energy Corp.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

# Lithium X Energy Corp.

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)  
(Unaudited)

	March 31, 2017	June 30, 2016
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 26,454,448	\$ 9,683,877
Amounts receivable (Note 4)	149,722	145,900
Prepaid expenses	153,972	107,852
Advances (Note 5)	162,850	-
	<b>26,920,992</b>	9,937,629
Investment in PLASA (Note 6)	17,996,870	15,909,539
Exploration assets (Note 5)	15,405,122	5,321,398
Other receivables	139,536	139,536
	<b>\$ 60,462,520</b>	<b>\$ 31,308,102</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 1,348,743	\$ 778,405
<b>Shareholders' equity</b>		
Common shares (Note 7)	65,053,632	59,113,662
Contributed surplus (Note 8)	5,413,438	4,977,563
Deficit (Note 7)	(11,353,293)	(33,561,528)
	<b>59,113,777</b>	30,529,697
	<b>\$ 60,462,520</b>	<b>\$ 31,308,102</b>

Nature of operations (Note 1)

Subsequent events (Note 12)

Approved on behalf of the Board of Directors and authorized for issue on May 25, 2017

"Harry Pokrandt"

Director

"Robert McLeod"

Director

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

# Lithium X Energy Corp.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended March 31, 2017 and 2016

(Expressed in Canadian Dollars, except number of shares)

(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2017	2016	2017	2016
<b>Expenses</b>				
Advisory and consulting	\$ 280,195	\$ 305,022	\$ 470,561	\$ 372,933
Marketing	199,361	196,781	672,557	250,387
Management fees	677,000	353,000	1,031,000	459,000
Office and administration	113,768	47,054	284,254	69,109
Professional fees	202,074	22,054	326,181	28,410
Regulatory and transfer agent fees	21,104	17,712	83,011	43,904
Share-based compensation	172,678	912,963	662,284	1,472,910
Travel	189,906	291,289	422,195	361,283
<b>Loss before other income, expenses and equity loss</b>	<b>\$ (1,856,086)</b>	<b>\$ (2,145,875)</b>	<b>\$ (3,952,043)</b>	<b>\$ (3,057,936)</b>
Equity gain on investment in associate (Note 6)	118,142	-	-	-
Finance and other income	28,990	8,905	95,642	11,298
Foreign exchange gain (loss)	(496)	1,445	17,229	1,445
<b>Loss and comprehensive loss for the period</b>	<b>\$ (1,709,450)</b>	<b>\$ (2,135,525)</b>	<b>\$ (3,839,172)</b>	<b>\$ (3,045,193)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.05)</b>	<b>\$ (0.06)</b>	<b>\$ (0.13)</b>
Weighted average number of common shares outstanding - basic and diluted	71,335,288	42,246,478	68,049,393	23,318,168

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# Lithium X Energy Corp.

## Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

	Nine months ended March 31, 2017	Nine months ended March 31, 2016
<b>Operating activities</b>		
Loss for the period	\$ (3,839,172)	\$ (3,045,193)
Item not involving cash:		
Share-based compensation	662,284	1,472,910
	<b>(3,176,888)</b>	<b>(1,572,283)</b>
Changes in non-cash operating working capital:		
Amounts receivable	(3,822)	(92,284)
Prepaid expenses	(46,120)	(195,189)
Advances	(162,850)	-
Accounts payable and accrued liabilities	524,617	132,502
	<b>(2,865,063)</b>	<b>(1,727,254)</b>
<b>Investing activities</b>		
Investment in associate	(2,041,610)	-
Exploration asset expenditures	(1,366,933)	(1,163,066)
	<b>(3,408,543)</b>	<b>(1,163,066)</b>
<b>Financing activities</b>		
Proceeds on issuance of common shares net of share issuance costs	22,916,427	12,880,111
Proceeds from exercise of stock options	127,750	69,250
	<b>23,044,177</b>	<b>12,949,361</b>
<b>Change in cash and cash equivalents during the period</b>	<b>16,770,571</b>	<b>10,059,041</b>
Cash and cash equivalents at beginning of the period	9,683,877	756,875
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 26,454,448</b>	<b>\$ 10,815,916</b>
<b>Supplemental cash flow information</b>		
Non-cash share issuance costs	\$ -	\$ 102,000
Non-cash acquisition costs	\$ 8,716,791	\$ -
<b>Cash and cash equivalents is comprised of:</b>		
Cash	\$ 18,954,448	\$ 215,916
Term deposits	7,500,000	10,600,000
	<b>\$ 26,454,448</b>	<b>\$ 10,815,916</b>

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# Lithium X Energy Corp.

## Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars, except number of shares)  
(Unaudited)

	Common shares		Contributed		Total Equity
	Number	Amount	Surplus	Deficit	
<b>Balance at June 30, 2015</b>	10,029,063	\$ 26,047,407	\$ 2,999,050	\$ (28,298,339)	\$ 748,118
Private placement	30,854,139	13,501,119	-	-	13,501,119
Share issuance costs	100,000	(621,008)	-	-	(621,008)
Share-based compensation	-	-	1,472,910	-	1,472,910
Exercise of stock options	600,000	651,647	(582,396)	-	69,251
Shares issued for the acquisition of exploration and evaluation assets	10,695,000	4,095,350	-	-	4,095,350
Loss and comprehensive loss for the period	-	-	-	(3,045,193)	(3,045,193)
<b>Balance at March 31, 2016</b>	52,278,202	43,674,515	3,889,564	(31,343,532)	16,220,547
Share issuance costs	-	(10,047)	-	-	(10,047)
Share-based compensation	-	-	1,099,793	-	1,099,793
Exercise of stock options	100,000	26,794	(11,794)	-	15,000
Shares issued for the acquisition of exploration and evaluation assets	8,160,000	15,422,400	-	-	15,422,400
Loss and comprehensive loss for the period	-	-	-	(2,217,996)	(2,217,996)
<b>Balance at June 30, 2016</b>	60,538,202	59,113,662	4,977,563	(33,561,528)	30,529,697
Private placement	6,060,603	10,000,000	-	-	10,000,000
Bought deal public offering	7,900,000	15,010,000	-	-	15,010,000
Share issuance costs	-	(2,093,573)	-	-	(2,093,573)
Share-based compensation	-	-	662,284	-	662,284
Exercise of stock options	437,000	354,159	(226,409)	-	127,750
Shares issued for the acquisition of exploration and evaluation assets	3,675,000	7,717,500	-	-	7,717,500
Shares issued on 1st year anniversary payment to Clayton Valley Lithium Inc.	446,112	999,291	-	-	999,291
Reduction of stated capital and accumulated deficit (Note 7)	-	(26,047,407)	-	26,047,407	-
Loss and comprehensive loss for the period	-	-	-	(3,839,172)	(3,839,172)
<b>Balance at March 31, 2017</b>	<b>79,056,917</b>	<b>\$ 65,053,632</b>	<b>\$ 5,413,438</b>	<b>\$ (11,353,293)</b>	<b>\$ 59,113,777</b>

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

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)  
(Unaudited)

### 1. NATURE OF OPERATIONS

The Company was incorporated under the Business Corporations Act (Alberta) on August 28, 1997, and continued to British Columbia effective May 11, 2011. The Company is listed on the TSX Venture Exchange under the symbol "LIX" and the 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. On November 26, 2015, the Company completed its reactivation pursuant to which it acquired an option (the "Option Agreement") to acquire a 100% interest in the NSP Lithium Claims in Nevada from Clayton Valley Lithium Inc. ("CVL")(Note 5).

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

These unaudited condensed interim consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company does not currently have a recurring source of revenue, other than interest income on its cash deposit and has historically incurred losses and negative cash flows. As at 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 and evaluation activities and ultimately develop, construct and operate a mining operation.

### 2. BASIS OF PRESENTATION

#### Statement of compliance

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

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by IFRIC. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS have been omitted or condensed. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended June 30, 2016.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as at May 25, 2017, the date the Board of Directors approved the statements.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)  
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### 3. DETERMINATION OF FAIR VALUES

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. At March 31, 2017 and 2016, there were no financial assets and liabilities measured and recognized at fair value on a recurring basis. The fair value of cash and cash equivalents, receivables and accounts payable are not materially different from their carrying value given their short terms to maturity. In addition, the fair value for long term receivables approximate their carrying value.

### 4. AMOUNTS RECEIVABLE

	March 31, 2017	June 30, 2016
Input tax credits	\$ 105,417	\$ 126,531
Interest receivable	44,305	19,369
<b>Total amounts receivable</b>	<b>\$ 149,722</b>	<b>\$ 145,900</b>

### 5. EXPLORATION ASSETS

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

#### a) Arizaro Project

In January 2017, the Company entered into a binding purchase and sale agreement (the "Agreement") to acquire 100% of the Arizaro lithium brine project (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 (Note 7).

#### b) Clayton Valley North

In November 2015 (the "Closing Date"), the Company completed its reactivation pursuant to which it acquired an option to acquire a 100% interest in the NSP Lithium Claims in Nevada from CVL, a privately held arm's length company. The reactivation was effected pursuant to an amalgamation agreement (the "Amalgamation Agreement") among a subsidiary of the Company and 1045564 B.C. Ltd. ("1045564"), the entity which previously held the option. Pursuant to the Amalgamation Agreement, the Company issued an aggregate of 5,000,000 common shares to the shareholders of 1045564. In addition, the Company issued 1,000,000 common shares and paid \$184,397 (US\$140,000) to CVL as

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)  
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### 5. EXPLORATION ASSETS (continued)

#### b) Clayton Valley North (continued)

required by an underlying option agreement dated November 2015, and issued 400,000 common shares to a consultant for services provided to the 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.

During the nine months ended March 31, 2017, the Company advanced \$162,850 (US\$125,000) to fund drilling work on the property.

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 Minerals Limited ("Pure Energy") (Note 12).

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)  
(Unaudited)

### 5. EXPLORATION ASSETS (continued)

#### c) Clayton Valley South

In February 2016, the Company completed the acquisition of a 100% interest in the Clayton Valley South Expansion in Nevada's Clayton Valley through the acquisition of all of the outstanding shares of 1061582 BC Ltd. ("1061582").

Consideration for the acquisition consisted of a cash payment of \$480,200 (US\$350,000) and the issue of 4,000,000 common shares to the vendor. The Company also granted the vendor a 2% net smelter return royalty. A finder's fee of 295,000 common shares of the Company was paid to a third party. The shares issued in relation to this transaction were valued at \$3,135,350.

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

Subsequent to March 31, 2017 The Company entered into a series of agreements to sell its interest in the Clayton Valley South property to Pure Energy (Note 12).

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
<b>Balance, March 31, 2017</b>	<b>3,780,964</b>	<b>2,737,967</b>	<b>6,518,931</b>	<b>8,092,461</b>	<b>14,611,392</b>
<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
<b>Balance, March 31, 2017</b>	<b>130,229</b>	<b>663,501</b>	<b>793,730</b>	<b>-</b>	<b>793,730</b>
<b>Total costs:</b>					
<b>Balance, March 31, 2017</b>	<b>3,911,193</b>	<b>3,401,468</b>	<b>7,312,661</b>	<b>8,092,461</b>	<b>15,405,122</b>

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)  
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### 5. EXPLORATION ASSETS (continued)

	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 acquisition	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	-	-	-
Claims	-	18,957	18,957
Technical Consulting	26,221	83,400	109,621
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

### 6. INVESTMENT IN PLASA

In April 2016, the Company completed the acquisition of an initial 50% interest in Potasio y Litio de Argentina SA ("PLASA"), which owns 100% of the Sal de los Angeles lithium-potash brine project (the "Project") in Argentina, from Aberdeen International Inc. ("Aberdeen"). In consideration for the 50% interest, the Company issued 8,000,000 common shares to Aberdeen. A finder's fee of 160,000 common shares of the Company was paid to a third party. The shares issued in relation to this transaction were valued at \$1.89 per share, being the closing share price of the Company on April 20, 2016.

Pursuant to the agreement the Company has the option (the "Option") to acquire an additional 30% interest after incurring \$3,000,000 in exploration and development expenditures (the "Expenditure Commitment") over a two-year period and completing a Feasibility Study on the Project. In order to exercise the Option, the Company must issue common shares to Aberdeen with a value of \$5,000,000 based on a 10% discount to the 20-day volume-weighted average price of its common shares at the date of exercise. If the Expenditure Commitment is not met, the Company is required to transfer to Aberdeen that number of outstanding shares representing 20% of the outstanding shares of PLASA. In the event the Company does not exercise the option to purchase the additional 30% of PLASA, Aberdeen has the right to acquire that number of shares of PLASA equal to 1% of the outstanding shares of PLASA in consideration for the payment of \$166,000 in cash.

The Company does not consolidate the assets, liabilities and results of operations of PLASA as Aberdeen and the Company jointly control the relevant activities of PLASA. Accordingly, the Company accounts for its interest in PLASA using the equity method. The shares issued in relation to this transaction were valued at \$15,422,400. The \$3,000,000 on the feasibility, as well as all other expenses related to the Project, form part of the Company's investment and are capitalized to the investment as the expenditures are incurred.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)  
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### 6. INVESTMENT IN PLASA (continued)

The following table summarizes the change in investment in PLASA for the nine months ended March 31, 2017, and the year ended June 30, 2016:

Balance, April 15, 2016	\$	15,422,400
Funds advanced to PLASA and expenditures incurred		487,139
Balance, June 30, 2016		15,909,539
Funds advanced to PLASA and expenditures incurred		2,087,331
Balance, March 31, 2017	\$	17,996,870

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 Sal de los Angeles 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.

The following is summarised financial information for PLASA, based on its financial statements prepared in accordance with IFRS and adjusted to be consistent with the Company's accounting policies:

		March 31, 2017	June 30, 2016
Current assets <sup>1</sup>	\$	1,069,304	\$ 1,752,997
Long-term assets		5,159,688	5,220,215
Current liabilities		(166,738)	(1,249,596)
Net assets	\$	6,062,254	\$ 5,723,616

<sup>1</sup> Included in current assets is cash and cash equivalents of \$105,480 (June 30, 2016: \$nil)

#### *SESA Joint Venture*

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

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended March 31, 2017 and 2016

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### 6. INVESTMENT IN PLASA (continued)

all construction costs, including one full year of post-construction operation. PLASA must contribute US\$3.3 million for a 30% contributing participation in the JV Company and the right to commercialize the lithium products. In addition, PLASA is carried for 20% of the JV Company for contributing brine from existing wells on the project. In February 2017, the Company announced that it has received permits to begin construction of the Facility.

### 7. CAPITAL STOCK

During the nine months ended March 31, 2017, pursuant to shareholder approval, the Company completed a reduction of stated capital reducing the common shares account by \$26,047,407 with a corresponding reduction in the consolidated accumulated deficit.

- a) Authorized: unlimited number of common shares and preferred shares without par value.
- b) Common shares issued and outstanding: March 31, 2017 – 79,056,917 (June 30, 2016 – 60,538,202).
- c) 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. Cash share issuance costs of \$709,489 were incurred in relation to the private placement.
- d) 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. Cash share issuance costs of \$1,384,084 were incurred in relation to the bought deal public offering.
- e) 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 (Note 5 (a)).
- f) 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 (Note 5 (b)).
- g) During the nine months ended March 31, 2016, the Company closed non-brokered private placements of 11,696,669 shares at a price of \$0.15 per share for gross proceeds of \$1,754,500, 10,825,000 shares at a price of \$0.30 per share for gross proceeds of \$3,247,500, and 8,332,470 shares at a price of \$1.02 per share for gross proceeds of \$8,499,119. The Company incurred cash share issuance costs of \$621,008 and issued 100,000 common shares, with a value of \$1.02 per share, as a finder's fee in relation to these private placements.

### 8. STOCK OPTIONS

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

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)  
(Unaudited)

### 8. STOCK OPTIONS (continued)

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

	Outstanding	Weighted average exercise price
Balance, June 30 and September 30, 2015	915,000	\$ 0.11
Granted	2,890,000	0.25
Exercised	(170,000)	0.11
Balance, December 31, 2015	3,635,000	0.23
Cancelled	(75,000)	0.15
Granted	3,023,820	1.34
Exercised	(530,000)	0.12
Balance, June 30, 2016	6,053,820	0.79
Granted	570,000	1.83
Exercised	(437,000)	0.29
Balance, March 31, 2017	6,186,820	\$ 0.92

During the nine months ended March 31, 2017, the Company granted the following stock options:

- i) 300,000 stock options to directors and consultants, with an exercise price of \$1.65 and an expiry date of July 13, 2021, and vested immediately. Using the Black-Scholes option pricing model, the grant date fair value was determined to be \$297,632, or \$0.99 per option.
- ii) 120,000 stock options to consultants with an exercise price of \$1.80, an expiry date of July 28, 2021, and vested immediately. Using the Black-Scholes option pricing model, the grant date fair value was determined to be \$131,080, or \$1.09 per option.
- iii) 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. Using the Black-Scholes option pricing model, the grant date fair value was determined to be \$128,986, or \$0.86 per option.

During the nine months ended March 31, 2016, the Company granted the following stock options:

- i) 1,740,000 stock options to directors, officers, consultants, and charities, with an exercise price of \$0.15 and an expiry date of November 26, 2025. Using the Black-Scholes option pricing model, the grant date fair value was determined to be \$205,221, or \$0.12 per option.
- ii) 150,000 stock options to consultants with an exercise price of \$0.15, an expiry date of November 26, 2018, and vesting over a period of one year. Using the Black-Scholes option pricing model, the grant date fair value was determined to be \$8,742, or \$0.06 per option.
- iii) 1,000,000 stock options to directors, officers, and consultants with an exercise price of \$0.45 and an expiry date of December 31, 2025. Using the Black-Scholes option pricing model, the grant date fair value was determined to be \$353,896, or \$0.35 per option.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)  
(Unaudited)

### 8. STOCK OPTIONS (continued)

- iv) 450,000 stock options to consultants, with an exercise price of \$0.83 and an expiry date of February 16, 2021. Using the Black-Scholes option pricing model, the grant date fair value was determined to be \$226,905, or \$0.50 per option.
- v) 1,000,000 stock options to directors, officers, and consultants, with an exercise price of \$1.12 and an expiry date of March 18, 2021. Using the Black-Scholes option pricing model, the grant date fair value was determined to be \$681,432, or \$0.68 per option.

The following assumptions were used for the Black-Scholes valuation of the stock options granted during the nine months ended March 31, 2017:

	2017	2016
Risk-free interest rate	0.72% - 0.86%	0.62% - 1.92%
Expected life	1.8 years - 5 years	1.8 years - 10 years
Annualized volatility	75.00%	75.00%
Dividend rate	0.00%	0.00%

During the nine months ended March 31, 2017, the Company recorded share-based compensation expense of \$662,284 (March 31, 2016: \$1,472,910), of which \$233,572 related to vesting of options granted in prior periods (March 31, 2016: \$5,465).

During the nine months ended March 31, 2017, 437,000 stock options (March 31, 2016 – 600,000) were exercised for proceeds of \$127,750 (March 31, 2016 - \$69,250).

The following table summarizes information about the stock options outstanding at March 31, 2017:

Outstanding	Exercisable	Exercise Price	Expiry date
150,000	0	\$ 2.21	February 1, 2020
375,000	375,000	0.83	February 16, 2021
50,000	50,000	0.11	March 1, 2021
1,000,000	1,000,000	1.12	March 18, 2021
1,573,820	1,198,820	1.62	June 29, 2021
300,000	300,000	1.65	July 13, 2021
120,000	120,000	1.80	July 28, 2021
20,000	20,000	0.11	January 19, 2022
20,000	20,000	0.11	January 7, 2023
150,000	150,000	0.12	February 3, 2024
1,478,000	1,478,000	0.15	November 26, 2025
950,000	950,000	0.45	December 31, 2025
<b>6,186,820</b>	<b>5,661,820</b>		

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

### 9. 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.

### 10. FINANCIAL RISK MANAGEMENT

#### a) Credit risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk includes cash and cash equivalents and accounts receivable. The Company reduces its credit risk on cash by maintaining its bank accounts at large international financial institutions. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of March 31, 2017, the Company had invested \$7,500,000 (June 30, 2016: \$9,661,745) in short-term guaranteed investment certificates.

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

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

#### b) Liquidity risk

All liabilities are due within the next year. At March 31, 2017, the Company has cash and cash equivalents of \$26,454,448 to settle current liabilities of \$1,348,743.

#### 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.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)  
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### 10. FINANCIAL RISK MANAGEMENT (continued)

#### d) Interest rate risk

The Company has cash and cash equivalent balances and no interest-bearing debt. The Company does not believe it is exposed to material interest rate risks. As of 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.

As at March 31, 2017, the Company held a net liability position of \$23,426 in US dollars (June 30, 2016: \$2,357,299). The table below summarizes a sensitivity analysis for significant unsettled currency risk exposure with respect to the Company's financial instruments as at March 31, 2017, with all other variables held constant. It shows how comprehensive loss would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

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	Sensitivity Analysis, Change in USD	Increase (Decrease) in net income
Decrease in Net Income	-10%	\$ (2,343)
Increase in Net Income	10%	\$ 2,343

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#### 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 (Note 6).

There have been no changes in the Company's approach to capital management in the nine months ended March 31, 2017.

### 11. COMPARATIVE FIGURES

Certain comparative data have been reclassified to conform with the presentation of the current year. The Company has grouped together the comparative balances for certain items on the statement of financial position and expenses on the statement of loss and comprehensive loss. There is no net impact on the financial position, net loss, cash flows or loss per share in fiscal 2016 as a result of these reclassifications.

# Lithium X Energy Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

### 12. SUBSEQUENT EVENTS

#### Pure Energy

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.

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.

#### Stock Options

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.