Lithium Energy Products Inc. (Formerly Northern Iron Corp.)

Consolidated Financial Statements

For The Year Ended 30 September 2016

Stated in Canadian Funds

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MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Lithium Energy Products Inc. (formerly Northern Iron Corp.):

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of Lithium Product's external auditors.

We draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern.

25 January 2017

"James Walker"	*"Grant T. Smith"*
James Walker, CEO	Grant T. Smith, CFO

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lithium Energy Products Inc. (formerly "Northern Iron Corp."):

We have audited the accompanying consolidated financial statements of Lithium Energy Products Inc. (formerly "Northern Iron Corp.") and its subsidiaries, which comprise the consolidated statement of financial position as at September 30, 2016 and 2015, and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lithium Energy Products Inc. and its subsidiaries as at September 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of these consolidated financial statements, which states that Lithium Energy Products Inc. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Lithium Energy Products Inc. to continue as a going concern.

MNP LLP

Vancouver, British Columbia
January 25, 2017

Chartered Professional Accountants

Canadian Funds

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2016	30 September 2015
ASSETS			
Current Assets			
Cash		**$ 118,423**	$ 623,245
Amounts receivable	(7)	**8,867**	10,982
Prepaid amounts and other assets		**36,953**	14,011
		164,243	648,238
Non-current Assets			
Deposits and prepaid amounts	(8)	**212,092**	200,000
Property and equipment	(9)	**75,968**	120,187
Exploration and evaluation assets	(10)	**1,044,597**	9,862,134
		1,332,657	10,182,321
		$ 1,496,900	$ 10,830,559
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 65,630**	$ 46,944
EQUITY (STATEMENT 3)			
Share capital		**15,383,825**	14,530,825
Obligation to issue shares		**90,000**	-
Options - Contributed surplus		**431,100**	431,100
Warrants - Contributed surplus		**806,623**	806,623
Deficit		**(14,064,037)**	(4,984,933)
Equity attributed to equity shareholders		**2,647,511**	10,783,615
Non-controlling interest	(11)	**(1,216,241)**	-
		1,431,270	10,783,615
		$ 1,496,900	$ 10,830,559

Nature of operations and going concern	(1)	Capital management	(14)
Basis of preparation – Statement of Compliance	(2)	Commitment	(15)
Related party transactions	(12)	Subsequent events	(17)

The consolidated financial statements were approved by the Board of Directors on 25 January 2017 and were signed on its behalf by:

"Paul Sarjeant"
Paul Sarjeant, Director

"Alberto Hassan"
Alberto Hassan, Director

-- The accompanying notes form an integral part of the consolidated financial statements --

Canadian Funds

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

		Year Ended 30 September 2016	Year Ended 30 September 2015
CONTINUING OPERATIONS			
Operating Expenses			
Consulting fees	(12)	**$ 338,121**	$ 321,551
Professional fees	(12)	**81,341**	85,456
Shareholder relations		**66,586**	30,661
Amortization	(9)	**46,156**	184,201
Travel		**38,573**	123,538
Office and general		**31,695**	36,059
Transfer agent and filing fees		**17,420**	17,728
Insurance		**8,021**	8,289
Share-based payments	(11)	**-**	5,000
Interest (income)		**(1,271)**	(7,461)
Loss from Operations		**$ (626,642)**	$ (805,022)
Impairment of mineral properties	(10)	**(9,918,703)**	-
Bad debt recovery	(7)	**-**	483
Gain on sale of equipment	(9)	**250,000**	-
Net Loss and Comprehensive Loss for the Year		**$ (10,295,345)**	$ (804,539)
Net Loss and Comprehensive Loss Attributed to:			
Equity shareholders		**(9,079,104)**	(804,539)
Non-controlling interest		**(1,216,241)**	-
		$ (10,295,345)	$ (804,539)
Basic and Diluted Loss per Common Share		**$ (0.09)**	$ (0.01)
Weighted Average Number of Shares Outstanding		**101,626,290**	92,701,070

-- The accompanying notes form an integral part of the consolidated financial statements --

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Shares	Amount	Obligation To Issue Shares	Options	Warrants	Deficit	Equity Attributed To Equity Shareholders	Non-Controlling Interest	Total
BALANCE AT 1 OCTOBER 2014	76,679,875	$ 13,769,327	$ -	$ 426,100	$ 715,307	$ (4,180,394)	$ 10,730,340	$ -	$ 10,730,340
Proceeds on Unit issuance	19,048,000	861,084	-	-	91,316	-	952,400	-	952,400
Unit issuance costs	-	(97,486)	-	-	-	-	(97,486)	-	(97,486)
Net loss for the period	-	-	-	-	-	(177,701)	(177,701)	-	(177,701)
BALANCE AT 31 DECEMBER 2014	95,727,875	$ 14,532,925	$ -	$ 426,100	$ 806,623	$ (4,358,095)	$ 11,407,553	$ -	$ 11,407,553
Expiration of stock options	-	-	-	-	-	-	-	-	-
Unit issuance costs	-	(2,100)	-	-	-	-	(2,100)	-	(2,100)
Net loss for the period	-	-	-	-	-	(200,461)	(200,461)	-	(200,461)
BALANCE AT 31 MARCH 2015	95,727,875	$ 14,530,825	$ -	$ 426,100	$ 806,623	$ (4,558,556)	$ 11,204,992	$ -	$ 11,204,992
Share-based payments	-	-	-	5,000	-	-	5,000	-	5,000
Net loss for the period	-	-	-	-	-	(227,270)	(227,270)	-	(227,270)
BALANCE AT 30 JUNE 2015	95,727,875	$ 14,530,825	$ -	$ 431,100	$ 806,623	$ (4,785,826)	$ 10,982,722	$ -	$ 10,982,722
Expiration of stock options	-	-	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	(199,107)	(199,107)	-	(199,107)
BALANCE AT 30 SEPTEMBER 2015	95,727,875	$ 14,530,825	$ -	$ 431,100	$ 806,623	$ (4,984,933)	$ 10,783,615	$ -	$ 10,783,615

-- The accompanying notes form an integral part of the consolidated financial statements --

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - CONTINUED

	Shares	Amount	Obligation To Issue Shares	Options	Warrants	Deficit	Equity Attributed To Equity Shareholders	Non-Controlling Interest	Total
BALANCE AT 1 OCTOBER 2015	95,727,875	$ 14,530,825	$ -	$ 431,100	$ 806,623	$ (4,984,933)	$ 10,783,615	$ -	$ 10,783,615
Net loss for the period	-	-	-	-	-	(169,950)	(169,950)	-	(169,950)
BALANCE AT 31 DECEMBER 2015	95,727,875	$ 14,530,825	$ -	$ 431,100	$ 806,623	$ (5,154,883)	$ 10,613,665	$ -	$ 10,613,665
Net loss for the period	-	-	-	-	-	74,593	74,593	-	74,593
BALANCE AT 31 MARCH 2016	95,727,875	$ 14,530,825	$ -	$ 431,100	$ 806,623	$ (5,080,290)	$ 10,688,258	$ -	$ 10,688,258
Net loss for the period	-	-	-	-	-	(126,885)	(126,885)	-	(126,885)
BALANCE AT 30 JUNE 2016	95,727,875	$ 14,530,825	$ -	$ 431,100	$ 806,623	$ (5,207,175)	$ 10,561,373	$ -	$ 10,561,373
Shares issued for property	42,650,000	853,000	-	-	-	-	853,000	-	853,000
Obligation to issue shares	-	-	90,000	-	-	-	90,000	-	90,000
Net loss for the period	-	-	-	-	-	(8,856,862)	(8,856,862)	(1,216,241)	(10,073,103)
BALANCE AT 30 SEPTEMBER 2016	138,377,875	$ 15,383,825	$ 90,000	$ 431,100	$ 806,623	$ (14,064,037)	$ 2,647,511	$ (1,216,241)	$ 1,431,270

-- The accompanying notes form an integral part of the consolidated financial statements --

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 30 September 2016	Year Ended 30 September 2015
OPERATING ACTIVITIES		
Loss for the Year	$ (10,295,345)	$ (804,539)
Items not Affecting Cash		
Amortization	46,156	184,201
Share-based payments	-	5,000
Gain on sale of equipment	(250,000)	-
Impairment of mineral properties	9,918,703	-
	(580,486)	(615,338)
Net Change in Non-cash Working Capital		
Amounts receivable	2,115	1,223
Prepaid amounts and other assets	(22,942)	(284)
Accounts payable and accrued liabilities	18,686	(23,099)
Long term deposits	(12,092)	-
	(14,233)	(22,160)
	(594,719)	(637,498)
INVESTING ACTIVITIES		
Exploration acquisition costs	(155,373)	-
Disposal of equipment	250,000	-
Acquisition of equipment	(1,937)	-
Exploration expenditures	(92,793)	(251,624)
	(103)	(251,624)
FINANCING ACTIVITIES		
Proceeds from unit issuances	-	952,400
Unit issuance costs	-	(39,182)
Obligation to issue shares	90,000	-
	90,000	913,218
Net Increase (Decrease) in Cash	(504,822)	24,096
Cash position – beginning of year	623,245	599,149
Cash Position – End of Year	$ 118,423	$ 623,245
Schedule of Non-cash Investing and Financing Transactions		
Shares issued for resource property acquisition	$ 853,000	$ -

-- The accompanying notes form an integral part of the consolidated financial statements --

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1) Nature of operations and going concern

Lithium Energy Products Inc. (formerly Northern Iron Corp.) ("Lithium Energy" or the "Company") was incorporated pursuant to the Company Act (Ontario) by registration of its Memorandum and Articles on 20 November 2009. On 9 July 2010 the Company registered in British Columbia for extra provincial registration as the Company's administrative office is located in British Columbia at 1001-409 Granville Street, Vancouver BC, V6C 1T2. On 12 December 2016, the Company announced that the TSX Venture Exchange has approved the change of name to "Lithium Energy Products Inc." and the concurrent change of the Company's stock symbol to "LEP". The Company is classified as a Junior Natural Resource Mining company.

The Company is in the business of acquiring and exploring lithium properties in Nevada and Arizona. There has been no determination whether properties held contain ore reserves, which are economically recoverable. The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the properties, the ability to obtain the necessary financing to complete development, and future profitable production or proceeds from disposition.

These consolidated financial statements (the "Financial Statements") have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that may cast significant doubt upon the soundness of this assumption. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of exploration and evaluation expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Consistent with other companies in the sector of mineral exploration, the Company has incurred operating losses since inception, has limited sources of revenue, is unable to self-finance operations and has significant cash requirements to meet its overhead and maintain its mineral interests.

For the Company to continue to operate as a going concern it must continue to obtain additional financing to maintain operations; although the Company has been successful in the past at raising funds, there can be no assurance that this will continue in the future. If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications used and such adjustments could be material.

(Rounded '000')	**30 September 2016**	30 September 2015
Working capital	**$ 99,000**	601,000
Accumulated deficit	**$ (14,064,000)**	(4,985,000)

NOTES TO THE FINANCIAL STATEMENTS

2) Basis of preparation – Statement of Compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs") as issued by the International Accounting Standards Board ("IASB").

These Financial Statements were authorized for issue by the Board of Directors and have been prepared under the historical cost convention, except for certain financial instruments, as set out in the summary of significant accounting policies (note 3).

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3) Summary of significant accounting policies

a) Basis of presentation

These Financial Statements incorporate the financial statements of Lithium Energy and the entities controlled by the Company, which consist of:

- Canadian Iron Metallics Inc. ("Canadian Iron"), which was incorporated on 11 September 2014 in Ontario, Canada, (owned 85% by Lithium Energy).
- Griffith Iron Metallics Inc. ("Griffith Iron"), which was incorporated on 11 September 2014 in Ontario, Canada, (wholly owned by Canadian Iron).
- Karas Iron Metallics Inc. ("Karas Iron"), which was incorporated on 11 September 2014 in Ontario, Canada, (wholly owned by Canadian Iron).

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

b) Foreign currency

These Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the parent. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Both the parent and its subsidiaries use the Canadian dollar as their functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the end of reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognized in the income statement and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets, such as investments in equity securities, classified as available-for-sale are reported as part of the fair value gain or loss and are included in equity.

c) Measurement uncertainty

The preparation of these Financial Statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas that require estimates as the basis for determining the stated amounts include assumptions related to the valuation of exploration and evaluation assets, the useful life of equipment, and the deferred tax asset not recognized.

Depreciation and depletion of property and equipment assets are dependent upon estimates of useful lives and reserve estimates, both of which are determined with the exercise of judgment. The assessment of any impairment of property and equipment is dependent upon estimates of recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Provisions for environmental rehabilitations are recognized in the period in which they arise and are stated as the fair value of estimated future costs.

The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. These estimates require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

NOTES TO THE FINANCIAL STATEMENTS

d) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized during the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Forfeitures of stock options are accounted for as incurred.

e) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

f) Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit/loss such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income (loss), components of other comprehensive income (loss), and cumulative translation adjustments are presented in the Statements of Comprehensive Income (loss) and the Statements of Shareholders' Equity.

g) Exploration and evaluation assets

The Company is currently in the exploration stage with all of its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination.

Costs of acquisition and exploration of mineral properties are capitalized until either commercial production is established or a property is abandoned. Once commercial production has commenced, the net costs of the applicable property are charged to operations using the unit-of-production method based on estimated proven and probable recoverable reserves. The net costs related to abandoned properties are charged to income. Office and administration costs not specifically related to mineral projects are expensed in the year in which they occur.

The Company reviews the indicators of impairment of each property on an annual basis, at a minimum. This review generally is made by reference to the timing of exploration work, work programs proposed and the exploration results achieved by the Company and others. When the indicators of impairment exist, the carrying value of a property is compared to its net recoverable amount. An impairment adjustment is made for the decline in fair value.

The amounts shown for the exploration and evaluation assets represent costs incurred to date and do not reflect present or future values. Acquisition costs represent shares or cash paid to acquire the rights to the resource property, while exploration expenditures represent amounts paid to explore and develop the resource properties. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to successfully complete their exploration program.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

h) Cash

The Company considers cash to include amounts held in banks and highly liquid investments with maturities at a point of purchase of three months or less.

i) Property and equipment

Property and equipment are depreciated using the straight-line method based on estimated useful lives, which generally range from 1 to 5 years. Land is not depreciated.

Where an item of plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as "maintenance and repairs."

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

The depreciation method, useful life and residual values are assessed annually.

Leased assets

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Finance leases are recognized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent costs

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS

Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Depreciation is charged so as to write off the cost of the asset using the straight-line method over the estimated useful lives as follows:

Computer Equipment	1-3 years
Equipment	3-5 years

j) Share capital

Share capital issued for non-monetary consideration is recorded at an amount based on the quoted market value of the Company’s shares at the time of issuance.

k) Provision for reclamation and remediation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

NOTES TO THE FINANCIAL STATEMENTS

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

The Company has recorded $12,042 for reclamation bond as at 30 September 2016 ($nil -30 September 2015).

l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

m) Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of 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 on the taxable income 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 is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NOTES TO THE FINANCIAL STATEMENTS

n) Financial instruments

All financial instruments must be recognized, initially, at fair value on the statement of financial position. The Company has classified each financial instrument into the following categories: “held-for-trading,” “loans and receivables,” “other financial liabilities”, and “fair value through profit and loss”. Subsequent measurement of the financial instruments is based on their respective classification. Unrealized gains and losses on held-for-trading instruments are recognized in earnings. The other categories of financial instruments are recognized at amortized cost using the effective interest method. The Company had made the following classifications:

Financial Assets or Liabilities	Category
Cash	Loans and receivables
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

o) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.

NOTES TO THE FINANCIAL STATEMENTS

4) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the Financial Statements.

a) Key sources of estimation uncertainty

Useful life of property and equipment

The Company reviews the estimated lives of its property and equipment at the end of each reporting period. There were no material changes in the lives of property and equipment for the fiscal years ended 30 September 2016 or 2015.

Income taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

b) Key sources of judgement uncertainty

Going concern evaluation

As discussed on note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at 30 September 2016.

NOTES TO THE FINANCIAL STATEMENTS

Exploration evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. The recoverability of the assets' carrying values is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits to complete development and future profitable production or proceeds from the disposition thereof.

The Company has taken steps to verify title to exploration and evaluation assets in which it has or is in the process of earning an interest, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

5) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company is currently assessing the impact, if any, that these standards might have on its Financial Statements.

a) IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9, *Financial Instruments* (IFRS 9). IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption of the new standard permitted. The Company does not intend to early adopt IFRS 9. Management is currently reviewing the impact that this standard will have on the Company's Financial Statements.

a) IFRS 15 – Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued and replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC-31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five –step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Management is currently reviewing the impact that this standard will have on the Company's Financial Statements.

b) IFRS 16, Leases

In January 2016, the IASB issued IFRS 16. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. This standard is effective for annual reporting periods on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been adopted. Management is currently reviewing the impact that this standard will have on the Company's Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

6) Financial instruments and risk management

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the consolidated statement of financial position are carried at amortized cost. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 30 September 2016 and 2015. There have been no changes in levels during the year.

The Company classifies the fair value of these transactions according to the following hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash, amounts receivable, and accounts payable and accrued liabilities. As at 30 September 2016 and 30 September 2015, the carrying value of cash is at fair value. Amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada, accordingly the Company believes it not exposed to significant credit risk.

e) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

f) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at 30 September 2016 and 2015, the Company holds no cash denominated in foreign currency and therefore is not exposed to significant foreign currency risk.

g) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at 30 September 2016, the Company had a cash balance of $118,423 to settle current liabilities of $65,630 which are due within one year. The Company is not exposed to significant liquidity risk.

7) Amounts receivable

Amounts receivable are comprised of:

	30 September 2016	30 September 2015
Goods and services tax recoverable	**$ 8,867**	$ 10,982

During the year ended 30 September 2016, the Company recognized a bad debt recovery of $nil compared to a bad debt recovery of $483 recognized during the year ended 30 September 2015, with respect to a related party balance.

8) Deposits and prepaid amounts

As at 30 September 2016, the Company has a security deposit of $12,042 comprising refundable reclamation bonds for three permits of the Willcox Playa Lithium Brine prospects. The remaining balance in deposits include non-current cash amounts prepaid to exploration vendors for work yet to be performed on the Company's exploration and evaluation assets.

CARRYING AMOUNTS	
Balance at 30 September 2015	$ 200,000
Balance at 30 September 2016	**$ 212,042**

NOTES TO THE FINANCIAL STATEMENTS

9) Property and equipment

Details are as follows:

	Land	Computer Equipment	Field Equipment	Total
COST OR DEEMED COST				
Balance at 30 September 2014 and 2015	$ 75,000	$ 7,797	$ 568,944	$ 651,741
Additions	**-**	**1,937**	**-**	**1,937**
Dispositions	**-**	**-**	**(515,889)**	**(515,889)**
Balance at 30 September 2016	**$ 75,000**	**$ 9,734**	**$ 53,055**	**$ 137,789**
DEPRECIATION				
Balance at 1 October 2014	$ -	$ 7,797	$ 339,556	$ 347,353
Depreciation for the year	-	-	184,201	184,201
Balance at 30 September 2015	$ -	$ 7,797	$ 523,757	$ 531,554
Depreciation for the year	**-**	**969**	**45,187**	**46,156**
Dispositions	**-**	**-**	**(515,889)**	**(515,889)**
Balance at 30 September 2016	**$ -**	**$ 8,766**	**$ 53,055**	**$ 61,821**
CARRYING AMOUNTS				
At 30 September 2015	$ **75,000**	$ **-**	$ **45,187**	$ **120,187**
At 30 September 2016	**$ 75,000**	**$ 968**	**$ -**	**$ 75,968**

During the year ended 30 September 2016, the Company recorded dispositions of $515,889 for a gain on sale of field equipment of $250,000. In 30 September 2015, the Company recorded dispositions of $nil.

Property and equipment are stated, in the consolidated statement of financial position, at cost less accumulated depreciation and accumulated impairment losses. Assets in the course of construction are carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use. The cost of property and equipment includes directly attributed incremental costs incurred in their acquisition and installation.

Assets held under capital lease are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive loss.

Depreciation is charged so as to write off the cost of the asset using the straight-line method over the estimated useful lives as follows:

Computer equipment	1-3 years
Equipment	3-5 years

NOTES TO THE FINANCIAL STATEMENTS

10) Exploration and evaluation assets

The Company is running an exploration program focusing on the lithium exploration properties acquired during the year ended 31 September 2016. Additionally, the Company also holds outright five contiguous mineral properties located in the Red Lake Mining Division.

a) El Sol property

100% interest in 4 (2015: 6) mineral claims covering 1,024 hectares, known as the El Sol Property. This agreement was subject to a 2% Net Smelter Royalty ("NSR") upon commencement of commercial production. At 30 September 2016, management determined that the strategic shift towards lithium properties constitutes an impairment indicator for the El Sol property. This resulted in an impairment of $1,077,144 for the acquisition and exploration expenditures related to the asset, reducing the value to $1 to reflect the rights to the mineral claims associated with the property.

b) Griffith Mine property

100% interest in 24 mineral claims known as the Griffith Mine Property. The agreement is subject to a 1% NSR upon commencement of commercial production. On 17 December 2011, the Company entered into an agreement to acquire a 100% interest in 5 mineral claims located adjacent to the Griffith Mine property. These claims are also subject to a 1% NSR upon commencement of commercial production. The Company has completed all of the requirements of the agreement, as detailed below:

Date	Shares	Cash
05 January 2010	2,000,000	$ 6,000
24 December 2011	-	6,000
31 January 2012	100,000	-
Total	2,100,000	$ 12,000

Additionally, the Company acquired a 100% interest in two mining claims, along with surface rights, adjacent to the past producing Griffith Mine Property. In consideration, the Company issued 1,500,000 common shares during the year ended 30 September 2013. This property is held in the Company's subsidiary, Griffith Iron, in which Lithium Energy holds an 85% controlling interest.

At 30 September 2016, management determined that the strategic shift towards lithium properties constitutes an impairment indicator for the Griffith property. This resulted in an impairment of $3,411,978 for the acquisition and exploration expenditures related to the asset, reducing the value to $1 to reflect the rights to the mineral claims associated with the property.

c) Karas property

100% interest in 21 mineral claims covering 3,200 hectares ("Karas A"). For details on requirements relating to this property, see the table included with Whitemud property below.

Independent of the claims noted above, on 11 October 2012, the Company announced that it acquired a 100% interest in four mineral claims located in the Red Lake mining district of Ontario ("Karas B"). These claims are strategic and extend the Company's claims around the Karas A property. In consideration for the 100% interest in the Karas B claims, the Company issued 100,000 common shares. This property is held in the Company's subsidiary, Karas Iron, in which Lithium Energy holds an 85% controlling interest.

NOTES TO THE FINANCIAL STATEMENTS

At 30 September 2016, management determined that the strategic shift towards lithium properties constitutes an impairment indicator for the Karas property. This resulted in an impairment of $4,696,294 for the acquisition and exploration expenditures related to the asset, reducing the value to $1 to reflect the rights to the mineral claims associated with the property.

d) Whitemud property

100% interest in 8 (2015: 33) mineral claims covering 5,168 hectares, known as Whitemud Property. The Company has completed all of the contractual requirements to keep the Karas A and Whitemud property in good standing, as detailed below:

Date	Shares		Cash
03 March 2010	2,500,000	$	-
01 August 2010	-		15,000
31 January 2011	-		20,000
31 January 2012	-		25,000
30 June 2012	50,000		-
31 January 2013	-		40,000
31 May 2013	50,000		-
31 July 2014	50,000		-
Total	2,650,000	$	100,000

At 30 September 2016, management determined that the strategic shift towards lithium properties constitutes an impairment indicator for the Whitemud property. This resulted in an impairment of $516,442 for the acquisition and exploration expenditures related to the asset, reducing the value to $1 to reflect the rights to the mineral claims associated with the property.

e) Papagonga property

100% interest in 10 mineral claims covering 2,096 hectares, known as the Papagonga Property. The Company has performed all of the requirements of the agreement, which included the issuance of 500,000 common shares and payment of $5,000 cash.

At 30 September 2016, management determined that the strategic shift towards lithium properties constitutes an impairment indicator for the Papagonga property. This resulted in an impairment of $216,845 for the acquisition and exploration expenditures related to the asset, reducing the value to $1 to reflect the rights to the mineral claims associated with the property.

f) Jackpot Lake property

During the year ended 30 September 2016, the Company has acquired 140 mineral claims comprising 2,800 acres in Clark County, Nevada. The contiguous Jackpot Lake claim group is located 39 miles of NE of Las Vegas.

NOTES TO THE FINANCIAL STATEMENTS

Upon payment in full of the purchase agreement, the Company will become the legal and beneficial owner of 100% interest in the property, except for the GORR defined below. In order to keep the Jackpot Lake property agreement in good standing, the Company must perform the following by the dates specified below:

Date	Shares	Cash
26 July 2016[(i)]	-	$ 70,000
12 August 2016[(ii)]	22,000,000	-
22 January 2017[(iii)]	-	50,000
26 July 2017[(iii)]	-	100,000
22 January 2018[(iii)]	-	100,000
26 July 2018[(iii)]	-	125,000
22 January 2019[(iii)]	-	205,000
Total	22,000,000	$ 650,000

[(i)] paid
[(ii)] issued
[(iii)] payment can made in cash or shares with a deemed value of $0.15 per share

The Company has to file all forms and pay all fees to keep the Claims in good standing, including County Fees and BLM Maintenance Fees. Additionally, the Company has to to complete no less than $1,000,000 worth of expenditures on claims within three years of signing the agreement.

The owner shall retain a 1% Gross Overriding Royalty, subject to a buyback provision to the purchaser whereby it may acquire, at any time, one-half of the GORR (0.5%) for 1,000,000.

g) Willcox Playa property

During the year ended 30 September 2016, the Company acquired three permits for a large dry lakebed in southeastern Arizona consisting of 1,434 acres in the Wilcox Playa Basin.

Upon payment in full of the purchase agreement, the Company will become the legal and beneficial owner of 100% interest in the property, except for the GORR defined below. In order to keep the Willcox Playa property agreement in good standing, the Company must perform the following by the dates specified below:

Date	Shares	Cash
26 July 2016[(i)]	-	16,645
12 August 2016[(ii)]	14,980,847	-
29 July 2016[(i)]	-	41,613
8 June 2017[(iii)]	-	83,227
8 June 2018[(iii)]	-	249,681
Total	14,980,847	$ 391,166

[(i)] paid
[(ii)] issued
[(iii)] payment can made in cash or shares with a deemed value of $0.15 per share

The owner shall retain a 1% Gross Overriding Royalty, subject to a buyback provision to the purchaser whereby it may acquire, at any time, one-half of the GORR (0.5%) for 1,000,000.

NOTES TO THE FINANCIAL STATEMENTS

h) Little Rock property

During the year ended 30 September 2016, the Company acquired 14 claims comprising a land package of 289 acres in the Little Rock Target in Yavapai Country, Arizona.

Upon payment in full of the purchase agreement, the Company will become the legal and beneficial owner of 100% interest in the property, except for the GORR defined below. In order to keep the Little Rock property agreement in good standing, the Company must perform the following by the dates specified below:

Date	Shares		Cash
26 July 2016(i)	-		3,355
12 August 2016(ii)	3,019,153		-
29 July 2016(i)	-		8,387
8 June 2017(iii)	-		16,773
8 June 2018(iii)	-		50,319
Total	3,019,153	$	78,834

(i) paid

(ii) issued

(iii) payment can made in cash or shares with a deemed value of $0.15 per share

The owner shall retain a 1% Gross Overriding Royalty, subject to a buyback provision to the purchaser whereby it may acquire, at any time, one-half of the GORR (0.5%) for 1,000,000.

NOTES TO THE FINANCIAL STATEMENTS

	Karas	Whitemud	Griffith	El Sol	Papagonga	Jackpot Lake	Willcox Playa	Little Rock	Total
ACQUISITION									
Balance as at 1 October 2014	$ 188,650	$ 138,600	$ 375,749	$ 1,060,000	$ 105,000	$ -	$ -	$ -	$ 1,867,999
Balance as at 30 September 2015	$ 188,650	$ 138,600	$ 375,749	$ 1,060,000	$ 105,000	$ -	$ -	$ -	$ 1,867,999
Additions	**-**	**-**	**-**	**-**	**-**	**547,934**	**379,803**	**80,635**	**1,008,372**
Impairment	**(188,649)**	**(138,599)**	**(375,748)**	**(1,059,999)**	**(104,999)**	**-**	**-**	**-**	**(1,867,994)**
Balance as at 30 September 2016	**$ 1**	**$ 1**	**$ 1**	**$ 1**	**$ 1**	**$ 547,934**	**$ 379,803**	**$ 80,635**	**$ 1,008,377**
EXPLORATION EXPENDITURES									
Balance as at 1 October 2014	4,464,394	371,060	2,798,931	3,120	105,006	-	-	-	7,742,511
Reports and mapping	-	-	123,302	-	-	-	-	-	123,302
Geological and consulting	32,062	-	41,880	-	-	-	-	-	73,942
Staking	2,430	4,060	13,597	-	6,840	-	-	-	26,927
Dewatering	-	-	14,144	-	-	-	-	-	14,144
Admin and camp	978	2,723	3,500	-	-	-	-	-	7,201
Transportation	5,501	-	-	-	-	-	-	-	5,501
Assaying	-	-	607	-	-	-	-	-	607
Balance as at 30 September 2015	$ 4,505,365	$ 377,843	$ 2,995,961	$ 3,120	$ 111,846	$ -	$ -	$ -	$ 7,994,135
Staking	**2,280**	**-**	**-**	**14,025**	**-**	**32,836**	**-**	**3,384**	**52,525**
Geological and consulting	**-**	**-**	**16,712**	**-**	**-**	**-**	**-**	**-**	**16,712**
Assaying	**-**	**-**	**12,303**	**-**	**-**	**-**	**-**	**-**	**12,303**
Admin and camp	**-**	**-**	**11,254**	**-**	**-**	**-**	**-**	**-**	**11,254**
Impairment	**(4,507,645)**	**(377,843)**	**(3,036,230)**	**(17,145)**	**(111,846)**	**-**	**-**	**-**	**(8,050,709)**
Balance as at 30 September 2016	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 32,836**	**$ -**	**$ 3,384**	**$ 36,220**
CARRYING AMOUNTS									
Balance at 30 September 2015	4,694,015	516,443	3,371,710	1,063,120	216,846	-	-	-	9,862,134
Balance at 30 September 2016	**$ 1**	**$ 1**	**$ 1**	**$ 1**	**$ 1**	**$ 580,770**	**$ 379,803**	**$ 84,019**	**$ 1,044,597**

NOTES TO THE FINANCIAL STATEMENTS

11) Share capital

a) Authorized:

Unlimited common shares without par value.

b) Issued or allotted and fully paid:

On 12 August 2016, the Company issued 42,650,000 shares for the acquisition of three lithium projects in Nevada and Arizona with an aggregate purchase price of 40 million common shares and $390,000 in cash. The Company issued 2,650,000 common shares as finder's fees in connection with the transaction. The property shares and finder's fee shares are subject to a four month hold period expiring 11 December 2016.

On 28 November 2014, the Company issued 19,048,000 Units of the Company ("Units") by way of private placement at a price of $0.05 per Unit, for aggregate gross proceeds of $952,400. Each Unit consists of one common share in the capital of Lithium Energy and one common share purchase warrant (a "Warrant"). Each Warrant is exercisable for a period of three years from the date of closing of the Private Placement at an exercise price of $0.05.

c) Summary of stock option activity

The Company has adopted an incentive stock option plan to grant options to directors, officers, and consultants for up to 10% of the outstanding common shares. The Board of Directors determines the exercise price per share and the vesting period under the plan. The options can be granted for a maximum term of five years.

Stock option activity during the year ended 30 September 2016 and the year ended 30 September 2015 are as follows:

STOCK OPTION ACTIVITY	30 September 2016		Weighted Average Exercise price	30 September 2015		Weighted Average Exercise price
Balance – beginning of year	**4,075,000**	**$**	**0.14**	4,825,000	$	0.14
Issued	**-**		**-**	200,000		0.05
Cancelled	**(1,050,000)**		**0.16**	-		-
Expired	**-**		**-**	(950,000)		0.10
Balance – end of year	**3,025,000**	**$**	**0.13**	4,075,000	$	0.14

NOTES TO THE FINANCIAL STATEMENTS

Details of stock options outstanding as at 30 September 2016 are as follows:

Issuance Date	Expiry Date	Exercise Price	Fiscal 2016
01 April 2010	17 February 2019	0.10	250,000
01 April 2010	17 February 2019	0.10	25,000
13 October 2011	12 October 2016	0.30	200,000
21 December 2011	20 December 2016	0.30	600,000
10 July 2012	09 July 2017	0.15	400,000
28 February 2014	27 February 2019	0.05	1,350,000
10 April 2015	10 April 2020	0.05	200,000
			3,025,000

The outstanding options have a weighted average remaining life of 1.67 years and a weighted average exercise price of $0.13 as at 30 September 2016. All of the outstanding options have vested. No options were in the money as at 30 September 2016.

d) Warrants

During the year ended 30 September 2016, no new warrants were issued. Details of warrants outstanding as at 30 September 2016 and 2015 are as follows:

Expiry Date		Exercise Price	30 September 2016	30 September 2015
28 November 2017	$	**0.05**	**19,048,000**	19,048,000

		30 September 2016		30 September 2015
The outstanding warrants have a weighted-average exercise price of:	**$**	**0.05**	$	0.05
The weighted average remaining life of the outstanding warrants is:		**1.16**		2.16

During the year ended 30 September 2015, the fair value of the warrants to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	30 September 2015
Risk free interest rate	1.05%
Expected dividend yield	0.00%
Expected stock price volatility	135%
Expected option life in years	3.00

NOTES TO THE FINANCIAL STATEMENTS

e) Share-based payments

During the year ended 30 September 2016, no stock options were granted or vested.

Details of the Company's issued stock options to its directors, officers, and consultants and recognized share-based payments during the year ended 30 September 2015 are as follows:

	30 September 2015
Total options granted	200,000
Average exercise price	$ 0.05
Estimated fair value of compensation – Expense	$ 5,000
Estimated fair value per option	$ 0.03

The fair value of the share-based payments to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	30 September 2015
Risk free interest rate	0.61%
Expected dividend yield	0.00%
Expected stock price volatility	153%
Expected option life in years	3.00

Share-based payments for the options that vested are as follows:

	30 September 2015
Number of options vested	200,000
Total share-based payment	$ 5,000

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

NOTES TO THE FINANCIAL STATEMENTS

f) Non-controlling interest

On 16 October 2014, the Company announced that it has entered into an investment agreement with OMC Investments Limited ("OMC"), of Hong Kong. The transaction closed on 28 November 2014, and the Company issued 19,048,000 units of the Company ("Units") by way of private placement at a price of $0.05 per unit, for aggregate proceeds of $952,400. OMC now holds approximately 19.9% of the issued and outstanding shares of the Company. Each Unit consists of one common share in the capital of Lithium Energy and one common share purchase warrant (a "Warrant"). Each Warrant is exercisable for a period of three years from the date of closing of the Private Placement at an exercise price of $0.05. The Company also issued 15 common shares of its subsidiary Canadian Iron to OMC, reducing its ownership share from 100% to 85%. Canadian Iron holds a 100% interest in Karas Iron and Griffith Iron. The Company's interests in the Karas and Griffith properties are held in Karas Iron and Griffith Iron, respectively.

In addition, the shareholders' agreement with OMC will allow OMC to progressively earn additional equity in Canadian Iron, up to a total of 70% of Canadian Iron's issued and outstanding shares, as follows:

- an additional 30% for $8.2 million in funding from OMC for dewatering, resource drilling and environmental permitting ("Resource Definition Funding");
- an additional 5% for $2 million in total funding for a preliminary economic assessment, funded 70% by OMC and 30% by Lithium Energy; and
- an additional 20% for $20 million in total funding for a feasibility study, funded 70% by OMC and 30% by Lithium Energy, and assuming the feasibility study establishes technical and economic viability.

Should either party not fully contribute its share of funding to both the preliminary economic assessment and feasibility study, it may face dilution.

In connection with this transaction, Lithium Energy has also agreed to enter into an option agreement with OMC on its other mineral properties. Should OMC fund the full $8.2 million Resource Definition Funding, it has the right to acquire an 80% interest in either the El Sol, Whitemud and Papaonga properties. This may be increased to 90%, if within a five year period after earning 80%, OMC funds an additional $1.5 million in expenditures on the property chosen.

The value attributed to the non-controlling interest in Canadian Iron at 30 September 2016 is an accumulated deficit of $1,216,241 (2015 - $Nil) due to the impairment of the Company's mineral properties. Net loss and comprehensive loss of $1,216,241 has been attributed to the non-controlling interest in these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

12) Related party transactions

Transactions and balances with related parties not disclosed elsewhere in the Financial Statements are as follows:

RELATED PARTY DISCLOSURE

Name and Principal Position	Period[i]		Remuneration or fees[ii]	Share-based awards	Amounts Payable
Basil Botha – President, CEO and Director, consulting fees	**2016**	**$**	**144,000**	**-**	**12,600**
	2015	$	144,000	-	-
Clearline – a company of which the CFO is a director, professional fees	**2016**	**$**	**50,267**	**-**	**11,042**
	2015	$	51,567	-	-
Michael Hepworth, VP Corporate Development	**2016**	**$**	**96,000**	**-**	**9,040**
	2015	$	63,000	-	2,000
Director, director fees	**2016**	**$**	**671**	**-**	**-**
	2015	$	541	-	-
Director, director and consulting fees	**2016**	**$**	**3,331**	**-**	**525**
	2015	$	7,900	-	525
Director, director fees	**2016**	**$**	**2,000**	**-**	**-**
	2015	$	2,025	-	525
Directors, director fees	**2016**	**$**	**500**	**-**	**-**
	2015	$	1,250	5,000	250

(i) For the fiscal years ended 30 September 2016 and 30 September 2015.

(ii) Amounts disclosed were paid or accrued to the related party.

These transactions were in the normal course of operations, which is the amount of consideration established and agreed to by the related parties.

NOTES TO THE FINANCIAL STATEMENTS

13) Segmented disclosure

The Company has one reportable segment, being the acquisition and exploration of mineral properties. The following table provides segmented disclosure of assets and liabilities based on geographic location:

(Rounded to 000's)	Canada	US	Total
30 September 2016			
Current Assets	**$ 164,000**	**$ -**	**$ 164,000**
Non-Current Assets			
Other non-current assets	**288,000**	**-**	**288,000**
Resource properties	**-**	**1,045,000**	**1,045,000**
Liabilities			
Current Liabilities	**66,000**	**-**	**66,000**
30 September 2015			
Current Assets	$ 648,000	$ -	$ 648,000
Non-Current Assets			
Other non-current assets	320,000	-	320,000
Resource properties	9,862,000	-	9,862,000
Liabilities			
Current Liabilities	47,000	-	47,000

14) Capital management

The Company's capital consists of cash and shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan, current obligations and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing, selling assets and incurring debt. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

NOTES TO THE FINANCIAL STATEMENTS

15) Commitment

During the year ended 30 September 2016, the Company entered into a contract for office rent which expires 30 June 2018. The following table summarizes the Company's total annual minimum lease payments under this agreement:

Fiscal 2017	$	18,262
Fiscal 2018		13,696
Total	$	31,958

16) Income taxes

The following table reconciles the expected income taxes (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of financial position as at 30 September 2016 and 30 September 2015:

	30 September 2016	30 September 2015
Net loss and comprehensive loss for the year	**$ (10,295,345)**	$ (804,539)
Statutory tax rate	**26.00%**	26.00%
Deferred tax (recovery)	**(2,676,790)**	(209,180)
Non-deductible items	**1,367**	4,071
Change in estimates	**(46,788)**	5,542
Tax rate difference	**(40,552)**	-
Change in deferred tax asset not recognized	**2,762,763**	199,567
Income (loss) before tax	**$ -**	$ -

Details of deferred tax assets (liabilities) are as follows:

	30 September 2016	30 September 2015
Non capital loss carryforwards	**$ -**	$ 1,942,777
Exploration and evaluation liabilities	**-**	(1,782,786)
Financial instrument	**-**	(159,991)
	$ -	$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences as at 30 September 2016 and 30 September 2015 are comprised of the following:

	30 September 2016	30 September 2015
Non capital loss carryforwards	**$ 3,533,346**	$ 893,853
Exploration and evaluation assets	**8,122,294**	-
Cumulative eligible capital	**1,550**	1,550
Property and equipment	**151,942**	411,691
Financing costs	**83,913**	115,912
Total unrecognized temporary differences	**$ 11,893,045**	$ 1,423,006

NOTES TO THE FINANCIAL STATEMENTS

The Company has non-capital loss carryforwards of approximately $3,533,346 (2015: $2,926,120) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year of Expiry	Taxable Loss
2032	$ 156,463
2033	1,590,908
2034	1,177,071
2035	1,678
2036	607,226
Total	$ 3,533,346

The presentation of the prior year income tax note has been updated to conform with the current year presentation.

17) Subsequent events

On 12 October 2016, the Company amended the terms of options issued on 13 October 2011. The renewed terms extended the expiry date of options to 17 February 2019. The exercise price of options is the same at $0.30. Options issued on 21 December 2011 expired subsequent to the year-end and were not renewed.

On 13 October 2016, the Company closed the first tranche of a non-brokered private placement. The tranche consisted of 3,100,000 units of the Company (“Units”) at a price of $0.05 per Unit for aggregate gross proceeds of $155,000. Each unit consists of one common share in the capital of the Company (“Common Share”) and one Common Share purchase warrant (“Warrant”). Each Warrant entitles the holder thereof to acquire one Common Share at a price of $0.10 for a period of three years from the date of issuance. All securities issued pursuant to the second tranche are subject to a four month and one day hold period. In addition, the Company issued a total of 64,000 compensation options and paid cash commissions of $3,200 to finders.

On 2 November 2016, the Company closed the second tranche of a non-brokered private placement financing for aggregate gross proceeds of $1,345,000. A total of 26,900,000 Units were issued as part of the first tranche for aggregate gross proceeds of $1,345,000. Each Unit consists of one Common Share in the capital of the Company and one Common Share Purchase Warrant with each Warrant entitling the holder thereof to acquire one Common Share at a price of $0.10 per share for a period of three years from the date of issuance.