2017

LITHIUM ENERGY PRODUCTS INC.

(FORMERLY NORTHERN IRON CORP.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 DECEMBER 2016

STATED IN CANADIAN FUNDS

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

2/23/2017

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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 condensed interim 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 condensed interim 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 Board is also responsible for recommending the appointment of Lithium Energy Products' external auditors.

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

We draw attention to Note 1 in the condensed interim 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.

23 February 2017

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

LITHIUM ENERGY PRODUCTS INC. (FORMERLY NORTHERN IRON CORP.)

Statement 1

Canadian Funds

(unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2016	30 September 2016
ASSETS			
Current Assets			
Cash		**$ 1,169,723**	$ 118,423
Amounts receivable	(6)	**19,362**	8,867
Prepaid amounts and other assets		**27,326**	36,953
		1,216,411	164,243
Non-current Assets			
Deposits	(7)	**215,004**	212,092
Property and equipment	(8)	**75,000**	75,968
Exploration and evaluation assets	(9)	**1,051,225**	1,044,597
		1,341,229	1,332,657
		$ 2,557,640	$ 1,496,900
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	(11)	**$ 52,406**	$ 65,630
EQUITY (STATEMENT 3)			
Share capital		**16,070,101**	15,383,825
Obligation to issue shares		**-**	90,000
Options - Contributed surplus		**440,500**	431,100
Warrants - Contributed surplus		**1,479,415**	806,623
Deficit		**(14,268,118)**	(14,064,037)
Equity attributed to equity shareholders		**3,721,898**	2,647,511
Non-controlling interest	(10)	**(1,216,664)**	(1,216,241)
		2,505,234	1,431,270
		$ 2,557,640	$ 1,496,900

Nature of operations and going concern	(1)	Capital management	(13)
Basis of preparation – Statement of Compliance	(2)	Commitment	(14)
Related party transactions	(11)	Subsequent event	(15)

The condensed interim consolidated financial statements were approved by the Board of Directors on 23 February 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 condensed interim consolidated financial statements --

LITHIUM ENERGY PRODUCTS INC. (FORMERLY NORTHERN IRON CORP.) Statement 2

Canadian Funds

(unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

			Three Months Ended 31 December 2016		Three Months Ended 31 December 2015
CONTINUING OPERATIONS					
Operating Expenses					
Management fees	(11)		**103,950**		83,200
Shareholder relations			**48,336**		17,907
Professional fees			**18,797**		17,500
Transfer agent and filing fees			**13,556**		1,734
Travel			**10,442**		27,770
Office and general			**6,149**		9,197
Stock based compensation			**3,000**		-
Resource property expenses			**2,819**		-
Insurance			**2,103**		2,046
Amortization	(8)		**968**		11,297
Interest (income)			**(5,616)**		(701)
Loss from Operations		**$**	**204,504**	$	169,950
Net Loss and Comprehensive Loss for the Period		**$**	**(204,504)**	$	(169,950)
Net Loss and Comprehensive Loss Attributed to:					
Equity shareholders			**(204,081)**		(169,950)
Non-controlling interest			**(423)**		-
		$	**(204,504)**	$	(169,950)
Basic and Diluted Loss per Common Share		**$**	**(0.00)**	$	(0.00)
Weighted Average Number of Shares Outstanding			**158,943,093**		95,727,875

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

Canadian Funds

(unaudited)

CONDENSED INTERIM 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 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
Proceeds on Unit issuance	**30,000,000**	**737,208**	**-**	**-**	**672,792**	**-**	**1,410,000**	**-**	**1,410,000**
Obligation to issue shares	**-**	**90,000**	**(90,000)**	**-**	**-**	**-**	**-**	**-**	**-**
Unit issuance costs	**-**	**(140,932)**	**-**	**-**	**-**	**-**	**(140,932)**	**-**	**(140,932)**
Stock based compensation	**-**	**-**	**-**	**3,000**	**-**	**-**	**3,000**	**-**	**3,000**
Agent options	**-**	**-**	**-**	**6,400**	**-**	**-**	**6,400**	**-**	**6,400**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**(204,081)**	**(204,081)**	**(423)**	**(204,504)**
BALANCE AT 31 DECEMBER 2016	**168,377,875**	**$ 16,070,101**	**$ -**	**$ 440,500**	**$ 1,479,415**	**$ (14,268,118)**	**$ 3,721,898**	**$ (1,216,664)**	**$ 2,505,234**

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

Canadian Funds

(unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended 31 December 2016	Three Months Ended 31 December 2015
OPERATING ACTIVITIES		
Loss for the Period	**$ (204,504)**	$ (169,950)
Items not Affecting Cash		
Amortization	**968**	11,297
Stock based compensation	**3,000**	-
	(200,536)	(158,653)
Net Change in Non-cash Working Capital		
Amounts receivable	**(10,495)**	(8,876)
Prepaid amounts and other assets	**9,627**	(2,034)
Accounts payable and accrued liabilities	**(13,224)**	649
Long term deposits	**(2,912)**	-
	(17,004)	(10,261)
	(217,540)	(168,914)
INVESTING ACTIVITIES		
Exploration acquisition costs	**(6,628)**	-
Exploration expenditures	**-**	(665)
	(6,628)	(665)
FINANCING ACTIVITIES		
Proceeds from unit issuances	**1,410,000**	-
Unit issuance costs	**(134,532)**	-
	1,275,468	-
Net Increase (Decrease) in Cash	**1,051,300**	(169,579)
Cash position – beginning of period	**118,423**	623,245
Cash Position – End of Period	**$ 1,169,723**	$ 453,666
Supplementary Disclosure of Cash Flow Information:		
Compensation options issued to agents	**$ 6,400**	$ -

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1) Nature of operations and going concern

Lithium Energy Products Inc. (formerly Northern Iron Corp.) ("Lithium" 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 condensed interim 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 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 condensed interim consolidated statement of financial position classifications used and such adjustments could be material.

(Rounded '000')	**31 December 2016**	30 September 2016
Working capital	**$ 1,164,000**	$ 99,000
Accumulated deficit	**$ (14,268,000)**	$ (14,064,000)

NOTES TO THE FINANCIAL STATEMENTS

2) Basis of preparation – Statement of Compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Since the Financial Statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's audited annual financial statements for the year ended 30 September 2016.

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of Financial Statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

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.

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 revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3) Summary of significant accounting policies

The accounting policies and methods of computation followed in preparing these Financial Statements are the same as those followed in preparing the most recent audited annual financial statements. For a complete summary of significant accounting policies, please refer to the Company's audited annual consolidated financial statements for the year ended 30 September 2016.

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.

NOTES TO 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 periods ended 31 December 2016 or 30 September 2016.

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 31 December 2016.

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) 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 31 December 2016 and 30 September 2016. 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 31 December 2016 and 30 September 2016, 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.

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. The Company is exposed to foreign currency risk, as a 5% shift in foreign exchange rates would result in an impact of approximately $57,000. At 31 December 2016 the Company held currency totalling the following:

Currency	**31 December 2016**	30 September 2016
Canadian (Dollars)	**$ 28,000**	$ 118,000
US (Dollars)	**$ 850,000**	$ -

NOTES TO THE FINANCIAL STATEMENTS

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 31 December 2016, the Company had a cash balance of $1,169,723 to settle current liabilities of $52,406 which are due within one year. The Company is not exposed to significant liquidity risk.

6) Amounts receivable

Amounts receivable are comprised of:

		31 December 2016		30 September 2016
Goods and services tax recoverable	**$**	**19,362**	$	8,867

7) Deposits

As at 31 December 2016 and 30 September 2016, the Company has a security deposit of $12,092 comprising refundable reclamation bonds for three permits of the Willcox Playa Lithium Brine prospects. The remaining balance in deposits include $200,000 (30 September, 2016 - $200,000) 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 2016	$	212,092
Balance at 31 December 2016	**$**	**215,004**

NOTES TO THE FINANCIAL STATEMENTS

8) Property and equipment

		Land		Computer Equipment		Field Equipment		Total
COST OR DEEMED COST								
Balance at 1 October 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
Additions		**-**		**-**		**-**		**-**
Balance at 31 December 2016	**$**	**75,000**	**$**	**9,734**	**$**	**53,055**	**$**	**137,789**
DEPRECIATION								
Balance at 1 October 2015	$	-	$	7,797	$	523,757	$	531,554
Depreciation for the period		-		969		45,187		46,156
Dispositions		-		-		(515,889)		(515,889)
Balance at 30 September 2016	$	-	$	8,766	$	53,055	$	61,821
Depreciation for the period		**-**		**968**		**-**		**968**
Balance at 31 December 2016	**$**	**-**	**$**	**9,734**	**$**	**53,055**	**$**	**62,789**
CARRYING AMOUNTS								
At 30 September 2016	$	75,000	$	968	$	-	$	75,968
At 31 December 2016	**$**	**75,000**	**$**	**-**	**$**	**-**	**$**	**75,000**

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. During the period ended 31 December 2016, the Company recorded dispositions of $nil.

Property and equipment are stated, in the condensed interim 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
Field equipment	3-5 years

NOTES TO THE FINANCIAL STATEMENTS

9) Exploration and evaluation assets

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

a) 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 NE of Las Vegas.

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.

NOTES TO THE FINANCIAL STATEMENTS

b) Willcox Playa property

During the year ended 30 September 2016, the Company acquired three permits for a large dry lakebed in south-eastern 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.

c) 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.

d) El Sol property

100% interest in 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. During the year ended 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.

e) 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 Issued		Cash Payment
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 holds an 85% controlling interest.

During the year ended 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.

f) 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 holds an 85% controlling interest.

During the year ended 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.

g) Whitemud property

100% interest in 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 issued	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

During the year ended 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.

h) 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.

During the year ended 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.

Notes to the Financial Statements

		Jackpot Lake		Willcox Playa		Little Rock		Karas		Whitemud		Griffith		El Sol		Papagonga		Total
Acquisition																		
Balance as at 1 October 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	$	547,934	$	379,803	$	80,635	$	1	$	1	$	1	$	1	$	1	$	1,008,377
Additions		**6,628**		-		-		-		-		-		-		-		**6,628**
Balance as at 31 December 2016	**$**	**554,562**	**$**	**379,803**	**$**	**80,635**	**$**	**1**	**$**	**1**	**$**	**1**	**$**	**1**	**$**	**1**	**$**	**1,015,005**
Exploration Expenditures																		
Balance as at 1 October 2015	$	-	$	-	$	-	$	4,505,365	$	377,843	$	2,995,961	$	3,120	$	111,846	$	7,994,135
Staking		32,836		-		3,384		2,280		-		-		14,025		-		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
Balance as at 31 December 2016	**$**	**32,836**	**$**	**-**	**$**	**3,384**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**36,220**
Carrying Amounts																		
Balance at 30 September 2016	$	580,770	$	379,803	$	84,019	$	1	$	1	$	1	$	1	$	1	$	1,044,597
Balance at 31 December 2016	**$**	**587,398**	**$**	**379,803**	**$**	**84,019**	**$**	**1**	**$**	**1**	**$**	**1**	**$**	**1**	**$**	**1**	**$**	**1,051,225**

NOTES TO THE FINANCIAL STATEMENTS

10) Share capital

a) Authorized:

Unlimited common shares without par value.

b) Issued or allotted and fully paid:

During the three months ended 31 December 2016:

On 12 October 2016, the Company closed the first tranche of a non-brokered private placement of 3,100,000 units (the "Units") at a price of $0.05 per Unit, for aggregate proceeds of $155,000. Each Unit consisted of one common share and one common share purchase warrant ("Warrant"). Each Warrant can be exercised into one common share ("Common Share") of the Company at a price of $0.10 per share for a period of three years from the date of issuance. The Company recorded $12,800 of share issuance costs including 128,000 compensation options ("Compensation Options"). Each Compensation Option can be exercised for one Unit for a period of five years from the date of issuance at an exercise price of $0.05.

On 2 November 2016, the Company closed the second tranche of a non-brokered private placement of 26,900,000 units of the Company ("Unit") at a price of $0.05 per Unit, for aggregate proceeds of $1,345,000. Each Unit consists of one common share and one common share purchase warrant ("Warrant"). Each Warrant is exercisable for a period of three years from the date of issuance at an exercise price of $0.10. The Company recorded $128,132 of share issuance costs.

During the year ended 30 September 2016:

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.

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 periods ended 31 December 2016 and 30 September 2016 are as follows:

STOCK OPTION ACTIVITY	**31 December 2016**	**Weighted Average Exercise price**	30 September 2016	Weighted Average Exercise price
Balance – beginning of period	**3,025,000**	**$ 0.13**	4,075,000	$ 0.14
Issued	**-**	**-**	-	-
Cancelled	**-**	**-**	-	-
Expired	**(600,000)**	**0.30**	(1,050,000)	0.16
Balance – end of period	**2,425,000**	**$ 0.09**	3,025,000	$ 0.13

NOTES TO THE FINANCIAL STATEMENTS

Details of stock options outstanding as at 31 December 2016 are as follows:

Issuance Date	Expiry Date	Exercise Price	31 December 2016
1 April 2010	17 February 2019	0.10	250,000
1 April 2010	17 February 2019	0.10	25,000
13 October 2011	17 February 2019	0.30	200,000
10 July 2012	9 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
			2,425,000

The outstanding options have a weighted average remaining life of 1.98 years and a weighted average exercise price of $0.09 as at 31 December 2016. All of the outstanding options have vested. No options were in the money as at 31 December 2016.

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.

Not included in the aforementioned stock options are the compensation options resulting from the private placement tranche that closed on 12 October 2016. The 128,000 compensation options granted to finders have been valued by reference to the fair value of the equity instruments granted. Therefore, as each Unit in the private placement was valued at $0.05, the value of compensation options has been assessed at $6,400.

d) Warrants

Warrant activity during the period is summarized as follows:

WARRANT ACTIVITY	**31 December 2016**		**Weighted average exercise price**	30 September 2016		Weighted average exercise price
Balance – beginning of period	**19,048,000**	**$**	**0.05**	19,048,000	$	0.05
Issued	**30,000,000**		**0.10**	-		-
Balance – end of period	**49,048,000**	**$**	**0.08**	19,048,000	$	0.05

Details of warrants outstanding as at 31 December 2016 are as follows:

Expiry Date		Exercise Price	31 December 2016	30 September 2016
28 November 2017	**$**	**0.05**	**19,048,000**	19,048,000
12 October 2019		**0.10**	**3,100,000**	-
2 November 2019		**0.10**	**26,900,000**	-
			49,048,000	19,048,000

	31 December 2016	30 September 2016
The outstanding warrants have a weighted-average exercise price of:	$ **0.08**	$ 0.05
The weighted average remaining life of the outstanding warrants is:	**2.04**	2.16

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:

	31 December 2016	30 September 2016
Risk free interest rate	**0.59%**	1.05%
Expected dividend yield	**-**	0.00%
Expected stock price volatility	**125%**	135%
Expected option life in years	**3.00**	3.00

e) Share-based payments

During the period ended 31 December 2016 and the year ended 30 September 2016, no stock options were granted or vested.

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 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; and
- an additional 20% for $20 million in total funding for a feasibility study, funded 70% by OMC and 30% by Lithium, 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 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 31 December 2016 is an accumulated deficit of $1,216,664 (30 September 2016 - $1,216,241) due to the impairment of the Company's mineral properties. Net loss and comprehensive loss of $423 has been attributed to the non-controlling interest in these Financial Statements.

11) 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 and Director,	**2016**	**$**	**144,000**	**-**		**-**
consulting fees	2015	$	36,000	-	$	14,571
Clearline – a company of which the CFO is a	**2016**	**$**	**12,000**	**-**	**$**	**5,775**
director, professional fees	2015	$	12,000	-	$	4,200
Michael Hepworth, VP Corporate Development	**2016**	**$**	**24,000**	**-**		**-**
	2015	$	24,000	-	$	9,040
Director, director and consulting fees	**2016**	**$**	**-**	**-**		**-**
	2015	$	2,331	-	$	2,381
James Walker – CEO	**2016**	**$**	**15,000**	-		-
	2015	$	-	-		-

(i) For the three month periods ended 31 December 2016 and 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

12) 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**
31 December 2016			
Current Assets	**$ 1,216,000**	**$ -**	**$ 1,216,000**
Non-Current Assets			
Other non-current assets	**290,000**	**-**	**290,000**
Resource properties	**-**	**1,051,000**	**1,051,000**
Liabilities			
Current Liabilities	**52,000**	**-**	**52,000**
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

13) 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

14) 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	$	13,696
Fiscal 2018		13,696
Total	$	27,392

15) Subsequent event

On 25 January 2017, the Company granted incentive stock options to its directors, officer, and consultants to purchase up to an aggregate of 3,000,000 common shares at an exercise price of $0.065 per share. These options have a life of 5 years and vest immediately. The options were approved by the shareholders and limit the total number of options to a maximum of 10% of the Company's issued capital.