

PURE ENERGY MINERALS LIMITED

[INTERIM MD&A – QUARTERLY HIGHLIGHTS]

For the three months ended September 30, 2017

Dated: November 28, 2017

INTRODUCTION

Pure Energy Minerals Limited (the “**Company**” or “**Pure Energy**”) is a mineral resource company engaged in the exploration and development of mineral properties, with a specialized focus on lithium brines and related processing of brines into lithium compounds. Its primary material project is the Clayton Valley Lithium Brine Project (the “**CV Project**”), located in Esmeralda County, Nevada. The CV Project is still at the exploration stage, but has advanced through various preliminary engineering and processing studies. The Company is also starting exploration of a new lithium brine project in the Lithium Triangle of South America, the Terra Cotta Project (“**TC Project**”). The TC Project is located on Pocitos Salar in Salta, Argentina, where it enjoys some of the best infrastructure and access of any lithium brine exploration project in Argentina.

Pure Energy is a reporting issuer in British Columbia and Alberta, and its common shares are listed and posted for trading on the TSX Venture Exchange (the “**TSX.V**”) under the trading symbol “**PE**”. The Company also trades on the OTCQB trading platform in the United States under the trading symbol “**PEMIF**” and on the Börse Frankfurt (Stock Exchange) in Germany under the trading symbol “**AHG1**”.

The Company’s head office, as well as its registered and records office, are located at Suite 1400 – 1111 West Georgia Street, Vancouver, B.C. V6E 4M3. Pure Energy is incorporated under the *Business Corporations Act* (British Columbia).

The following management’s discussion & analysis – quarterly highlights (“**MD&A**”) provides a brief update on the Company’s activities, financial results, financial condition and cash flows for the quarter ended September 30, 2017, in comparison with those for the quarter ended September 30, 2016. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (“**IFRS**”). The following discussion and analysis should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements for the quarter ended September 30, 2017 and the annual MD&A for the year ended June 30, 2017. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. The reader will note several references cited in the text, the details of which are provided at the end of the document.

Forward-Looking Statements

This MD&A contains “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the Company’s planned exploration and development activities, costs and timing of future exploration, results of future exploration and drilling, timing and receipt of approvals, consents and permits under applicable legislation, and the adequacy of financial resources. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance are not statements of historical fact and may be forward-looking information. Wherever possible, words such as “plans”, “expects” or “does not expect”, “budget”, “scheduled”, “estimates”, “forecasts”, “anticipate” or “does not anticipate”, “believe”, “intend” and similar expressions or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, have been used to identify forward-looking information.

Forward-looking information is subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied by the forward-looking information, including, without limitation: the Company’s limited operating history, negative operating cash flow and need for additional financing; the varying stages of the Company’s exploration activities and the fact that the Company has no mineral reserves; global economic conditions; the

Company's dependence on key management and qualified personnel; exploration, development and mining risks; title and property risks; risks associated with maintaining a skilled workforce; risks relating to government regulations; environmental laws, regulations and risks; uncertainty regarding our ability to acquire necessary permits and comply with their terms; infrastructure risks; uninsurable risks; risks regarding our ability to enforce our legal rights; market factors and volatility of commodity prices; fluctuations in foreign exchange rates; competition; acquisition risks; conflicts of interest; price volatility in publicly traded securities; dilution; dividends and "passive foreign investment company" tax consequences to U.S. shareholders. For a detailed listing of "Risk Factors", please see our annual MD&A and/or Annual Information Form for the year ended June 30, 2017, available on the Company's website (www.pureenergyminerals.com) and under the Company's profile at www.sedar.com.

Assumptions have been made regarding, among other things: the Company's ability to carry on exploration and development activities, the Company's ability to meet obligations its property agreements, the timing and results of drilling programs, the discovery of mineral resources and mineral reserves the Company's mineral properties, the timely receipt of required approvals, the price of lithium, the costs of operating and exploration expenditures, the Company's ability to operate in a safe, efficient and effective manner and our ability to obtain financing as and when required and on reasonable terms. The reader is cautioned that the foregoing list is not exhaustive of all factors and assumptions that may have been used.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. The Company cannot assure you that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Qualified Person's Statements

Patrick Highsmith, Certified Professional Geologist (AIPG CPG # 11702), and Walter Weinig, Professional Geologist and SME Registered Member (SME Registered Member # 4168729) are qualified persons as defined by NI 43-101 and have supervised the preparation of the scientific and technical information that form the basis for this MD&A. Mr. Highsmith is not independent of the Company as he is an officer and director. Mr. Weinig is not independent of the Company as he is an officer.

QUARTERLY HIGHLIGHTS

Pure Energy has focused its business plan on producing high value lithium compounds such as Lithium Hydroxide Monohydrate ($\text{LiOH}\cdot\text{H}_2\text{O}$) ("lithium hydroxide") and Lithium Carbonate (Li_2CO_3), which are primarily used in the growing Lithium Ion Battery market. The Company's primary objective is to advance the CV Project toward production. The preliminary economic assessment ("PEA") technical report on the CV Project was filed on SEDAR on August 10, 2017. The next critical step of project development is to work with the Company's key engineering partners to permit, construct and operate a pilot plant to scale up previous mini-pilot plant test work, confirm the innovative lithium extraction process (the "Tenova Process") in continuous operation and at a larger scale, develop design and engineering criteria for a future feasibility study, and produce samples of high purity lithium hydroxide for testing by potential customers. The pilot plant is expected to cost up to US\$15 million to build and operate, and this step will be a major focus of Company management for the next 15-18 months.

On July 12, 2017, the Company announced the start of a geophysical exploration program at its TC Project. The program consisted of a Vertical Electrical Sounding (VES) survey that included about 63 points at nominal 1 kilometer spacing along five transects spanning the Company's 13,000 hectare mining concession on the Pocitos Salar. Conhidro S.R.L., a Salta, Argentina-based hydrogeological consultancy, performed the work under contract to Pure Energy. The VES method is widely used to identify zones of high electrical conductivity underground. Such zones are often portions of an aquifer with corresponding high brine concentrations. The results of the VES survey (announced October 2, 2017) delineated a central basin that is 18km by 9km oriented along a northwest-southeast axis. The technical team interprets the basin to be filled with clastic sediments and evaporites that appear to be saturated over considerable thicknesses. Results from the geophysical survey, combined with data collected during a recent surface-sampling program, will be used to select targets for an upcoming drilling program.

On September 13, 2017, Pure Energy announced its intention to undertake a non-brokered private placement of units (one common share plus one-half share purchase warrant) to raise funds for general working capital and exploration and development activities on the CV Project and the TC Project. On September 28, 2017, the Company announced the completion of the placement, issuing 2,325,000 units at \$0.50 per unit for gross proceeds of \$1,162,500.

On October 11, 2017, the Company announced that it had executed a non-binding memorandum of understanding ("MOU") with Tenova Advanced Technologies Ltd. ("TAT"), TAKRAF USA, INC. (together, "Tenova") and their Technology Partners to design, build, and operate a pilot plant to demonstrate the viability of the lithium brine extraction and processing technologies developed and patented by TAT (the "Tenova Process"). The MOU contemplates the construction of a test facility in Nevada that would scale-up the Company's successful 2016 mini-pilot plant. Tenova and its Technology Partners: SUEZ Water Technologies & Solutions, a business unit of SUEZ Group, NORAM Engineering and Constructors Ltd., and Solvay S.A., intend to contribute value in various forms to the pilot plant.

Key objectives of the pilot plant will include (1) confirming the effectiveness of the Tenova Process for the CV Project through continuous operation; (2) achieving a significant scaling up from previous mini-pilot plant work; (3) providing data to support engineering and design of a large scale commercial plant; (4) deriving the operational data on consumables, costs, and efficiency necessary for a feasibility study; and (5) producing samples of high purity lithium hydroxide monohydrate for potential customers. The plant is expected to take up to 12 months to design and permit and another 12 months to build and operate. The overall cost for design, construction, and operation of the pilot plant is expected to be up to US\$15 million.

The lithium market continued to show strength during the quarter. Major lithium producers Albemarle Corporation ("Albemarle") and FMC Corp. ("FMC") reported strong 3rd quarter financial results and positive market outlooks in their respective lithium business segments. Future lithium demand expectations were bolstered by a string of announcements from several major automakers regarding plans for increasing electric vehicle offerings and from European governments that they would end sales of gasoline and diesel-powered vehicles by 2040 or sooner. China is reportedly laying plans to follow suit.¹ According to Benchmark Mineral Intelligence, lithium ion battery makers are now planning more than 20 new or expanded gigafactories between now and 2021.² Lithium prices also remained strong. Albemarle reported that lithium pricing in the 3rd quarter improved 32% over a year ago; FMC reported its 3rd quarter average price per LCE up more than 20% year over year; Orocobre reported higher average sales prices

¹ "China Fossil Fuel Deadline Shifts Focus to Electric Car Race, Bloomberg Technology, September 10, 2017.

² "A Global Battery Arms Race: Planned Lithium ion megafactory capacity by 2021", Benchmark Mineral Intelligence, October 2017.

for their lithium products 5% quarter over quarter; and Chinese spot prices for battery grade lithium carbonate reached more than RMB162,800/tonne, 11% higher than the previous quarter and 26% higher than a year ago.³

On November 8, 2017, the Company entered into an asset purchase agreement (the “Agreement”) with Advantage Lithium Corp. (“Advantage”) and Nevada Sunrise Gold Corporation (“Nevada Sunrise together, the “Vendors”) to acquire the Clayton NE claim blocks (“Acquired Claims”) located in Esmeralda County, Nevada

Pursuant to the Agreement, Pure Energy will issue to the Vendors an aggregate of 7,000,000 common shares (the “Consideration Shares”), with 4,900,000 Consideration Shares issuable to Advantage and 2,100,000 Consideration Shares issuable to Nevada Sunrise. In addition, in respect of certain of the Acquired Claims, the Company has agreed to assume a 3.0% gross over-riding royalty granted in favour of a prior owner.

In addition to the statutory four-month hold period required, the Agreement further requires that the Vendors will not, directly or indirectly, sell or transfer any of the Consideration Shares except in accordance with a release schedule whereby 25% of the Consideration Shares may be sold after 18 months from closing, and a further 25% each 3 months thereafter. The Vendors have also agreed to vote the Consideration Shares at the Company’s shareholder meetings in favour of the certain matters recommended by management for a period of 24 months. Completion of the acquisition of the Acquired Claims is subject to a number of conditions, including: completion of closing by November 30, 2017; and receipt of the approval of the TSX Venture Exchange on behalf of the Company and each of the Vendors. The Company and each of the Vendors are at arm’s length. No finder’s fees are payable in connection with the transaction.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Three months ended September 30, 2017 compared to the three months ended September 30, 2016

During the three months ended September 30, 2017, the Company had a comprehensive loss of \$920,101 from operations compared to a comprehensive loss of \$1,412,349 for the three months ended September 30, 2016. Operating expenses for the three months ended September 30, 2017 were \$878,142 compared to \$1,413,093 for the three months ended September 30, 2017. Other comprehensive loss for the three months ended September 30, 2017 was \$45,625 compared to \$nil for the three months ended September 30, 2016.

Other comprehensive loss is a result of foreign exchange differences between the translation to presentation currency of the subsidiaries and the functional currency of each subsidiary. There were no such foreign exchange differences in the prior year.

As the Company does not yet generate revenue from its operations, changes in the financial performance and financial condition of the Company are driven solely by changes in the Company’s expenses. Significant items affecting expenses are noted below:

Consulting fees decreased by \$79,633 due to a reduction in the use of outside consultants. In the prior year, the Company was accelerating corporate activities and had a change in management resulting in higher consulting costs. Comparatively, in the current period, these functions are being performed by management.

³ BMI Cathodes 2017 Conference presentation, Galaxy Resources Limited, October 2017.

Management fees and salaries increased by \$46,723 as a result of the Company having additional management team members compared to the prior year.

Office and rent decreased by \$44,798 being mainly due to reduced office related expenditures and a reduction in leased office space.

Professional fees decreased by \$37,544. In the prior period, the Company incurred legal fees related to re-organization of a subsidiary and permitting activities in Nevada. Comparatively, in the current period, there were no such costs incurred.

Project evaluation decreased by \$41,500 as a result of the Company shifting its focus from evaluation of potential mineral properties claims to exploration and evaluation of its held mineral properties claims.

Share-based compensation decreased by \$255,786, related to timing and value of stock options issued and vesting periods. In the current period, there is \$227,982 in unrecognized share-based compensation, compared to \$77,552. This calculation represents non-cash charges, with the value of the options being calculated using a Black-Scholes pricing model, determined at the date of grant for employees and at the date that services are received for consultants. All share-based compensation is charged to expense at the date of issuance, and variations between years reflect the timing and valuation of individual stock option grants. The value of stock-based compensation expensed is added to the share-based payment reserve within shareholders' equity, and reclassified to share capital or deficit, if the options are exercised or cancelled/expired, respectively.

Transfer agent and filing fees decreased by \$46,508 as a result of a reduced volume of share transactions in the current period and a result of finance fees included in the comparative period's balance. These were later reclassified to share issuance costs during the year ended June 30, 2017. There were no such fees in the current period.

Travel and entertainment decreased by \$62,496. In the comparative period, the Company incurred higher travel costs due to the Company's focus on evaluation of potential mineral property claims in Argentina and Clayton Valley, Nevada. These properties were acquired later in the year and as a result, the Company has incurred fewer significant travel expenses.

SUMMARY OF QUARTERLY RESULTS

(\$000's except earnings per share)

	Quarter Ended							
	<u>Sep 30</u>	<u>Jun 30</u>	<u>Mar 31</u>	<u>Dec 31</u>	<u>Sep 30</u>	<u>Jun 30</u>	<u>Mar 31</u>	<u>Dec 31</u>
	2017	2017	2017	2016	2016	2016	2016	2015
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating loss	(\$878)	(\$637)	(\$441)	(\$804)	(\$1,413)	(\$882)	(\$520)	(\$1,327)
Net loss	(\$874)	(\$1,123)	(\$445)	(\$808)	(\$1,412)	(\$882)	(\$520)	(\$1,339)
Comprehensive loss	(\$920)	(\$1,138)	(\$445)	(\$808)	(\$1,412)	(\$882)	(\$520)	(\$1,339)
Basic and diluted								
Loss Per Share	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.01)	
	(\$0.02)							

As the Company does not yet generate revenue from its operations, the Company's financial results are primarily impacted by the timing and nature of exploration-related activities undertaken and the award of

share-based compensation. To date, the timing of exploration activities has not been subject to significant weather impacts or seasonality. In addition, the Company's exposure to USD currency fluctuations could be significant in future periods as the Company's principal asset is US based. Refer to "Overall Performance and Results of Operations" above for discussion of certain key factors which cause period-to-period variations in the Company's financial condition and performance.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position was \$1,571,574 as at September 30, 2017, compared to \$1,886,036 as at June 30, 2017. The Company had working capital of \$1,444,170 as at September 30, 2017, compared to working capital of \$1,759,147 as at June 30, 2017. Subsequent to the reporting period, the Company raised \$94,000 pursuant to option exercises.

The Company's estimated cash requirements for the next 12 months are \$12,500,000. In the next 12 months, the Company will have property option and land maintenance costs of up to \$3,800,000; expenditures for the planned pilot plant of around \$4,000,000; anticipated exploration, engineering, and evaluation expenditures of approximately \$3,000,000; and expected administration costs in the range of \$1,700,000. These estimates are subject to several major discretionary expenditures, such as option payments on the new Argentina property, option payments and claim maintenance fees on the Clayton Valley properties, the pilot plant and the exploration program for the TC Project. A very large majority of these expenditures are contingent on technical outcomes, markets, and budget decisions.

While the Company does not have adequate cash on hand to meet its total estimated cash requirements for the coming year, the budget, holding costs, and activities on the projects are subject to management discretion. The Company will be engaging in significant project development activities based on the major milestones targeted for FY 2018. There does remain risk, however, that the Company's cash needs could exceed its current treasury. Factors impacting the changes in cash and working capital are discussed below.

Operating Activities

During the three months ended September 30, 2017, the Company's activities used \$441,397 of cash compared to September 30, 2016, when activities used \$535,281 of cash. The cash used in operating activities reflects the Company's operating losses of \$874,476 (2016: \$1,412,349), with adjustments for non-cash items including: stock based compensation of \$413,197 (2016: \$668,983) and amortization of \$282 (2016: \$282). Overall, the decrease in operating cash outflows is due to an increase in accounts payables and a focus on the Company's Clayton Valley exploration project. Going forward, the Company's working capital requirements are expected to increase in connection with the development of its CV project and expansion of exploration activities at the Terra Cotta Project in Argentina.

Investing Activities

The Company's primary investing activity is its expenditures on exploration and evaluation assets. During the three months ended September 30, 2017, the Company spent \$1,126,612 (2016: \$1,476,836) on the CV and TC Projects. Details of expenditures for the three months ended September 30, 2017 are more fully described in Note 5 to the September 30, 2017 interim condensed consolidated financial Statements "*Exploration and Evaluation Assets*".

Financing Activities

For the three months ended September 30, 2017, the Company received a total of \$1,285,235 (2016: \$6,557,958) less cash issue costs of \$42,578 (2016: \$456,172) from private placements, warrant and stock option exercises.

Subsequent to September 30, 2017, the Company issued 400,000 shares pursuant to options exercised at \$0.24 per share.

Cash Flow Considerations

As of September 30, 2017, the Company had working capital of \$1,444,170 compared to working capital of \$1,759,147 as of September 30, 2016. The Company anticipates receiving cash proceeds from the exercise of warrants and private placements, however, the Company cannot predict the timing or amount of additional options and warrants that may be redeemed, if any.

The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its near-term activities. The Company may pursue debt financing in the medium term, if it is able to procure such debt on terms more favourable than the available equity financing, however, there can be no assurance the Company will be able to obtain any required financing in the future on acceptable terms.

The Company has limited financial resources compared to its proposed expenditures, no source of operating income and no assurance that additional funding will be available to it for current or future projects, although the Company has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and its exploration success. Any quoted market for the Company's shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Historically, the Company has used net proceeds from issuances of common shares to provide sufficient funds to meet its near-term exploration and development plans and other contractual obligations when due. However, further development and construction of its CV Project will require substantial additional capital resources. This includes near-term funding and, ultimately, funding for project construction and other costs.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

RISK FACTORS

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company and could cause the Company's operating and financial performance to differ materially from the estimates described in forward-looking statements relating to the Company. These include widespread risks associated with any form of business and specific risks associated with the Company's business and its involvement in the lithium exploration and development industry. Readers are encouraged to review the detailed discussions of risk factors in the Company's annual MD&A for the year ended June 30, 2017 and in the Company's Annual Information Form for the

fiscal year ended June 30, 2017. Other risks and uncertainties not discussed to date or not known to management could have material and adverse effects on the valuation of our securities, existing business activities, financial condition, results operations, plans and prospects.

The risks that management considers most important in the context of the Company’s business are listed in this section. They are not listed in order of importance, nor are they inclusive of all the risks to which the Company may be subject. The risks are, process testing, reliance on key personnel, substantial capital requirements and liquidity, exploration and development, property commitments, operational risks, environmental risks, commodity price fluctuations, market price volatility of the Company’s common shares, share price impact from future share issuances, economic and financial market instability, issuance of debt, industry competition and international trade restrictions, governmental regulation and policy, changes to government laws and regulations, risk related to the cyclical nature of the mining business, risk of title defects in mineral properties, lack of revenue and negative cash flow, legal and litigation risk, insurance risk, currency risk, conflicts of interest, decommissioning and reclamation, lack of dividends, hedging risk, time and cost estimates, consumables availability and costs, mineral resource uncertainties, and taxation.

FINANCIAL INSTRUMENTS

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company’s financial instruments consist of cash, amounts receivable, reclamation bond, accounts payable and accrued liabilities, deposits and asset retirement obligation. The fair values of these financial instruments approximate their carrying values because of their current nature. Cash is carried at fair value using a level 1 fair value measurement.

IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 13 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e., quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company’s financial assets and liabilities recorded at fair value as of September 30, 2017 and June 30, 2017, were calculated as follows:

	Level 1	Level 2	Level 3	September 30, 2017
Cash	\$ 1,571,574	\$ -	\$ -	\$ 1,571,574
	Level 1	Level 2	Level 3	June 30, 2017
Cash	\$ 1,886,036	\$ -	\$ -	\$ 1,886,036

Foreign Exchange Risk

The Company is exposed to currency fluctuations. The Company has US dollar balances in cash, amounts receivable, reclamation bonds, accounts payable and accrued liabilities, and asset retirement obligation and is therefore exposed to gains or losses on foreign exchange. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations at September 30, 2017.

At September 30, 2017, the Company, through its wholly owned subsidiaries, had a cash balance of USD \$77,215, amounts receivable of USD \$15,000, reclamation bond of USD \$27,134, accounts payable of USD \$91,400, and asset retirement obligation of USD \$89,963. The Company is committed to certain property payments and exploration and evaluation expenditures which are denominated in US dollars. A 10% change in the Canadian dollar versus the US dollar would give rise to a gain/loss of approximately \$21,000 based on the Company's current net exposure. Management considers foreign exchange to be a significant risk.

During the three months ended September 30, 2017, the Company recognized in other comprehensive loss of \$45,625 (2016-\$nil), pursuant to presentation currency translation adjustments

TRANSACTIONS WITH RELATED PARTIES

Related parties include the Company's Board of Directors, officers, close family members and enterprises controlled by these individuals as well as certain persons performing similar functions. Apart from those transactions detailed in this section, there were no other related party transactions.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and senior officers. The following expenses were incurred with key management personnel:

For the three months ended September 30, 2017, the Company had the following related party transactions and balances:

- (a) management fees and salaries of \$60,216 (2016: \$39,122) were paid to Patrick Highsmith, a director and CEO of the Company;
- (b) management salaries of \$56,201 (2016: \$nil) were paid to a company controlled by Paul Zink, CFO of the Company;
- (c) management salaries of \$52,187 (2016: \$nil) were paid to a private company controlled by Walter Weinig, the Vice President of Projects and Permitting of the Company;
- (d) management fees of \$15,301 (2016: \$nil) were paid to a private company controlled by Dianne Szigety, the Corporate Secretary of the Company;
- (e) the Company incurred a total share based compensation expense of \$330,165 (2016: \$653,496), to related parties; and

- (f) as at September 30, 2017, accounts payable included \$17,601 (2016: \$18,214) which was owed to related parties for travel expenses, professional and management fees.

The transactions noted above were measured at the exchange amounts which were agreed upon by the transacting parties.

CHANGES IN CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The following new accounting policies were adopted during the three months ended September 30, 2017:

- *Disclosure Initiative* (Amendments to IAS 7 *Statement of Cash Flows*) The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. This amendment was applied prospectively. The Company notes that there were no changes in liabilities arising from financing activities and as such, no reconciliation has been disclosed.
- *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12 *Income Taxes*) The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. This amendment was applied retrospectively. The Company notes that there are no such debt instruments that would result in the recognition of a deferred tax asset and as such, there are no changes to previously disclosed income taxes from the Company's audited consolidated financial statements as at June 30, 2017.

STOCK-BASED COMPENSATION

The Company has a stock option plan, which is described in Note 7 to the interim condensed consolidated financial statements. The Company applies the fair value method to all stock-based payments and to all grants that are direct awards of stock that call for settlement in cash or other assets. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, share capital is credited for the consideration received and the related contributed surplus is decreased. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock based compensation.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the interim condensed consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates are based on careful judgments and have been properly reflected in the Company's interim condensed consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

OUTSTANDING SHARE DATA

Issued

The Company has 124,814,336 common shares issued and outstanding as at November 27, 2017. The Company had 124,414,336 common shares outstanding as at September 30, 2017.

Share Purchase Options

As at November 27, 2017, the Company has 6,525,000 stock options outstanding of which 5,162,500 are fully vested and exercisable, each into a common share of the Company. A summary of the Company's stock options is presented below:

Expiry Date	Exercise price (\$)	Options outstanding	Weighted average remaining life of options (years)	Options exercisable
March 27, 2018	0.760	250,000	0.488	250,000
July 24, 2019	0.750	1,410,000	1.814	1,410,000
October 3, 2019	0.245	160,000	2.008	160,000
December 2, 2019	0.710	200,000	2.173	200,000
March 11, 2020	0.270	280,000	2.447	280,000
October 23, 2020	0.670	625,000	3.066	625,000
November 5, 2020	0.540	475,000	3.101	475,000
February 4, 2021	0.570	400,000	3.351	400,000
April 19, 2022	0.500	575,000	4.553	287,500
July 11, 2022	0.570	2,150,000	4.781	1,075,000
		6,525,000		5,162,500

Warrants

The Company has 17,983,416 share purchase warrants outstanding at November 27, 2017.

A summary of the Company's warrants is presented below.

Expiry Date	Exercise price	Warrants outstanding
July 20, 2018	0.55	575,910
April 28, 2019	0.75	1,138,150
July 20, 2019	0.80	11,201,902
Sept 26, 2019	0.75	1,259,450
May 30, 2020	0.75	3,808,004
		17,983,416

Each share purchase warrant entitles the holder to acquire one common share at a cost shown above per share until its expiry date.

OTHER

Additional information about the Company, including the interim condensed consolidated financial statements and Technical Report, is available on the Company's website at www.pureenergyminerals.com, or on SEDAR at www.sedar.com.