Lithium X Energy Corp.

(formerly Royce Resources Corp.)

March 31, 2016

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Lithium X Energy Corp. (the "Company") have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. They include appropriate accounting principles, judgment and estimates in accordance with IFRS for interim financial statements.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditors.

Lithium X Energy Corp.

(formerly Royce Resources Corp.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

Lithium X Energy Corp.

(formerly Royce Resources Corp.)

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)
(unaudited)

		March 31, 2016		June 30, 2015
Assets				
Current				
Cash and cash equivalents	$	**10,815,916**	$	756,875
Amounts receivable		**94,762**		2,478
Prepaid expenses		**196,439**		1,250
		11,107,117		760,603
Exploration and evaluation assets (Note 5)		**5,258,417**		-
	$	**16,365,534**	$	760,603
Liabilities				
Current				
Accounts payable and accrued liabilities	$	**144,987**	$	12,485
Shareholders' equity				
Common shares (Note 6,7)		**43,674,515**		26,047,407
Contributed surplus		**3,889,564**		2,999,050
Deficit		**(31,343,532)**		(28,298,339)
		16,220,547		748,118
	$	**16,365,534**	$	760,603

Nature and continuance of operations (Note 1)

Subsequent events (Note 7,10)

Approved on behalf of the Board of Directors and authorized for issue on May 27, 2016

"Geir Liland"

Director

"Harry Pokrandt"

Director

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

Lithium X Energy Corp.

(formerly Royce Resources Corp.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)
(unaudited)

	Three months ended March 31, 2016	Three months ended March 31, 2015	**Nine months ended March 31, 2016**	Nine months ended March 31, 2015
Expenses				
Share-based compensation (Note 7)	**$ 912,963**	$ -	**$ 1,472,910**	$ -
Marketing and travel	**488,070**	-	**611,670**	-
Management fees (Note 8)	**353,000**	22,500	**459,000**	67,500
Advisory and consulting	**305,022**	-	**372,933**	-
General and administrative	**47,054**	3,053	**69,109**	12,108
Regulatory and transfer agent fees	**17,712**	2,187	**43,904**	10,123
Professional fees	**22,054**	1,750	**28,410**	5,120
Loss before other income	**(2,145,875)**	(29,490)	**(3,057,936)**	(94,851)
Finance income	**8,905**	1,748	**11,298**	6,009
Foreign exchange gain	**1,445**	-	**1,445**	-
Net loss and comprehensive loss for the period	**$ (2,135,525)**	$ (27,742)	**$ (3,045,193)**	$ (88,842)
Net loss per share - basic and diluted	**$ (0.05)**	$ -	**$ (0.13)**	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	**42,246,478**	10,029,063	**23,318,168**	10,029,063

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

Lithium X Energy Corp.

(formerly Royce Resources Corp.)

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)
(unaudited)

	Three months ended March 31, 2016	Three months ended March 31, 2015
Operating activities		
Net loss for the period	**$ (3,045,193)**	$ (88,842)
Items not involving cash:		
Share-based compensation (Note 7)	**1,472,910**	-
	(1,572,283)	(88,842)
Changes in non-cash operating working capital:		
Amounts receivable	**(92,284)**	(5,267)
Prepaid expenses	**(195,189)**	1,250
Accounts payable and accrued liabilities	**132,502**	(4,427)
	(1,727,254)	(97,286)
Investing activities		
Exploration and evaluation asset expenditures	**(1,163,066)**	-
Financing activities		
Proceeds from exercise of stock options	**69,250**	-
Proceeds on issuance of common shares net of share issuance costs	**12,880,111**	-
	12,949,361	-
Change in cash during the period	**10,059,041**	(97,286)
Cash at beginning of the period	**756,875**	872,926
Cash at end of the period	**$ 10,815,916**	$ 775,640

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

Lithium X Energy Corp.

(formerly Royce Resources Corp.)

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)
(unaudited)

	Common shares		Contributed		
	Number (Note 6,7)	Amount (Note 6,7)	Surplus	Deficit	Total Equity
Balance at June 30, 2014	10,029,063	$ 26,047,407	$ 2,999,050	$ (28,179,363)	$ 867,094
Net loss and comprehensive loss for the period	-	-	-	(88,842)	(88,842)
Balance at March 31, 2015	10,029,063	$ 26,047,407	$ 2,999,050	$ (28,268,205)	$ 778,252
Balance at June 30, 2015	10,029,063	$ 26,047,407	$ 2,999,050	$ (28,298,339)	748,118
Private placements	30,854,139	13,501,119	-	-	13,501,119
Share issuance costs	-	(723,008)	-	-	(723,008)
Shares issued as finders fees	100,000	102,000	-	-	102,000
Share-based compensation	-	-	1,472,910	-	1,472,910
Exercise of stock options	600,000	651,647	(582,396)	-	69,251
Shares issued on acquisitions	10,695,000	4,095,350	-	-	4,095,350
Net loss and comprehensive loss for the period	-	-	-	(3,045,193)	(3,045,193)
Balance at March 31, 2016	**52,278,202**	**$ 43,674,515**	**$ 3,889,564**	**$ (31,343,532)**	**$ 16,220,547**

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

1. NATURE AND CONTINUANCE 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 OTCQB Venture Market in the United States under the symbol "LIXXF". The address of the Company’s registered office is 25th Floor, 700 West Georgia Street, Vancouver, BC V7Y 1B3.

The Company is a lithium resource explorer and developer with a focus on becoming a low-cost supplier for the lithium battery industry. On November 26, 2015, the Company completed its reactivation pursuant to which it acquired the option (the “Option Agreement”) to acquire a 100% interest in the NSP Lithium Claims in Nevada from Clayton Valley Lithium Inc. (“Clayton Valley”) (Note 5).

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. There are conditions that raise substantial doubt on this assumption. As at March 31, 2016, the Company had working capital of $10,962,130, representing funds available to cover on-going operating costs. The Company has incurred negative cash flows from operations, recorded a loss of $3,045,193 for the nine months ended March 31, 2016, and has an accumulated deficit of $31,343,532 as at March 31, 2016. The Company does not currently have a recurring source of revenue, other than interest income on its cash deposit. Although the Company presently has sufficient financial resources to cover its operating costs and undertake its currently planned programs and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. These unaudited condensed interim consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. BASIS OF PRESENTATION AND GOING CONCERN

a) 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, 2015.

2. BASIS OF PRESENTATION AND GOING CONCERN

a) Statement of compliance (continued)

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as at May 27, 2016, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements for the year ended June 30, 2015, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ended June 30, 2016, could result in restatement of these unaudited condensed interim consolidated financial statements.

b) Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for amounts that are measured at fair values.

c) Functional and presentation currency

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

d) Use of estimates and judgments

The preparation of these unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies regarding certain types of assets, liabilities, revenues and expenses in the preparation of these unaudited condensed interim consolidated financial statements. 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. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts are as follows:

- Going Concern

  The Company has incurred losses to date and the Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors such as expectations of future events that are believed to be reasonable under the circumstances.

- Assets' carrying values and impairment charges

  In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value of assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

2. BASIS OF PRESENTATION AND GOING CONCERN (continued)

d) Use of estimates and judgments (continued)

- Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Measurement of share-based compensation

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance.

3. SUMMARY OF ACCOUNTING POLICIES

a) Principles of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries 1056625 B.C. Ltd. ("1056625") and 1061582 B.C. Ltd. ("1061582"). All intercompany balances, transactions, revenues and expenses have been eliminated on consolidation.

b) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of the following categories: fair value through the Statements of Loss and Comprehensive Loss, held-to-maturity, loans and receivables, available-for-sale and other liabilities. The Company has designated its financial instruments into the following categories applying the indicated measurement methods:

Financial Instruments	Category	Measurement Method
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost

The Company will assess at each reporting period whether any financial assets are impaired. An impairment loss, if any is recorded on the Statements of Loss and Comprehensive Loss.

c) Cash and cash equivalents

Cash consists of cash held on deposit in bank accounts. Cash equivalents are classified as short-term investments that have maturity dates of three months or less from the date of purchase, or they are redeemable prior to maturity.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures are charged to profit or loss as incurred, unless future economic benefit is expected to be realized. The Company capitalizes the costs of acquiring, maintaining its interest in, exploring and evaluating mineral properties until such time as the lease expires, it is abandoned, sold or considered impaired in value. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage. At each reporting date the carrying amounts of the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. Each of the Company's properties is considered to be a separate cash generating unit. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

e) Share-based compensation

The Company grants stock options to directors, officers and consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited to share capital.

f) Foreign currency translation

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the Company's functional currency at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in the Statements of Loss and Comprehensive Loss.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

g) Income taxes

Income tax expense represents the sum of current tax expense and deferred tax expense. Current tax expense is based on the taxable profits for the year. Income tax is recognized in the Statements of Loss and Comprehensive Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized based on differences in the financial statement carrying amount for assets and liabilities and the associated tax balance.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable profits against which deductible temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

h) Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

i) 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 these unaudited condensed interim consolidated financial statements.

(a) IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost or financial assets measured at fair value. Gains and losses on re-measurement of financial assets measured at fair value will be recognized in 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.

(b) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning January 1, 2018, and may consider earlier adoption. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

(c) IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The mandatory effective date of IFRS 16 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.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

i) Recently issued accounting pronouncements (continued)

(d) IAS 7, Statement of cash flows ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7, Statement of cash flows as part of its major initiative to improve presentation and disclosure in financial reports. These amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The mandatory effective date for these amendments 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.

(e) IAS 12, Income taxes ("IAS 12")

In January 2016, the IASB issued amendments to IAS 12, Income taxes. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset, and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The mandatory effective date for these amendments 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.

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The categories of the fair value hierarchy that reflect the significance of inputs used in making fair value measurements are as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data.

At March 31, 2016, and June 30, 2015, there were no financial assets and liabilities measured and recognized at fair value on a recurring basis.

4. DETERMINATION OF FAIR VALUES (continued)

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 during the nine months ended March 31, 2016 (June 30, 2015 - none).

a) Cash and cash equivalents, trade and other receivables and trade and other payables

The fair value of cash and cash equivalents, trade and other receivables and trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At March 31, 2016, and June 30, 2015, the fair value of these balances approximated their carrying amount due to their short term to maturity.

b) Stock options and warrants

The fair value of stock options and warrants are measured using the Black-Scholes pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected forfeiture rate (based on historic forfeitures), expected volatility (based on the historical volatility of similar sized companies due to a lack of historical data of the Company's stock price), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

5. EXPLORATION AND EVALUATION ASSETS

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

a) Clayton Valley North

On November 26, 2015 (the "Closing Date"), the Company completed its reactivation pursuant to which it acquired the option to acquire a 100% interest in the NSP Lithium Claims in Nevada from Clayton Valley Lithium Inc. ("CVL"), a privately held arm's length company. The reactivation was effected pursuant to an amalgamation agreement (the "Amalgamation Agreement") among the Company and 1045564 B.C. Ltd. ("1045564"). 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 US$140,000 to CVL as required by the Option Agreement dated November 5, 2015, and issued 400,000 common shares to a consultant.

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) Clayton Valley North (continued)

In order to exercise the option and earn the 100% interest in the NSP Lithium Claim Group, the Company must:

i) pay US$250,000 in cash to CVL on each of the first, second, third and fourth anniversaries of the Closing Date;

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

iii) incur a minimum of US$4,500,000 on exploration expenditures on the NSP Lithium Claim Group over a three-year period and deliver a pre-feasibility study on the NSP Lithium Claim Group by no later than the fourth anniversary of the Closing Date.

The Company has agreed to issue an additional 1,000,000 common shares to CVL upon completion of a inferred resource calculation that confirms the presence on the NSP Lithium Claim Group of a minimum of 100,000 tons LCE grading no lower than a 28ppm Li grade average, and shall 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 shall have the right to buy 1.5% of the Royalty at any time for US$3,000,000.

The Company further acquired 149 specified additional claims in consideration for payment to CVL of US$70,500. The Company has also agreed to make minimum exploration expenditures on 41 of the additional claims of US$250,000 within two years.

b) Clayton Valley South

On February 25, 2016, the Company completed the acquisition of its 100% interest in the Clayton Valley South Expansion (“CVL South Property” or the “Property”) in Nevada's Clayton Valley. The Property consists of 477 federal placer mining claims, totaling approximately 9,540 acres and is located approximately 30 miles southwest of Tonopah, Nevada, within the Clayton Valley.

Consideration for the acquisition consisted of a cash payment of US$350,000 and 4,000,000 common shares of the Company to the vendor. A finder's fee of 295,000 common shares of the Company was paid to a third party.

These transactions have been accounted for on the basis of an acquisition of assets.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

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

	Clayton Valley South	Clayton Valley North	Total
	$	$	$
Acquisition costs:			
Balance, June 30, 2015	-	-	-
Cash	609,631	443,151	1,052,782
Shares issued on acquisitions	3,135,350	960,000	4,095,350
Balance, March 31, 2016	3,744,981	1,403,151	5,148,132
Exploration costs:			
Balance, June 30, 2015	-	-	-
Consulting	-	82,621	82,621
Claims	-	18,957	18,957
Rent	-	6,256	6,256
Travel	-	2,451	2,451
Balance, March 31, 2016	-	110,285	110,285
Total costs:			
Balance, March 31, 2016	3,744,981	1,513,436	5,258,417

6. CAPITAL STOCK

a) Authorized: unlimited number of common shares and preferred shares without par value

b) Common shares issued and outstanding: March 31, 2016 – 52,278,202 (June 30, 2015 – 10,029,063).

c) 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 paid cash of $621,008 and issued 100,000 common shares, with a deemed value of $1.02 per share, as finders fees in relation to these private placements.

7. 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 term of any option granted under the Plan may not exceed ten years. The exercise price of each option shall not 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.

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

(Expressed in Canadian Dollars)

7. STOCK OPTIONS (continued)

	Outstanding		Weighted average exercise price
Balance, June 30, 2014 and 2015	915,000	$	0.11
Cancelled	(75,000)		0.15
Granted	4,340,000		0.51
Exercised	(600,000)		0.12
Balance, March 31, 2016	4,580,000	$	0.49

The weighted average exercise price of options outstanding as at March 31, 2016, is $0.49 (2015: $0.11)

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.

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, 2016:

	2016
Risk-free interest rate	0.62% - 1.92%
Expected life	1.8 years - 10 years
Annualized volatility	75.00%
Dividend rate	0.00%
Forfeiture rate	0.00%

(Expressed in Canadian Dollars)

7. STOCK OPTIONS (continued)

During the nine months ended March 31, 2016, the Company recorded share-based compensation expense, with a corresponding credit to reserves of $1,472,910 (March 31, 2015: nil). The total fair value of stock options granted during the nine months ended March 31, 2016, was $1,476,196 (March 31, 2015: nil).

During the nine months ended March 31, 2016, 600,000 stock options were exercised for proceeds of $69,250.

The following table summarizes information about the stock options outstanding at March 31, 2016:

Outstanding	Exercisable	Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
150,000	37,500	$ 0.15	November 26, 2018	2.7
450,000	450,000	0.83	February 16, 2021	4.9
130,000	130,000	0.11	March 1, 2021	4.9
1,000,000	1,000,000	1.12	March 18, 2021	5.0
20,000	20,000	0.11	January 19, 2022	5.8
20,000	20,000	0.11	January 7, 2023	6.8
170,000	170,000	0.12	February 3, 2024	7.8
1,640,000	1,640,000	0.15	November 26, 2025	9.7
1,000,000	1,000,000	0.45	December 31, 2025	9.8
4,580,000	4,467,500	$ 0.49		7.7

Subsequent to March 31, 2016, 100,000 stock options were exercised for proceeds of $15,000.

8. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2016, the Company incurred management fees of $154,000 (2015: nil) to a company controlled by the CEO of the Company. During the nine months ended March 31, 2016, the Company incurred management fees of $174,000 (2015: nil) to a company controlled by the CEO of the Company.

During the three months ended March 31, 2016, the Company incurred management fees of $144,000 (2015: nil) to a company controlled by the Executive Chairman of the Company. During the nine months ended March 31, 2016, the Company incurred management fees of $160,000 (2015: nil) to a company controlled by the Executive Chairman of the Company.

During the three months ended March 31, 2016, the Company incurred management fees of $125,000 (2015: nil) to a company controlled by the CFO of the Company. During the nine months ended March 31, 2016, the Company incurred management fees of $125,000 (2015: nil) to a company controlled by the CFO of the Company.

8. RELATED PARTY TRANSACTIONS (continued)

During the three months ended March 31, 2016, key management personnel compensation, was comprised of $1,068,324 (2015: nil), a result of the Company granting a total of 925,000 stock options to directors and officers of the Company with a fair value of $630,324. During the nine months ended March 31, 2016, key management personnel compensation was comprised of $1,590,902 (2015: nil), a result of the Company granting a total of 3,150,000 stock options to directors and officers of the Company with a fair value of $1,116,902. As at March 31, 2016, $57,066 (June 30, 2015: nil) was included in trade and other payables owing to the CEO of the Company.

9. 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 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 is held in bank accounts and is available on demand. Accounts receivable consists mainly of amounts due from the Canadian government. At March 31, 2016, the Company has cash and cash equivalents of $10,815,916 to settle current liabilities of $144,987 and has working capital of $10,962,130.

c) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Company's net earnings or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

d) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of March 31, 2016, the Company had invested $10,600,000 (June 30, 2015: nil) in short-term guaranteed investment certificates.

9. FINANCIAL RISK MANAGEMENT (continued)

e) Foreign currency risk

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

f) Capital management

The Company's capital is defined to be shareholders' equity. The Company's objective in managing capital is to ensure it has adequate working capital to meet day to day needs and access to sources of capital sufficient to finance its operations and to make planned capital expenditures or capital acquisitions as opportunities present themselves. The Company manages its capital structure and makes changes to it in light of changes in economic conditions, anticipated or planned capital expenditures, opportunities for acquisitions and the risk characteristics of the underlying investments.

The Company is not subject to any externally imposed capital requirements.

10. SUBSEQUENT EVENTS

i) On April 20, 2016, the Company completed its acquisition of an initial 50% interest in Potasio y Litio de Argentina SA ("PLASA"), which owns 100% of the Sal de los Angeles lithium-potash brine project ("Sal de los Angeles Project" or the "Project") in Argentina, from Aberdeen International Inc. ("Aberdeen"). In consideration for the 50% interest, the Company issued 8,000,000 common shares to Aberdeen. A finder's fee of 160,000 common shares of the Company was paid to a third party. The Project includes 32 mining claims covering approximately 8,156 hectares in the province of Salta, Argentina. Pursuant to the agreement the Company has the option (the "Option") to acquire an additional 30% interest after incurring US$3,000,000 in exploration and development expenditures over a two-year period and completing a Feasibility Study on the Project. In order to exercise the Option, the Company must issue common shares to Aberdeen valued at $5,000,000 based on a 10% discount to the 20-day volume-weighted average price (VWAP) of its common shares at the date of exercise.

ii) On May 6, 2016, PLASA entered into a joint venture agreement ("JV Agreement") with Salta Exploraciones SA ("SESA") for the construction, operation, production and sales of a pilot facility, designed to produce up to 5,000 tonnes per annum ("tpa") of lithium carbonate equivalent ("LCE"). The Company cautions that 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. There is a significant risk that production from the pilot 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. Under the terms of the JV Agreement, in order to earn a 50% stake in the JV Company, SESA must contribute an estimated US$6 million or the required amount for the construction and operation of an initial 2,500 tpa LCE ponding facility by incurring all construction costs, including one full year of post-construction operation. PLASA shall 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

10. SUBSEQUENT EVENTS (continued)

for contributing brine from existing wells on the Project.

iii) On May 18, 2016, the Company entered into a binding letter of intent ("LOI") with North South Petroleum Corp (TSX-V: NAS.H) ("North South") whereby the Company will option to North South, 50% of its wholly owned CVL South Property. On signing of the LOI, North South paid a non-refundable deposit of US$100,000 to the Company. On closing North South will pay the Company US$1.5 million and issue that number of common shares of North South equal to 19.9% of the issued and outstanding shares of North South upon closing the transaction and concurrent financing. Within 18 months of closing, North South will fund an exploration program of a minimum of US$1 million and complete a National Instrument 43-101 technical report. If the report confirms an inferred resource of a minimum of 300,000 tonnes lithium carbonate equivalent grading no lower than a 28 parts per million Lithium grade average on the Property, North South will pay a further US$500,000 to the Company. North South must complete a further Phase II exploration program within 36 months of closing and spend a minimum US$1 million, including completion of a feasibility study or pre-feasibility study on the Property and paying US$500,000 to the Company. It shall be a condition precedent to closing that North South shall have closed a private placement equity financing for gross proceeds of not less than US$3,000,000. Upon North South completing the above payments and obligations, it shall have earned an undivided 50% interest in the Property.