2018

# LITHIUM ENERGY PRODUCTS INC.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE THREE MONTHS ENDED 31 DECEMBER 2017

**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.**

2/22/2018

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## MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Lithium Energy Products Inc.:

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 Audit Committee is also responsible for recommending the appointment of Lithium Product's 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 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.

The condensed interim consolidated financial statements were approved by the Board of Directors on 22 February 2018 and were signed on its behalf by:

| | |
|---|---|
| "James Walker" | "Grant T. Smith" |
| James Walker, CEO | Grant T. Smith, CFO |

(Statement 1)

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | | **As at 31 December 2017** | | As at 30 September 2017 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash | | **$** | **112,183** | $ | 156,200 |
| Amounts receivable | (6) | | **11,052** | | 38,738 |
| Prepaid amounts and other assets | | | **16,071** | | 29,573 |
| | | | **139,306** | | 224,511 |
| **Non-current Assets** | | | | | |
| Deposits | (7) | | **2,912** | | 2,912 |
| Property and equipment | (8) | | **75,000** | | 75,000 |
| Exploration and evaluation assets | (9) | | **467,236** | | 467,236 |
| | | | **545,148** | | 545,148 |
| | | **$** | **684,454** | $ | 769,659 |
| **LIABILITIES** | | | | | |
| **Current Liabilities** | | | | | |
| Accounts payable and accrued liabilities | (11) | **$** | **51,815** | $ | 47,947 |
| **EQUITY (STATEMENT 3)** | | | | | |
| Share capital | | | **16,102,846** | | 16,102,846 |
| Options - Contributed surplus | | | **628,500** | | 628,500 |
| Warrants - Contributed surplus | | | **1,446,671** | | 1,446,671 |
| Deficit | | | **(16,326,288)** | | (16,237,305) |
| **Equity attributed to equity shareholders** | | | **1,851,729** | | 1,940,712 |
| Non-controlling interest | (10) | | **(1,219,090)** | | (1,219,000) |
| | | | **632,639** | | 721,712 |
| | | **$** | **684,454** | $ | 769,659 |

| | | | |
|---|---|---|---|
| Nature of operations and going concern | (1) | Commitment | (14) |
| Basis of preparation – Statement of Compliance | (2) | Contingencies | (15) |
| Capital management | (13) | Subsequent event | (16) |

The condensed interim consolidated financial statements were approved by the Board of Directors on 22 February 2018 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 --

(Statement 2)

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

| | Note | | **Three Month Ended 31 December 2017** | | Three Month Ended 31 December 2016 |
|---|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | | |
| **Operating Expenses** | | | | | |
| Management fees | (11) | **$** | **56,450** | $ | 103,950 |
| Professional fees | (11) | | **17,570** | | 18,797 |
| Shareholder relations | | | **5,933** | | 48,336 |
| Office and general | | | **4,046** | | 6,149 |
| Transfer agent and filing fees | | | **3,701** | | 13,556 |
| Insurance | | | **1,991** | | 2,103 |
| Resource property expenses | | | **600** | | 2,819 |
| Interest expense (income) | | | **201** | | (5,616) |
| Travel | | | **93** | | 10,442 |
| (Gain) from foreign exchange | | | **(1,512)** | | - |
| Amortization | (8) | | **-** | | 4,968 |
| Share-based payments | (10) | | **-** | | 3,000 |
| **Loss from Operations** | | **$** | **(89,073)** | $ | (204,504) |
| **Net Loss and Comprehensive Loss for the Period** | | **$** | **(89,073)** | $ | (204,504) |
| **Net Loss and Comprehensive Loss Attributed to:** | | | | | |
| Equity shareholders | | | **(88,983)** | | (204,081) |
| Non-controlling interest | | | **(90)** | | (423) |
| | | **$** | **(89,073)** | $ | (204,504) |
| **Basic and Diluted Loss per Common Share** | | **$** | **(0.00)** | $ | (0.00) |
| **Weighted Average Number of Shares Outstanding** | | | **168,377,875** | | 158,943,093 |



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

(Statement 3)

## 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 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 | 769,952 | - | - | 640,048 | - | 1,410,000 | - | 1,410,000 |
| Obligation to issue shares | - | 90,000 | (90,000) | - | - | - | - | - | - |
| Unit issuance costs | - | (140,931) | - | - | - | - | (140,931) | - | (140,931) |
| Share-based payments | - | - | - | 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 | $ 16,102,846 | $ - | $ 440,500 | $ 1,446,671 | $ (14,268,118) | $ 3,721,899 | $ (1,216,664) | $ 2,505,235 |
| Share-based payments | - | - | - | 181,000 | - | - | 181,000 | - | 181,000 |
| Net loss for the period | - | - | - | - | - | (589,508) | (589,508) | (453) | (589,961) |
| **BALANCE AT 31 MARCH 2017** | 168,377,875 | $ 16,102,846 | $ - | $ 621,500 | $ 1,446,671 | $ (14,857,626) | $ 3,313,391 | $ (1,217,117) | $ 2,096,274 |
| Share-based payments | - | - | - | 7,000 | - | - | 7,000 | - | 7,000 |
| Net loss for the period | - | - | - | - | - | (268,605) | (268,605) | (1,275) | (269,880) |
| **BALANCE AT 30 JUNE 2017** | 168,377,875 | $ 16,102,846 | $ - | $ 628,500 | $ 1,446,671 | $ (15,126,231) | $ 3,051,786 | $ (1,218,392) | $ 1,833,394 |
| Net loss for the period | - | - | - | - | - | (1,111,074) | (1,111,074) | (608) | (1,111,682) |
| **BALANCE AT 30 SEPTEMBER 2017** | 168,377,875 | $ 16,102,846 | $ - | $ 628,500 | $ 1,446,671 | $ (16,237,305) | $ 1,940,712 | $ (1,219,000) | $ 721,712 |
| Net loss for the period | **-** | **-** | **-** | **-** | **-** | **(88,983)** | **(88,983)** | **(90)** | **(89,073)** |
| **BALANCE AT 31 DECEMBER 2017** | **168,377,875** | **$ 16,102,846** | **$ -** | **$ 628,500** | **$ 1,446,671** | **$ (16,326,288)** | **$ 1,851,729** | **$ (1,219,090)** | **$ 632,639** |



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

(Statement 4)

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| | | Three Month Ended 31 December 2017 | | Three Month Ended 31 December 2016 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| **Loss for the Period** | **$** | **(89,073)** | $ | (204,504) |
| **Items not Affecting Cash** | | | | |
| Amortization | | **-** | | 968 |
| Share-based payments | | **-** | | 3,000 |
| | | **(89,073)** | | (200,536) |
| **Net Change in Non-cash Working Capital** | | | | |
| Amounts receivable | | **27,686** | | (10,495) |
| Prepaid amounts and other assets | | **13,502** | | 9,627 |
| Accounts payable and accrued liabilities | | **3,868** | | (13,224) |
| Long term deposits | | **-** | | (2,912) |
| | | **45,056** | | (17,004) |
| | | **(44,017)** | | (217,540) |
| **INVESTING ACTIVITIES** | | | | |
| Exploration acquisition costs | | **-** | | (6,628) |
| | | **-** | | (6,628) |
| **FINANCING ACTIVITIES** | | | | |
| Proceeds from unit issuances | | **-** | | 1,410,000 |
| Unit issuance costs | | **-** | | (134,532) |
| | | **-** | | 1,275,468 |
| **Net Increase (Decrease) in Cash** | | **(44,017)** | | 1,051,300 |
| Cash position – beginning of period | | **156,200** | | 118,423 |
| **Cash Position – End of Period** | **$** | **112,183** | $ | 1,169,723 |
| **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. ("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 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's)** | **31 December 2017** | 30 September 2017 |
|---|---|---|
| Working capital | **$ 87,000** | $ 177,000 |
| Accumulated deficit | **$ (17,545,000)** | $ (17,456,000) |

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED 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 2017.

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 2017.

### 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 CONDENSED INTERIM CONSOLIDATED 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 2017 and 30 September 2017.

### 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 2017.

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 condensed interim 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 2017 and 30 September 2017. There have been no changes in levels during the period.

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.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 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 2017 and 30 September 2017, 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 $4,000. As at 31 December 2017 the Company held currency totalling the following:

| **Currency** | **31 December 2017** | 30 September 2017 |
|---|---|---|
| Canadian (Dollars) | **$ 23,900** | $ 30,927 |
| US (Dollars) | **$ 70,371** | $ 100,376 |

### 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 2017, the Company had a cash balance of $112,183 to settle current liabilities of $51,815 which are due within one year. The Company is not exposed to a significant liquidity risk.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 6) Amounts receivable

Amounts receivable are comprised of:

| | | 31 December 2017 | | 30 September 2017 |
|---|---|---|---|---|
| Goods and services tax recoverable | **$** | **11,052** | $ | 38,738 |

### 7) Deposits

| CARRYING AMOUNTS | | 31 December 2017 | | 30 September 2017 |
|---|---|---|---|---|
| **Balance – Beginning of Period** | **$** | **2,912** | $ | 212,092 |
| Impairment | | **-** | | 2,912 |
| Additions | | **-** | | (212,092) |
| **Balance – End of Period** | **$** | **2,912** | $ | 2,912 |

As at 30 September 2016, deposits included a non-current cash amount of $200,000 prepaid to exploration vendors for work yet to be performed on the Company's exploration and evaluation assets. During the year ended 30 September 2017, the balance was deemed unrecoverable, resulting in the impairment of this deposit in the amount of $200,000.

During the year ended 30 September 2017, the Company had recorded the impairment of $12,092 security deposit (2016 - $12,092) comprising refundable reclamation bond for three permits of Willcox Playa Lithium Brine prospect as the balance was deemed unrecoverable. As at 31 December 2017, the remaining balance represents a deposit of $2,912 for office lease.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 8) Property and equipment

| | | Land | | Computer Equipment | | Field Equipment | | Total |
|---|---|---|---|---|---|---|---|---|
| **COST OR DEEMED COST** | | | | | | | | |
| **Balance at 1 October 2016** | $ | 75,000 | $ | 9,734 | $ | 53,055 | $ | 137,789 |
| Dispositions | | - | | - | | (53,055) | | (53,055) |
| **Balance at 30 September 2017 and 31 December 2017** | **$** | **75,000** | **$** | **9,734** | **$** | **-** | **$** | **84,734** |
| **DEPRECIATION** | | | | | | | | |
| **Balance at 1 October 2016** | | - | | 8,766 | | 53,055 | | 61,821 |
| Depreciation for the year | | - | | 968 | | - | | 968 |
| Dispositions | | - | | - | | (53,055) | | (53,055) |
| **Balance at 30 September 2017 and 31 December 2017** | **$** | **-** | **$** | **9,734** | **$** | **-** | **$** | **9,734** |
| **CARRYING AMOUNTS** | | | | | | | | |
| **At 30 September 2017** | $ | 75,000 | $ | - | $ | - | $ | 75,000 |
| **At 31 December 2017** | **$** | **75,000** | **$** | **-** | **$** | **-** | **$** | **75,000** |

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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 9) Exploration and evaluation assets

The Company is running an exploration program focusing on the lithium exploration properties acquired as 31 December 2017. Additionally, the Company also holds outright five contiguous mineral properties located in the Red Lake Mining Division, Ontario, Canada.

### EXPLORATION AND EVALUATION ASSETS

| | Jackpot Lake | Willcox Playa | Little Rock | Ontario Properties | Total |
|---|---|---|---|---|---|
| **ACQUISITION** | | | | | |
| **Balance as at 1 October 2016** | $ 547,934 | $ 379,803 | $ 80,635 | $ 5 | $ 1,008,377 |
| Additions | 56,628 | 67,075 | - | - | 123,703 |
| Impairment | (604,561) | - | (80,635) | (1) | (685,197) |
| **Balance as at 30 September 2017 and 31 December 2017** | **$ 1** | **$ 446,878** | **$ -** | **$ 4** | **$ 446,883** |
| **EXPLORATION EXPENDITURES** | | | | | |
| **Balance as at 1 October 2016** | $ 32,836 | $ 3,384 | $ - | $ - | $ 36,220 |
| Staking and claiming | - | 1,882 | - | - | 1,882 |
| Geological and consulting | 164,092 | 7,050 | - | - | 171,142 |
| Assaying | 6,606 | 3,682 | - | - | 10,288 |
| Admin and camp | 2,983 | 4,355 | - | - | 7,338 |
| Transportation | 610 | - | - | - | 610 |
| Impairment | (207,127) | - | - | - | (207,127) |
| **Balance as at 30 September 2017 and 31 December 2017** | **$ -** | **$ 20,353** | **$ -** | **$ -** | **$ 20,353** |
| **CARRYING AMOUNTS** | | | | | |
| **Balance at 30 September 2017** | $ 1 | $ 467,231 | $ - | $ 4 | $ 467,236 |
| **Balance at 31 December 2017** | **$ 1** | **$ 467,231** | **$ -** | **$ 4** | **$ 467,236** |

### a) Jackpot Lake property

During the year ended 30 September 2016, the Company has acquired 140 mineral claims comprising of 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 Gross Overriding Royalty (“GORR”). In order to keep the Jackpot Lake property agreement in good standing, the Company must perform the following by the dates specified below:

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(i) paid or issued

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

(iii) will be settled in shares subsequent to period ended 31 December 2017

The seller shall retain a 1% GORR, subject to a buyback provision to Lithium whereby the Company may acquire, at any time, one-half of the GORR (0.5%) for 1,000,000.

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 complete no less than $1,000,000 worth of expenditures on claims within three years of signing the agreement. During the year ended 30 September 2017, the Company did not make scheduled payments and this resulted in an impairment of $811,688 for the acquisition and exploration expenditures related to the asset, reducing the value to $1 to reflect the rights to the mineral claims.

Subsequent to period ended 31 December 2017, the Company entered into an agreement to pay the outstanding payments through issuance of shares (note 16).

### 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. In order to keep the Willcox Playa property agreement in good standing, the Company must perform the following by the dates specified below:

| **Payment Due Date** | Shares | | Cash |
|---|---|---|---|
| 26 July 2016(i) | - | $ | 16,645 |
| 12 August 2016(i) | 14,980,847 | | - |
| 29 July 2016(i) | - | | 41,613 |
| 8 June 2017(i) | - | | 67,075 |
| 8 June 2018(ii) | - | | 199,470 |
| Total | 14,980,847 | $ | 324,803 |

(i) paid or issued

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

The owner shall retain a 1% GORR, 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**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.

During the year ended 30 September 2017, management determined that the Little Rock operation is unlikely to be profitable. The Company cancelled the acquisition agreement and recognized the impairment of $80,635.

**d) Ontario Properties**

The Canadian properties comprise of five properties located in Ontario, Canada. Each property is explained below.

**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.

**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:

| Payment Due 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.

**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 and Whitemud property in good standing, as detailed below:

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| **Payment Due 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.

### 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.

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.

### 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.

## 10) Share capital

### a) Authorized:

Unlimited common shares without par value.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**b) Issued or allotted and fully paid:**

During the period ended 31 December 2017:

No shares were issued or allotted and fully paid during the period ended 31 December 2017.

During the year ended 30 September 2017:

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 finder's fee in the amount of $12,800 in share issuance costs including 128,000 finder's units ("Finder's Units"). Each Finder's Unit 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.

**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 2017 and 30 September 2017 are as follows:

| STOCK OPTION ACTIVITY | **31 December 2017** | | **Weighted Average Exercise price** | 30 September 2017 | | Weighted Average Exercise price |
|---|---|---|---|---|---|---|
| **Balance – beginning of period** | **5,425,000** | **$** | **0.08** | 3,025,000 | $ | 0.13 |
| Issued | - | | - | 3,000,000 | | 0.07 |
| Expired | - | | - | (600,000) | | 0.30 |
| **Balance – end of period** | **5,425,000** | **$** | **0.08** | 5,425,000 | $ | 0.08 |

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Details of stock options outstanding as at 31 December 2017 are as follows:

| Issuance Date | Expiry Date | Exercise Price | 31 December 2017 | 30 September 2017 |
|---|---|---|---|---|
| 1 April 2010 | 17 February 2019 | 0.10 | **250,000** | 250,000 |
| 1 April 2010 | 17 February 2019 | 0.10 | **25,000** | 25,000 |
| 13 October 2011 | 17 February 2019 | 0.30 | **200,000** | 200,000 |
| 10 July 2012 | 17 February 2019 | 0.15 | **400,000** | 400,000 |
| 28 February 2014 | 27 February 2019 | 0.05 | **1,350,000** | 1,350,000 |
| 10 April 2015 | 10 April 2020 | 0.05 | **200,000** | 200,000 |
| 25 January 2017 | 24 January 2022 | 0.07 | **3,000,000** | 3,000,000 |
| | | | **5,425,000** | 5,425,000 |

The outstanding options have a weighted average remaining life of 3.70 years and a weighted average exercise price of $0.08 as at 31 December 2017. All of the outstanding options have vested.

On 30 June 2017, the Company amended the terms of 400,000 options issued on July 10, 2012. The renewed terms extended the expiry date of options to 17 February 2019. The exercise price of options is the same at $0.15.

On 12 October 2016, the Company amended the terms of 200,000 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. Each compensation option is exercisable into one Unit, which consists of one common share and one common share purchase warrant for a period of five years from the date of issuance. Each warrant can be exercised into one common share of the Company at a price of $0.10 per share for a period of 3 years from the date of the issuance. The 128,000 compensation options granted to finders that 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 periods ended 31 December 2017 and 30 September 2017 is summarized as follows:

| WARRANT ACTIVITY | 31 December 2017 | | Weighted average exercise price | 30 September 2017 | | Weighted average exercise price |
|---|---|---|---|---|---|---|
| **Balance – Beginning of Year** | **49,048,000** | $ | **0.10** | 19,048,000 | $ | 0.05 |
| Issued | **-** | | **-** | 30,000,000 | | 0.10 |
| Expired | **(19,048,000)** | | **0.05** | - | | - |
| **Balance – End of Year** | **30,000,000** | $ | **0.10** | 49,048,000 | $ | 0.10 |

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Details of warrants outstanding as at 31 December 2017 and 30 September 2017 are as follows:

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

The following provides the exercise price and life of the warrants:

| | | **31 December 2017** | | 30 September 2017 |
|---|---|---|---|---|
| The outstanding warrants have a weighted-average exercise price of: | $ | **0.10** | $ | 0.10 |
| The weighted average remaining life of the outstanding warrants is: | | **1.83** | | 1.59 |

### e) Share-based payments

During the period ended 31 December 2017, no stock options were granted or vested. During the year ended 30 September 2017, the Company granted 3,000,000 incentive stock options to its directors, officer, and consultants and recognized share based payments as follows:

| | | **31 December 2017** | | 30 September 2017 |
|---|---|---|---|---|
| **Total Options Granted** | | - | | 3,000,000 |
| Average exercise price | $ | - | $ | 0.07 |
| Estimated fair value of compensation | $ | - | $ | 134,000 |
| Estimated fair value per option | $ | - | $ | 0.07 |

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

| | **31 December 2017** | 30 September 2017 |
|---|---|---|
| Risk free interest rate | - | 0.82-1.17% |
| Expected stock price volatility | - | 111-130% |
| Expected option life in years | - | 1.84 |
| Expected maturity rate | - | 100% |

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's employee 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 CONDENSED INTERIM CONSOLIDATED 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 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 Papagonga 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 as at 31 December 2017 is an accumulated deficit of $1,219,090 (30 September 2017 - $1,219,000) due to the impairment of the Company's mineral properties. Net loss and comprehensive loss of $90 has been attributed to the non-controlling interest in these Financial Statements.

## 11) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Transactions and balances with related parties not disclosed elsewhere in the Financial Statements are as follows:

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### RELATED PARTY DISCLOSURE

| Name and Principal Position | Period(i) | | Remuneration or fees(ii) | | Share-based awards | | Amounts Payable |
|---|---|---|---|---|---|---|---|
| Basil Botha – President and Director, consulting fees | **2017** | **$** | **21,200** | **$** | **-** | **$** | **3,273** |
| | 2016 | $ | 36,000 | $ | - | $ | - |
| Clearline CPA – a company of which the CFO is a director, professional fees | **2017** | **$** | **12,000** | **$** | **-** | **$** | **8,437** |
| | 2016 | $ | 12,000 | $ | - | $ | 5,775 |
| Michael Hepworth, VP Corporate Development | **2017** | **$** | **-** | **$** | **-** | **$** | **394** |
| | 2016 | $ | 24,000 | $ | - | $ | - |
| Paul Sarjeant, Director | **2017** | **$** | **-** | **$** | **-** | **$** | **1,000** |
| | 2016 | $ | - | $ | - | $ | - |
| James Walker – CEO | **2017** | **$** | **24,000** | **$** | **-** | **$** | **-** |
| | 2016 | $ | 15,000 | $ | - | $ | - |
| Annie Storey, Director | **2017** | **$** | **-** | **$** | **-** | **$** | **500** |
| | 2016 | $ | - | $ | - | $ | - |
| Alberto Hassan, Director | **2017** | **$** | **-** | **$** | **-** | **$** | **1,000** |
| | 2016 | $ | - | $ | - | $ | - |

(i) For the period ended 31 December 2017 and 2016.

(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.

### 12) Segmented disclosure

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

| (Rounded to 000's) | | Canada | | US | | Total |
|---|---|---|---|---|---|---|
| **31 December 2017** | | | | | | |
| Current Assets | **$** | **139,000** | **$** | **-** | **$** | **139,000** |
| **Non-Current Assets** | | | | | | |
| Other non-current assets | | **78,000** | | **-** | | **78,000** |
| Resource properties | | **-** | | **467,000** | | **467,000** |
| **Liabilities** | | | | | | |
| Current Liabilities | | **52,000** | | **-** | | **52,000** |
| **30 September 2017** | | | | | | |
| Current Assets | $ | 247,000 | $ | - | $ | 247,000 |
| **Non-Current Assets** | | | | | | |
| Other non-current assets | | 258,000 | | - | | 258,000 |
| Resource properties | | - | | 1,279,000 | | 1,279,000 |
| **Liabilities** | | | | | | |
| Current Liabilities | | 48,000 | | - | | 48,000 |

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 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.

### 14) Commitment

During the year ended 30 September 2017, the Company entered into a contract for office rent which expires 30 June 2018. As at 31 December 2017, the Company's total payments remaining under this agreement for the remainder of 2018 is $13,696.

### 15) Contingencies

On 4 August 2016, the Company paid a lease payment of USD $70,000 for the Arizona property to Bluewater Renewables Inc. ("Bluewater") which should have been CAD $70,000 according to the terms of the agreement. Bluewater disagreed on the application of overpayment towards the next scheduled payment. The Company filed a claim against Bluewater for the overpaid amount of $21,700, and the hearing was scheduled for 18 September 2017. The Company received a favourable judgement from the Provincial Court of British Columbia. As at period ended, 31 December 2017, a similar lawsuit has been filed The Ontario Small Claims Court and the Company is waiting for the court ruling.

### 16) Subsequent event

On 9 February 2018, the Company announced that it has completed its shares for debt settlement with one arm's length creditor of the Company after being granted approval of the transaction by the TSX Venture Exchange. An aggregate of $200,000 in outstanding debt was settled through the issuance of 4,000,000 common shares in the capital of the Company at a deemed price of $0.05 per debt share. The issued debt shares settle previous payments for Jackpot Lake property (note 9) on 26 July 2017 and 22 January 2018 in the amount of $100,000 each.