

2019

LITHIUM ENERGY PRODUCTS INC.

REPORT TO SHAREHOLDERS - MANAGEMENT DISCUSSION AND ANALYSIS

STATED IN CANADIAN DOLLARS

THIS REPORT PROVIDES A MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

2/27/2019





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TO OUR SHAREHOLDERS

This Management Discussion and Analysis (“MD&A”) supplements - but does not form part of – the Condensed Interim Consolidated Financial Statements for the three months ended 31 December 2018. Consequently, the following discussion and analysis of the financial condition and results of operations for Lithium Energy Products Inc. (“LEP” or the “Company”), should be read in conjunction with the Condensed Interim Consolidated Financial Statements for the three month period ended 31 December 2018, and the related notes therein, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), consistently applied.

Discussion of the Company, its operations and associated risks are further described in the Company’s filings, available for viewing at www.sedar.com. A copy of this MD&A will be provided to any applicant upon request.



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FORWARD-LOOKING STATEMENTS

Certain statements contained in the following MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth in the Company's filings and herein. Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available through the SEDAR website at www.sedar.com.

The table below sets forth the significant forward-looking information included in this MD&A:

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
Future funding for ongoing operations	LEP has the resources to fund their ongoing operations and the ability to raise funds for further operations exceeding current resources.	LEP has disclosed that this may be difficult and failure to raise these funds will materially impact the Company's ability to continue as a going concern.
Proving LEP deposits' economic viability.	Deposits are either economically viable or LEP can obtain new sources of lithium for exploitation, trading or offtake agreements.	Lack of information to assess corporate and mining strategy for the existing assets.
Proving LEP deposits' process ability.	LEP deposit compositions are favourable towards economically recovering lithium.	Lack of information to assess asset grade.
LEP intends to acquire further properties to expand their mining and supply operations.	Properties demonstrating economic potential and have existing supportive infrastructure can be located and acquired.	Prospective acquisitions do not demonstrate sufficient potential and viability to justify acquisition.
LEP intends to enter into MOUs with several customers to ensure a customer base exists for LEP products. LEP intends to explore non-conventional methods of obtaining lithium external to conventional mining sources	Potential customers are willing to commit to mineral acquisition from LEP prior to exploration completion and exploitation. Economic amounts of lithium are recoverable from non-conventional sources and extractive technologies exist and are sufficient to obtain the lithium	Potential LEP customers may overstate the quantities they intend to purchase as they are currently predictive. LEP investigative and research expenditure might conclude that there is no economic benefit and be unable to recoup expenditure.
LEP intends to arrange financing for the development of its current properties	The Company and its properties can prove economic potential and attract investment.	LEP is unable to attract investment and must investigate alternate strategies.
LEP intends to acquire operational projects to improve its cashflow	The Company will have the resources and/or means to acquire such projects.	LEP is unable to acquire the necessary investment and must investigate alternate strategies.



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FUTURE OUTLOOK

LEP is currently in negotiations to acquire an operational mining project. The Company is exploring alternative means of financing and familiarising itself with the targeted industry and the equipment necessary to be sourced to ensure the project's success.

LEP intends to drill and sample the highly concentrated brines located using the electro-magnetic analysis results on the Jackpot Lake property. The drilling and sampling program will determine the mineralogy of the brine and help to determine LEP's strategic direction for the Jackpot Lake project.

LEP is exploring alternative sources of lithium through non-traditional sources. If proven economically viable these prospects will present LEP with a readily available supply of lithium that will provide an income stream almost immediately and in enormous supply.

LEP will retain its Griffith iron ore mine until the project can be commenced with profitable returns. The iron ore spot price is currently increasing and when suitable LEP will approach its prospective industry partners in North America to provide expertise and capital to advance the project. LEP is also undertaking an investigation to ascertain whether the Griffith Mine's quarried rock can be sold to produce an income stream for LEP.

LEP intends to acquire operational mining or quarry projects, which are able to create a cashflow for the company, and help the Company finance its exploration ambitions.

GENERAL

LEP – formerly Northern Iron Corp - is a publicly traded junior mining company whose principal business is identifying the most promising mineral deposits to purchase, progress and exploit. Currently, the Company is focusing on progressing its lithium projects towards exploitation, production and supplying lithium to the markets. LEP acquired 3 highly prospective lithium properties in Nevada and Arizona in August 2016. The decision to acquire these sites was based on grade, accessibility and serviceability. The Company examined other sites in South America and the U.S. but decided against these because of inaccessibility, uncertain political climates and poor local infrastructure

LEP's projects are in their exploration stages, and LEP will likely have the financial resources available to undertake the technical work to further progress the lithium projects. At LEP's disposal are geologists, geophysicists, mining engineers and market experts that are responsible for developing the project towards production. Once this work is underway - and a greater appreciation of the deposits has been obtained - the Company intends to seek partnership and further investment to advance the deposit towards exploitation.

The business is managed by specialist staff and experts with diverse experience across the entire mineral resource industry. The Company has a proven track record of identifying viable mineral deposits and progressing these discoveries to operation and sale. LEP is listed on the TSX Venture Exchange and commenced trading on 26 August 2011.



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SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

No significant events occurred during the three months ended 31 December 2018.

EVENTS SUBSEQUENT TO 31 DECEMBER 2018

On 11 January 2019, the Company announced that it has completed its 100% acquisition of the Jackpot Lake lithium property (the "Jackpot Lake Property") in Nevada. Under the terms of the original agreement, the Company was to make a final payment of \$205,000 by 26 July 2019 to acquire a 100% of the Jackpot Lake Property. The vendor has agreed to immediately transfer a 100% interest in the Jackpot Lake Property for a payment of 759,259 LEP shares at 10 January 2019 closing price of \$0.135, fair valued at \$102,500. The balance of \$102,500 is required to be paid within 6 months of the transfer of the Jackpot Lake Property.

On 21 January 2019, the Company announced that it has entered into a Binding Letter of Intention with American Strategic Minerals to acquire 100% of its assets, including the Lost Sheep mine (the "Lost Sheep Property"), based in Utah.

On 21 January 2019, the Company announced the appointment of new CFO, Viktoriya Griffin.

On 21 January 2019, the Company entered into debt settlement agreements with various arm's length and non-arm's length parties to the Company. The Company plans to issue 437,591 common shares of the Company ("Common Shares") to settle approximately \$39,383.15 of corporate debt owed to the various arm's length and non-arm's length parties.

RESULTS OF OPERATIONS

The comprehensive loss reported during the three months ended 31 December 2018 was \$119,452 compared to \$89,073 in the comparative period. The main fluctuations in costs are as follows:

Management fees (rounded to the nearest '000)	3 months 2019	3 months 2018
	\$ 37,000	\$ 57,000
Variance increase	\$ (20,000)	

During the three months ended 31 December 2018, the Company's management fees decreased due to management accepting lower fees in an effort to conserve cash.

Professional fees (rounded to the nearest '000)	3 months 2019	3 months 2018
	\$ 19,000	\$ 17,000
Variance increase	\$ (2,000)	

Professional fees decreased compared to the comparative period because legal fees decreased in an effort to conserve cash.



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Shareholder relations (rounded to the nearest '000)	3 months 2019	3 months 2018
	\$ -	\$ 6,000
Variance increase	\$ (6,000)	

Shareholder relations decreased due to the Company eliminating monthly consultant in an effort to conserve cash.

SUMMARY OF QUARTERLY RESULTS

Three months ended	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17	Mar-17
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	-	-	-	-	-	-	-	-
Profit (loss) for the period	(119,257)	(874,255)	(596,707)	548,477	(88,983)	(1,111,683)	(269,880)	(589,961)
Profit (loss) per share	(0.01)	(0.10)	(0.03)	0.06	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	2,117,153	2,237,901	1,466,553	1,463,718	684,454	769,658	1,909,376	2,150,812
Working capital surplus (deficiency)	(144,000)	(24,000)	(169,000)	(2,000)	87,000	177,000	331,000	897,185

During year ended 30 September 2017, the Company recognized impairment on the exploration properties in Canada, and USA. One of the exploration properties were later recovered during the year ended 30 September 2018. This resulted in a significant fluctuation in total assets and a simultaneous increase in loss for those periods.



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EXPLORATION AND EVALUATION ASSETS

EXPLORATION AND EVALUATION ASSETS	Vanadium Ridge	Jackpot Lake	Willcox Playa	Ontario Properties	Total
ACQUISITION					
Balance as at 1 October 2017	\$ -	\$ 1	\$ 446,878	\$ 4	\$ 446,883
Additions	1,560,000	317,560	153,710	-	2,031,270
Dispositions	(1,248,000)	-	-	-	(1,248,000)
Recovery	-	637,397	-	-	637,397
Balance as at 30 September 2018					
and 31 December 2018	\$ 312,000	\$ 954,958	\$ 600,588	\$ 4	\$ 1,867,550

EXPLORATION EXPENDITURES

Balance as at 1 October 2017	\$ -	\$ -	\$ 20,354	\$ -	\$ 20,354
Staking and claiming	-	-	22,950	-	22,950
Balance as at 30 September 2018					
and 31 December 2018	\$ -	\$ -	\$ 43,304	\$ -	\$ 43,304

CARRYING AMOUNTS

Balance as at 30 September 2018					
and 31 December 2018	\$ 312,000	\$ 954,958	\$ 643,892	\$ 4	\$ 1,910,854

OUTSTANDING SHARES

As at 31 December 2018, the Company had 12,804,116 common shares issued and outstanding. As at the date of this report, the Company had 13,563,375 common shares issued and outstanding. The fully diluted amount of 15,334,625 includes options of 271,250 and warrants of 1,500,000.

FINANCIAL POSITION AND LIQUIDITY

As at 31 December 2018, the Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities. The Company has no speculative financial instruments, derivatives, forward contracts or hedges.

The following discussion relates to the three months ended 31 December 2018 and compares that to the same period in fiscal 2018.

As at 31 December 2018 the Company had a working capital deficit of \$143,716 compared to a working capital surplus of \$87,000 as at 31 December 2017.

Cash used in operating activities during the three months ended 31 December 2018 totalled \$81,602 (31 December 2017: \$44,017). This is consistent with management expectations.

Cash used in investing activities during the three months ended 31 December 2018 totalled \$88,108 (31 December 2017: \$nil of cash used).



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Cash raised in financing activities during the three months ended 31 December 2018 totalled \$nil (31 December 2017: \$nil). In the comparative period, there was an equity placement and there was no such placement in the current period.

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 2018 and 31 December 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.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash, accounts payable and accrued liabilities. As at 31 December 2018 and 31 December 2017, the carrying value of cash is at fair value. 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.



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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 not exposed to significant foreign currency risk. As at 31 December 2018, the Company held currency totalling the following:

CURRENCY	31 December 2018	30 September 2018
Canadian (Dollars)	\$ 8,362	\$ 1,884
US (Dollars)	\$ 364	\$ 364

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 2018, the Company had a cash balance of \$8,862, to settle current liabilities of \$272,104 that are due within one year. The Company is exposed to a significant liquidity risk as there is a shortfall in the cash balance to settle any immediate current liabilities that may fall due.

CAPITAL RESOURCES

LEP has no recent history of profitable operations. Therefore, it is subject to many risks common to comparable companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of adequate revenues.

It will be necessary for LEP to arrange for additional financing to meet its on-going exploration and overhead requirements.

Management believes it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. Although LEP successfully completed financing during the year ended 30 September 2018, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable.

CAPITAL MANAGEMENT

The Company's capital consists of 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.



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OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at 31 December 2018 and as at the date hereof.

RELATED PARTY TRANSACTIONS

Related party transactions recorded as management fees and balances with related parties that are not disclosed elsewhere in the Financial Statements are as follows:

RELATED PARTY DISCLOSURE

Name and Principal Position	Year ⁽ⁱ⁾	Remuneration or fees ⁽ⁱⁱ⁾	Amounts Payable and Accrued		Prepaid expenses
			Liabilities		
Basil Botha – President and Director	2019	\$ -	\$ 63,140	\$ -	-
	2018	\$ 21,200	\$ 3,273	\$ -	-
Clearline CPA – a company of which the former CFO was a partner	2019	\$ 12,000	\$ 27,597	\$ -	-
	2018	\$ 12,000	\$ 8,437	\$ -	-
Michael Hepworth, VP Corporate Development and Director	2019	\$ 250	\$ 250	\$ -	-
	2018	\$ -	\$ 394	\$ -	-
Paul Sarjeant, Director	2019	\$ 250	\$ 250	\$ -	-
	2018	\$ -	\$ 1,000	\$ -	-
James Walker – CEO	2019	\$ 24,000	\$ 51,700	\$ 4,200	-
	2018	\$ 24,000	\$ -	\$ -	-
Michael Li, Director	2019	\$ 250	\$ 250	\$ -	-
	2018	\$ -	\$ -	\$ -	-
Annie Storey, former Director	2019	\$ -	\$ -	\$ -	-
	2018	\$ -	\$ 500	\$ -	-
Alberto Hassan, Director	2019	\$ 250	\$ 2,750	\$ -	-
	2018	\$ -	\$ 1,000	\$ -	-

(i) For the three months ended 31 December 2018 and 2017.

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

DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Consistent with other companies in the mineral exploration industry, LEP has no source of operating revenue. The Condensed Interim Consolidated Financial Statements for the three months ended 31 December 2018 provide a breakdown of the general and administrative expenses for the three months under review and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties.

INVESTOR RELATIONS ACTIVITIES

With respect to public relations, the Company's policy is to provide information from its corporate offices to investors and brokers directly.



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MANAGEMENT

LEP is dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of LEP could result, and other persons would be required to manage and operate the Company.

RISK FACTORS

Companies operating in the mining industry face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. Following are the risk factors most applicable to the Company:

Exploring and developing mineral resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and employs experienced consulting, engineering, insurance and legal advisors to assist in its risk management reviews.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

At present the principal activity of the Company is the exploration and development of lithium resource properties. The feasible development of such properties is highly dependent upon the price of lithium commodities. A sustained and substantial decline in these commodity prices could result in the write-down, termination of exploration and development work or loss of its interests in identified resource properties. Although such prices cannot be forecasted with certainty, the Company carefully monitors factors that could affect these commodity prices in order to assess the feasibility of its resource projects.



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APPROVAL

The Board of Directors of the Company has approved the disclosure contained in the Management Discussion and Analysis.

A CAUTIONARY TALE

This document contains “forward-looking information” which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of minerals, the estimation of reserves and resources, the realization of reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of resources; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the resource industry; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Respectfully submitted on behalf of the Board of Directors,

“James Walker”

James Walker

CEO