

FORM 51-102F1

**MANAGEMENT'S DISCUSSION & ANALYSIS
PURE ENERGY MINERALS LIMITED.
(THE "COMPANY" OR "PURE ENERGY")**

October 5, 2017

The following management's discussion & analysis ("MD&A") provides a review of activities, results of operations and financial condition of the Company for the year ended June 30, 2017, in comparison with those for the year ended June 30, 2016. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for financial statements. The following discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements for the years ended June 30, 2017 and 2016 (the "Financial Statements"). 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

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar terms, or statements that certain events or conditions "might", "may", "could" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and is subject to a variety of risks, uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in commodity prices; governmental regulation of the mining industry, including environmental regulation; geological, technical and drilling problems; unanticipated operating events; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in mining operations; changes in tax laws and incentive programs relating to the mining industry; and the other factors described herein under "Risk Factors", as well as in our public filings available at www.sedar.com. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations, except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

BUSINESS OVERVIEW

Pure Energy is a public company incorporated under the laws of British Columbia. The Company 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”. In addition, the Company trades on the OTCQB trading platform in the United States under the trading symbol “PEMIF” and on the Börse Frankfurt (Stock Exchange) under the trading symbol “AHG1”. On October 18, 2012, the name of the Company was changed from Harmony Gold Corp. to Pure Energy Minerals Limited. The Company’s offices are located at 1400 – 1111 West Georgia Street, Vancouver, B.C. V6E 3M3.

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 Clayton Valley, Esmeralda County, Nevada. The CV Project is still at the exploration stage, but has advanced through various preliminary engineering and processing studies. The Company has focused its business plan on producing high value lithium compounds such as Lithium Hydroxide Monohydrate ($\text{LiOH}\cdot\text{H}_2\text{O}$) 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. Further details on the CV Project and the recently filed PEA technical report are discussed below.

During the reporting year, the Company announced that it had acquired a purchase option on a second lithium brine project at Pocitos Salar in the Salta Province of Argentina. The Company executed a definitive agreement concerning the new property (designated the “Terra Cotta Project”) during the first calendar quarter of 2017. The Company plans to advance the new project through the early stages of exploration. The Pocitos Salar lies in the heart of the Lithium Triangle amidst several productive lithium salars. It also benefits from excellent infrastructure, accessible by an all-season provincial highway and lying immediately adjacent to a natural gas pipeline and an operating rail line.

The Company is in the process of exploring and developing its principal mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, receipt of all applicable operating permits in the relevant jurisdictions, the ability of the Company to obtain necessary financing to complete development and future profitable production or proceeds from the disposition thereof.

MARKET CONTEXT AND OUTLOOK

Although lithium demand has grown steadily from its lows in 2009, the worldwide market for lithium is still relatively small compared to other metallic commodities, and its pricing is opaque, with most sales of lithium products under private contracts. Lithium and lithium compounds are not quoted on any recognized exchanges. Lithium supply and demand statistics are often reported in terms of lithium carbonate equivalent (LCE), because that has been the most common form of lithium delivered into the battery market. In August 2017, Reuters reported that Roskill Information Services (“Roskill”) estimated that global demand for lithium in 2017 would reach approximately 217,000 tonnes on an LCE basis. The annual growth in demand is forecast to continue at a rate of more than 10% over the next several years. The consultants at Roskill are projecting lithium demand to grow to 785,000 tonnes of LCE by 2025¹. Most experts agree that the lithium-ion battery sector will be the primary driver of this rapid growth.

Lithium batteries are now the norm in almost all electronics, and they have made significant inroads in power tool applications. However, electric vehicles (“EVs”) are most likely to lead the accelerating demand for lithium in the near to medium term. The mass of lithium in the larger battery packs that power EVs is a big part of their impact. EVs use tens of kilograms of LCE per unit as opposed to grams per unit in mobile phone batteries.

An April 2017 presentation by Benchmark Mineral Intelligence Ltd. (“Benchmark”) showed 15 lithium-ion battery gigafactories slated for expansion and new development over the coming years². Magnis Resources Ltd. has since announced yet another large (15 GWh) factory to be built in New York, USA. These plants would expand global production capacity for lithium-ion batteries from 30 GWh currently to approximately 243 GWh in the next several years. This rapid pace of development is understandable in the context of a string of recent announcements that boost future prospects for lithium in the EV sector:

- In December 2016, BMW announced that every BMW model would offer a battery-powered variant in 2020.
- In March 2017, Volkswagen announced a major shift in production to electric cars with significant volume targets for 2025. They expect to announce 10 different battery electric vehicles and plug-in hybrid electric vehicles in 2018.
- In March 2017, Daimler announced that it was accelerating its plan to introduce 10 new all-electric vehicles by three years, now targeting production in 2022 rather than 2025. Daimler then announced in May 2017 that it would build its own 500 million Euro gigafactory to assemble battery packs in Kamenz, Germany and in July 2017 that it would build another US\$740 million gigafactory in China to assemble battery packs for its vehicles.
- In April 2017, Ford Motor Company outlined plans to offer by 2025 hybrid or fully electric versions of all vehicle models built in China with its Chinese domestic joint venture partner, Chongqing Changan Automobile Co Ltd.
- In June 2017, CNNtech reported that, while the United States is walking away from the Paris Climate Agreement, India is making a vow to start selling only electric cars by 2030.
- In July 2017, Volvo announced that, starting in 2019, all of the new model vehicles it produces would be hybrid or electric vehicles and that it would launch 5 fully electric cars between 2019 and 2021.

- France announced in early July 2017 that it would end the sales of gasoline and diesel-powered cars by 2040.
- England announced in late July 2017 that it would ban all new gasoline and diesel-powered cars and vans from 2040 on.
- On August 4, 2017, Toyota and Mazda announced that they would build a US\$1.6 billion manufacturing plant together in the USA and would work together to develop electric cars.
- On August 21, 2017, the world's 5th largest carmaker, Hyundai, announced that it will now make all-electric vehicles the center of its product strategy.
- On August 22, 2017, Ford Motor Company announced the signing of a memorandum of understanding to form a 50-50 joint venture with China's Anhui Zotye Automobile Co., Ltd. to develop, produce, market and service a new brand of all-electric passenger vehicles for the Chinese market.
- On August 29, 2017, the Renault-Nissan Alliance announced plans to develop and produce an electric mini-sport utility vehicle in China, partnering with Chinese automaker Dongfeng Motor Group Co., Ltd. The strategic partnership plans to go into production in 2019 and sell the vehicles under the partners' own brands.
- On September 10, 2017, Bloomberg reported that China's vice minister of industry and information technology Xin Guobin told an auto forum in Tianjin that the Chinese government and regulators are working on a timetable to end production and sales of fossil-fuel-powered vehicles.
- On October 2, 2017, General Motors' chief of global product development announced GM's commitment "to driving increased usage and acceptance of electric vehicles." The world's 3rd largest automaker will release two new electric models next year and 18 more by 2023.

Portable electronics and EVs are not the only drivers of lithium demand. Large format grid storage batteries are under consideration by utilities and their customers around the world. These batteries can be used to store energy from intermittent power sources, such as wind and solar plants, and stabilize the distribution of that power into the grid. Grid storage batteries are also seeing increased use by businesses and residential customers. It was recently reported that Tesla will build the largest storage battery in the world in South Australia within 100 days of contract signing or it will be free to the customer. The 129 MWh lithium-ion battery will be paired with Neoen's Horndale windfarm to provide stability for renewable power being fed into the grid³.

Green Tech Media estimates that annual energy storage capacity in the US will reach almost 330 megawatts in 2017, and it forecasts that number will exceed 2.5 gigawatts in 2022⁴. These energy storage batteries are another potentially large consumer of lithium that is not factored into most of the projected demand curves seen in the literature and at industry conferences.

The lithium supply side of the market continues to have an oligopolistic structure in which four companies control more than 80% of global production. Despite a rapid rise in lithium prices over the past few years, these lithium producers have not been quick to add significant new production. Although all of the major lithium producers have announced significant expansions or new project developments to be

built over the next several years, it has been reported that existing lithium producers are struggling somewhat to keep up with rising demand.

There has been only one new lithium brine mine start-up in the last 20 years – Orocobre Limited’s operation at Salar de Olaroz in Argentina. In addition, Galaxy Resources Limited’s Mt. Cattlin hard rock lithium mine has restarted mining, through an operating and purchase option agreement with General Mining Corporation. It has also been reported that NeoMetals Ltd., Mineral Resources Limited, and Jianxi Ganfeng Lithium Co., Ltd.’s recently restarted Mt. Marion mine operation in Western Australia shipped 79,000 tonnes of spodumene concentrates from the beginning of February through May of 2017⁵. The Chinese are reported to have approximately 48,000 tonnes of nameplate production capacity for lithium hydroxide production, but much has been idle due to a lack of concentrate feedstock⁶. It is thought that this lack of feed and the higher cost structure of Chinese producers have been some of the driving factors behind rising lithium prices.

Rising lithium demand and the sluggish response of existing lithium producers have appeared to affect prices in this contract-pricing environment. Benchmark reported, in April 2017, that average prices for battery grade lithium carbonate and lithium hydroxide have risen consistently year-over-year since 2011, and that the lithium carbonate price, ex-China, has more than doubled since the beginning of 2016⁷. Albemarle Corporation (“Albemarle”) (the world’s #1 producer), Sociedad Quimica y Minera de Chile S.A. (world #2) and FMC Corp. (world #4) have all publicly reported significant year-over-year lithium price increases and rising margins in their lithium business segments and have announced positive prospects for the remainder of the year. For the calendar year 2016, the U.S. Geological Survey reported an average battery grade lithium carbonate price of US\$7,400 per tonne⁸, and Benchmark reported an average battery grade lithium hydroxide price of US\$12,683 per tonne⁹.

THE CLAYTON VALLEY PROJECT

Summary

Management is enthusiastic about the potential of its CV Project. Work to date has documented a potentially significant volume of lithium bearing brine beneath the northern portion of its claim block. As reported and documented below, drilling has yet to find the bottom of lithium bearing fluids in numerous boreholes (CV-1, CV-2, CV-3, CV-7, SPD-8, and SPD-9), meaning the lithium brine is likely to continue to greater depths. The Company believes there is considerable resource growth potential at depth in the CV Project. See the Company’s NI 43-101 Technical Report entitled “*Preliminary Economic Assessment of the Clayton Valley Lithium Project, Esmeralda County, Nevada*” dated August 8, 2017 (the “PEA Technical Report”) and Company news releases dated September 14, 2016, January 5, 2017 and February 7, 2017 for more details.

In addition, the CV Project continues to exhibit excellent chemistry for potential lithium extraction. Prominent in the favourable chemistry is the low magnesium to lithium ratio. Magnesium is a divalent cation that occurs as magnesium chloride in these salty waters, and it has many properties that are similar to lithium chloride, thereby interfering with and increasing the costs of lithium extraction by evaporation or other processing methodologies. Similarly, high calcium can negatively impact the cost of lithium recovery. The low magnesium and calcium content of the CV Project brine is one key reason that Pure Energy’s technical team and consultants believe that the prospects for success are good when applying modern lithium recovery technologies that do not require evaporation ponds.

Location and Mineral Claims

As shown in Figure 1 below, the CV Project is located in central Esmeralda County, Nevada, approximately halfway between Las Vegas and Reno.

Figure 1. Clayton Valley Project Location Map

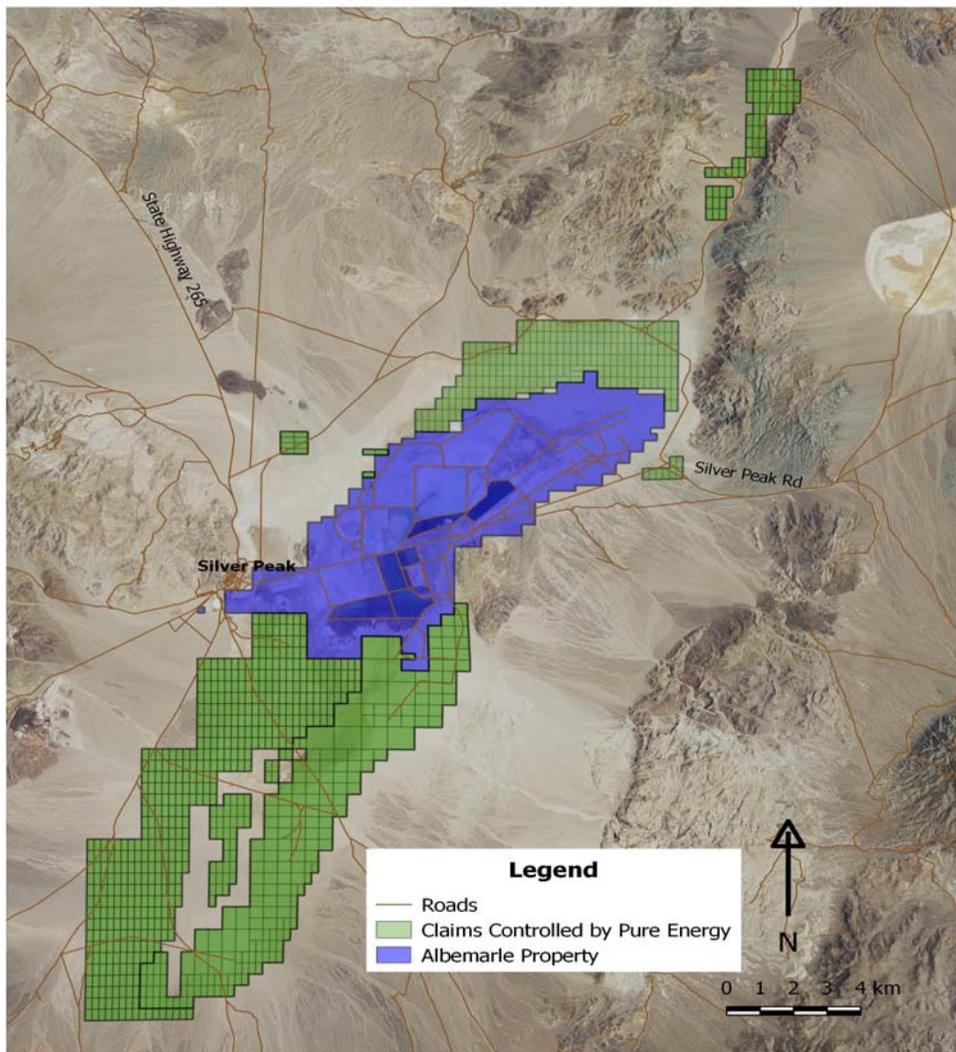


Access to and across the site from Silver Peak is via a series of gravel/dirt roads. The main gravel roads that run south and southeast from Silver Peak into the project area are well maintained and easily accessible with a normal two-wheel drive (WD) vehicle. The minor gravel/dirt roads that crisscross the property are typically not maintained and can require four-WD vehicles to navigate safely, particularly after high winds have caused drifting sand to form on the roads.

As described in the PEA technical report, the property consisted of 1,085 lithium placer claims covering about 10,600 ha in Clayton Valley. On August 24, 2017, the Company terminated its option to explore and develop potential claystone resources on a set of claims controlled by Cypress Development Corporation. As a result, the property currently consists of 1,009 lithium placer claims in Clayton Valley. The placer claims are comprised of blocks to the south and north of Albemarle's existing lithium brine operation. In their entirety, the claims controlled by Pure Energy occupy approximately 99 km² (9,900 ha or 24,600 ac).

All 1,009 claims are located on unencumbered public land managed by the federal Bureau of Land Management (BLM), and shown in the claim map (Figure 2) below. Of these, 602 claims representing about 4,900 ha are owned by the Company or its subsidiaries as the claimant, and 407 claims representing about 5,100 ha are leased through option agreements.

Figure 2. Clayton Valley Project Map



Climate and General Geology

Clayton Valley has a generally arid to semi-arid climate, characterized by hot dry summers and cold winters. Precipitation is scattered throughout the year, with slightly more precipitation in late winter/early spring. The average potential evaporation rate for Esmeralda County exceeds the average annual precipitation, and on an annual basis as much as 95 percent of the total precipitation is lost through evaporation and transpiration.

Clayton Valley is in the Basin and Range Province in southern Nevada and is an internally drained, fault-bounded and closed basin. Basin-filling strata, asymmetrically thicker to the east, compose the aquifer system that hosts and produces the lithium-rich brine. Multiple wetting and drying periods during the Pleistocene resulted in the formation of lacustrine deposits, salt beds, and lithium-rich brines in the basin.

Except for the freshwater aquifers occurring in alluvial fans composed of coarse-grained sediments on the higher elevation flanks of mountain fronts, the primary aquifer system within the Clayton Valley basin is composed of layered sequences of unconsolidated to semi-consolidated Quaternary playa (ephemeral lake) sediments and volcanic ash units. These lake sediments and volcanic ash units are host to Company's lithium brine Resource Estimate. The playa deposits are predominantly fine-grained, clastic sediments with some salt deposits and localized sand and gravel facies. Below these deposits is a basal conglomerate sequence, predominantly matrix supported pebble conglomerate, overlying bedrock composed of brecciated meta-siltstones and sandstones with partially silicified carbonates. Steeply dipping, normal faults largely control the basin geometry. Fault scarps on the east side of the valley expose tuffaceous and lacustrine sediments (claystones and siltstones). Exposed bedding of older sedimentary units in this area dips gently toward the basin center.

The lithium resource is hosted as a solute in a predominantly sodium chloride brine. Dissolved constituents in the brine, such as lithium, originate from multiple processes of mineral dissolution and precipitation, remobilization, geothermal circulation, and evaporation occurring in the basin aquifer.

Exploration

The United States Geological Survey (USGS) drilled 5 exploration holes in Clayton Valley in 1997 on what is now the Silver Peak operations patented property, all north of the original Pure Energy claims. Albemarle and others have stated that several hundred exploration and production wells, which ranged in depth from 70 metres to 355 metres (230 feet to 1160 feet), were drilled in the valley by the Silver Peak operation between 1964 and 2004. The drilled area encompassed some of the southern portion of Clayton Valley, including part of the Pure Energy claims.

Rodinia Lithium Inc. ("Rodinia") completed nine Dual Wall Reverse Circulation (DWRC) boreholes during 2010 around the perimeter of the existing Albemarle operation. Two of these boreholes, SPD-8 and SPD-9, located near the southeast portion of the Albemarle patented claims and within the current CV Project claims, penetrated zones of anomalous Li content. Locations of SPD-8 and SPD-9 are shown in the figure below.

Pure Energy commenced exploration drilling at the CV Project in 2014 and 2015 at exploration wells CV-1 and CV-2. Drilling continued at exploration wells CV-3 through CV-8 in 2016 and 2017. Drilling methods included DWRC, conventional mud rotary, and diamond-drill coring. Downhole geophysics and depth-specific sampling activities were conducted at all wells. Pure Energy staff and its consultants

performed pumping tests to evaluate aquifer properties at CV-3, CV-7, and CV-8. Locations of exploration wells CV-1 through CV-8 are shown in the figure below.

The total work program completed by Rodinia and Pure Energy at the CV Project to date has included:

- surface geophysics (gravity, seismic, and HSAMT) for bedrock control, stratigraphic information, basin boundary conditions, and fluid salinity;
- drilling and sampling exploration boreholes (SPD-8 and SPD-9) for lithology and hydrochemistry;
- drilling, constructing, and sampling wells (CV-1 through CV-8) for lithology, hydrochemistry, and aquifer parameters;
- borehole geophysical logging (natural gamma, temperature, fluid conductivity, induction resistivity, sonic, caliper, deviation, NMR, well video) for lithologic features, hydrostratigraphy, and aquifer characteristics;
- multi-day pumping tests (CV-3, CV-7, and CV-8) for aquifer parameters and brine chemistry;
- brine sampling for determining spatial variability of brine chemistry and brine process test work;
- laboratory (RBRC) and borehole geophysics (NMR) measurements for estimating drainable porosity; and
- water level monitoring for determining direction of groundwater movement, hydraulic gradient, and aquifer characteristics.

Results indicate the aquifer penetrated by the Clayton Valley exploration wells is a single, multi-layer, unconfined aquifer system. The hydrostratigraphy has proven to be highly variable with poor correlation of units between most well locations, meaning neither clay confining units nor permeable sand units have extensive continuity.

Typically, at brine well locations, a shallow, fresher groundwater zone is first encountered, which is underlain by a transitional interface with increasing salt concentrations leading to consistent brine concentrations at depth. Historical results from SPD-8 and SPD-9 yielded the highest lithium content at SPD-9 and lower values at SPD-8. This relationship is consistent with results of newer logging and sampling conducted in the vicinity of these boreholes at exploration wells CV-1, CV-3, and CV-7. At those exploration wells, below the depth of the brine interface, lithium concentrations of discrete samples tend to increase with depth and in the northeast of the original Pure Energy claim block. Pump testing and larger volume samples have demonstrated consistent lithium grades over multi-day pumping periods.

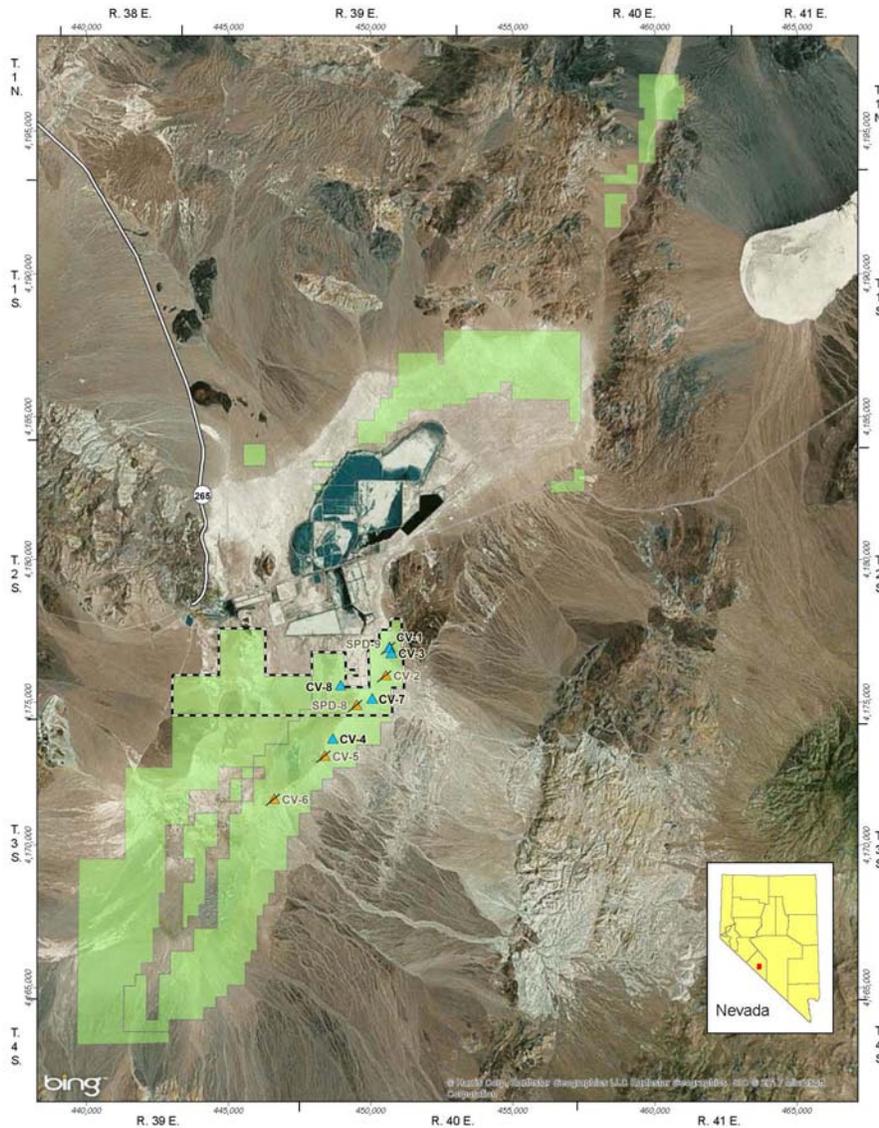
Sample Preparation, Analyses and Data Verification

The characterization of the lithium brine resource and quantification of the resource estimate requires collection and laboratory analysis of representative lithologic samples and brine samples. The lithologic samples provide information on the hydrostratigraphy of the brine aquifer as well as drainable porosity parameters. Brine samples provide an indication of the concentration or grade of lithium and other ions.

Independent qualified persons (“QPs”) verified the hydrochemical sample results for the PEA as well as the chain of custody documentation and quality assurance protocols employed by the Company. As documented in the PEA technical report, Pure Energy made use of accredited laboratories for brine analyses, and the chain of custody was simplified due to the use of in-state laboratories. The Company’s project team carefully verified the original laboratory assay certificates before uploading and further processing the data in a database management system. The electronic database matches with original assay certificates and accurately reflects the data used in the resource estimate. These verifications

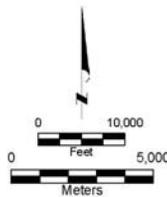
confirm that the analytical results delivered by the participating laboratories and the exploration data are sufficiently reliable for the purpose of the resource estimate.

Figure 3 - Clayton Valley Well and Borehole Location Map



EXPLANATION

- CV-3 ▲ Well Location and Identifier
- SPD-8 ▲ Plugged and Abandoned
- PEM-Controlled Claim Area
- Inferred Resource Model Domain



| | |
|---|------|
|  PURE ENERGY <small>MINING & WATER</small> | |
| LOCATION MAP ESMERALDA COUNTY, NEVADA | |
|  MONTGOMERY & ASSOCIATES <small>Water Resource Consultants</small> | 2017 |

GIS-Tuc1456 08\LocationMap\WGS84m_PEA7_3_REV1.mxd30Aug2017 UTM WGS84 Zone11N meters

Mineral Resource Estimate

The Mineral Resource Estimate is based on a “Drainable” and “Extractable” classification framework for a brine mineral prospect. A Drainable Resource Estimate factors in the geometry of the brine aquifer and the variation in drainable porosity (or equivalent specific yield) and brine grade within the brine aquifer. An Extractable Resource Estimate requires further information on the permeability and flow regime in the aquifer in order to dynamically predict how the resource will change over the life of mine. Classification standards for a Mineral Resource are applied as indicators of confidence level categories as follows: Measured, Indicated, and Inferred. According to these classification standards, Measured is the most confident category and Inferred is the least confident category.

The reporting terms “Drainable” and “Extractable” Resource Estimates are used as evaluation criteria for advancing the status from Mineral Resource to Mineral Reserve. Standard practice for evaluating the Reserve Estimate is to include the economically mineable part of a Measured and/or Indicated Mineral Resource, potential dilution and losses, and fulfill Pre-feasibility or Feasibility level studies that include application of Modifying Factors that demonstrate reasonable justification for extraction.

At the current stage of CV Project exploration, the Resource Estimate is at an Inferred mineral resource category for lithium and is based on the total amount of lithium that is theoretically drainable from the aquifer system (Drainable Inferred Resource Estimate or Resource Estimate). The Resource Estimate incorporates current data collected during three phases of exploration performed in 2015 through 2017 and previous data from exploration performed by Rodinia in 2009 and 2010.

The Resource Estimate is based on lithium brine grade in the host brine aquifer volume (within Pure Energy claim boundaries) and its drainable porosity. The boundaries of the Resource Estimate are presently defined laterally north, east, and west by property claim boundaries controlled by Pure Energy and in the subsurface by bedrock contacts. To the south, an east-west boundary is identified between SPD-8 and CV-4 based on brine sampling results and results of surface geophysical surveys. Vertically, the inferred resource brine volume extends from saturated basin-fill deposits at the brine interface to as deep as the bedrock contact at CV-8 (942 meters or 3,090 feet) or the bedrock surface (determined by seismic and gravity surveys), whichever is shallower. Representative lithium concentrations in brine samples for the boreholes used in the Drainable Resource Estimate model are categorized as follows: less than (<) 22, 65, 132, and 221 mg/L. Relatively higher concentration brine occurs on the northeastern side of the resource area and in the deeper extents of the basin. Lower grade brine, typically occurring in the shallower parts of the system and lateral boundaries, may represent brine diluted by brackish or fresh water.

The lithium concentration volumes are used to calculate the drainable brine volume of the aquifer for the Resource Estimate using an estimated drainable porosity of six percent. The table below summarizes the Drainable Resource Estimate for lithium as lithium metal (Li), lithium hydroxide monohydrate (LiOH·H₂O) and lithium carbonate equivalent (LCE) at the Inferred category.

The Resource Estimate totals 247,300 tonnes (272,600 tons) of lithium contained as LiOH·H₂O (217,700 tonnes (240,000 tons) on an LCE basis). The average lithium concentration is 123 mg/L based on the calculated lithium mass and the theoretical drainable volume of the host brine aquifer. A substantial part of the brine volume falls between concentrations of 65 mg/L and 221 mg/L lithium.

No Mineral Reserves have been declared at present, pending further exploration work expected to be completed during the upcoming feasibility study.

Table 1. Drainable Inferred Resource Estimate for Lithium

| | Average Lithium Concentration in Brine Volume (mg/L) | Leapfrog Model Brine Volume (m³) x 10³ | Average Specific Yield | Drainable Brine Volume (m³) x 10³ | Lithium^b (kTonnes) | LiOH·H₂O (kTonnes) | LCE (kTonnes) |
|---|---|---|-------------------------------|--|--------------------------------------|--------------------------------------|----------------------|
| Resource Volumes by Average Lithium Concentration | 22 | 550,600 | 0.06 | 33,040 | 0.7 | 4.39 | 3.87 |
| | 65 | 2,424,000 | 0.06 | 145,400 | 9.5 | 57.16 | 50.32 |
| | 132 | 579,200 | 0.06 | 34,750 | 4.6 | 27.73 | 24.41 |
| | 221 | 1,971,000 | 0.06 | 118,200 | 26.1 | 158.00 | 139.09 |
| Total | 123 | 5,524,000 | 0.06 | 331,500 | 40.9 | 247.3 | 217.7 |

Notes:

- 1) Lithium hydroxide monohydrate (LiOH·H₂O) and lithium carbonate equivalent (LCE) conversions assume no process losses. To obtain the recoverable tonnage for LiOH·H₂O and LCE, the estimated mass of lithium was multiplied by a factor that is based on the atomic weights of each element in lithium hydroxide monohydrate and lithium carbonate to obtain the final compound weight.
- 2) The average lithium concentration is based on the final calculated lithium mass and drainable volume.
- 3) The Resource Estimate is for claims controlled by Pure Energy, based on an effective date of June 15, 2017.
- 4) Comparisons of values in the table may differ due to rounding and averaging methods.
- 5) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability

Lithium Brine Process Testing

As discussed above, with conventional techniques, most lithium is extracted from brines through the use of evaporation ponds and subsequent processing of a lithium brine concentrate. The efficacy of evaporation-based processing technology is dependent on evaporation rate, precipitation, and brine chemistry. Even in ideal climates, concentration by evaporation typically requires months. The climate at Clayton Valley, Nevada is less suited for evaporation processing than the Chilean Atacama Desert or the Argentinean Puna. Nevada has lower evaporation rates, due in large part to the higher precipitation rate. Hence, it is reasonable to expect longer lead times to lithium production and higher in-process inventory and associated costs, if operating such ponds in the Nevada climate.

The Company also believes that large evaporation ponds pose other challenges due to their potentially significant environmental impacts. In addition to the visual and physical effect on the landscape of large evaporation ponds, the process of extracting and evaporating the brines may have an effect on the groundwater resources of the host basin. Lithium production by evaporation includes harvesting salts that precipitate on the bottom of the ponds, thus accumulating significant piles of waste salts.

These are some of the reasons Pure Energy is proposing to apply a non-evaporation based lithium recovery technology to the potential future production from the CV Project. To that end, the Company has conducted preliminary testing of its brine for lithium recovery by an innovative approach. Given the favourable chemistry of the CV Project brine, in particular, the low magnesium and calcium contents, the Company's engineering team is optimistic about the applicability of some new technologies in the overall flowsheet.

Tenova Advanced Technologies ("TAT"), a subsidiary of the Techint Group, formerly known as Tenova Bateman Technologies, has a positive track record in applying solvent extraction for metals recovery in the mining industry. Its technology is well known in the uranium, copper, and nickel industries. TAT has developed several technologies that have promise for cost-effective recovery of lithium without the need for evaporation ponds.

The process developed at TAT (the "Tenova Process") would extract lithium from the extracted brine and convert it to $\text{LiOH}\cdot\text{H}_2\text{O}$ using unit operations related to technologies already in use in industrial practice. The Tenova circuit design is such that lithium in the brines can be extracted and converted to $\text{LiOH}\cdot\text{H}_2\text{O}$ without having to produce lithium carbonate as an intermediate step. The application of these unit operations in this sequence and for the recovery of lithium are what would make the Clayton Valley Project the first of its kind. Preliminary indications are that the operating costs for this direct production of lithium hydroxide monohydrate could be very low, potentially resulting in a lower economic cutoff grade. This is especially important for Clayton Valley because it could enable lithium recovery from relatively low grade feed brines, as compared with the typically higher-grade South American brines.

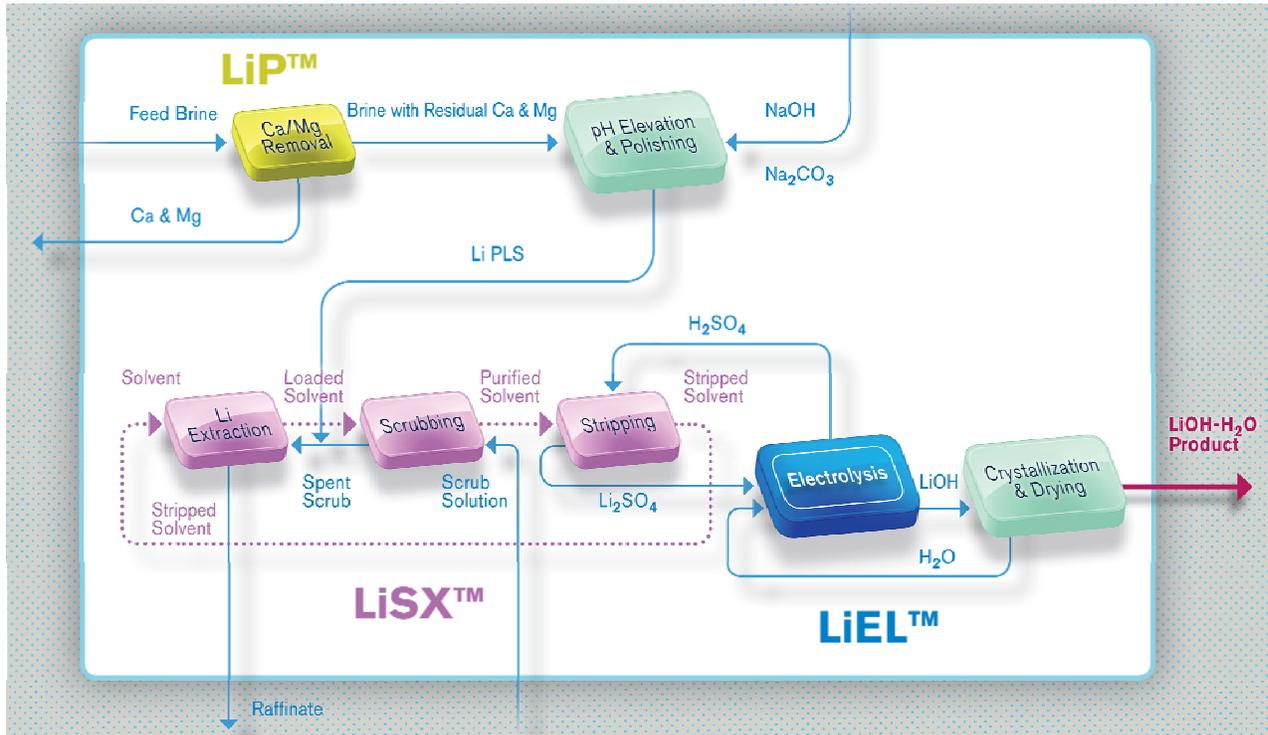
The relatively low concentrations of calcium and magnesium (and other potentially deleterious elements) in the Clayton Valley brine is another favorable indicator of its processing characteristics. Since the deleterious elements are lower in the Clayton Valley brine than many other lithium brines, the costs of operating the membranes in the (LiP^{TM}) pre-treatment part of the Tenova Process may be lower.

The overall process is illustrated in Figure 4 below. The process would consist of the following steps:

1. Brine Reception
2. Pre-Treatment - LiP^{TM} process
3. pH elevation and Polishing
4. Solvent Extraction - LiSX^{TM} process
5. Electrolysis - LiEL^{TM} process
6. Evaporation and Crystallization
7. Product Drying, Handling and Shipping

The basin brines would be collected and pumped to the brine reception area. The pre-treatment stage (LiP^{TM}) would very efficiently remove the alkaline earth metal ions while maximizing the recovery of lithium ions. Elevating the pH of the permeate would precipitate any remaining calcium and magnesium ions. These calcium and magnesium precipitates would be removed using a clarification and/or filtration stage.

Figure 4. Tenova Process Block Diagram



The solvent extraction step would incorporate Tenova Pulsed Columns in each of the extraction, scrubbing and stripping stages. The LiSX™ step is anticipated to increase the lithium concentration by a factor of approximately 38 with negligible loss of lithium. The design allows for the installation of an ion exchange, post-SX solution polishing stage to remove any deleterious ions that may have been co-extracted with lithium and concentrated in the solvent extraction step.

Through a process of electrolysis, LiEL™, the lithium sulphate recovered in the previous solvent extraction step would be transformed into a lithium hydroxide solution. The lithium hydroxide solution would be converted to solid LiOH·H₂O by driving off the free water through evaporative crystallization. The crystallized lithium hydroxide monohydrate would be dried and bagged for shipment. Based on the results of the mini-pilot plant, the overall lithium recovery of the plant is expected to be about 92 percent. This is an exceptionally high recovery compared with conventional solar evaporation-based plants that typically struggle to achieve up to 60 percent recovery, even in cases of significantly higher lithium grades in the brines.

During 2016, Pure Energy continued the test work on the Tenova Process that had begun in 2015. Pure Energy announced on May 11, 2016 that work on a mini-pilot plant had commenced at TAT's facility in Katzrin, Israel. During the mini-pilot plant, the Company's engineering team worked together with TAT to evaluate the pre-treatment, solvent extraction, and electrolysis/crystallization steps required to produce battery grade lithium hydroxide from the CV Project brine.

The Company announced on September 29, 2016 that the mini-pilot plant test work was complete. The Company described the results of the mini-pilot plant tests in a press release on December 13, 2016.

Pure Energy believes that the results of the mini-pilot plant convey a proof of concept for the Tenova Process at this scale. These data and additional engineering work were major inputs to the PEA, which was released in August 2017.

If successfully applied at a commercial scale for lithium extraction and processing, an industrial process based around TAT's LiSX™ technology would not require large-scale evaporation ponds. A solvent extraction lithium plant would draw its feed from a brine well field, just as evaporation based operations do, but the spent brine would be re-injected or infiltrated back into the basin once the lithium was extracted. Much lower net water usage is only one potential major advantage of this novel technology. This approach could also avoid some of the other drawbacks associated with evaporation lithium processing. For instance, a solvent extraction lithium plant would not be affected by precipitation or other weather phenomena. The processing time to extract lithium from brines through a continuous solvent extraction plant could be a matter of hours not months. Although considerable optimization work remains to be done over time, the capital and operating costs associated with this technology appear to be very competitive, based on the results of the PEA.

Based on the positive outcome from the PEA, the Company has commenced work on a larger scale pilot plant for the CV Project. Such a pilot plant would operate continuously on brine from the CV Project. The pilot plant will be a major component of a feasibility study and constitutes the next major step toward the full development of the CV Project.

Environment, Permitting, Compliance Activities and Social License

There are currently no known environmental conditions associated with the CV Project. Cultural resources are generally minimal on the playas, and the probability of the presence of threatened and endangered faunal or floral species is considered low. Limited liabilities remain from the reclamation obligations associated with the current exploration program.

From a permitting perspective, the hydrographic basin of the Clayton Valley was designated as in need of additional administration in early 2016 by the Nevada State Engineer. Whether this designation will have material impacts on Pure Energy's ability to obtain the necessary water rights to develop the resource into a reserve, and ultimately, produce lithium, is unknown at this time. Because lithium, a locatable mineral under the U.S. General Mining Act of 1872, is dissolved in non-potable water beneath the ground surface, different and competing technical and legal opinions exist regarding the extent to and manner in which state water law applies to or limits Pure Energy's ability to explore for lithium, obtain water rights associated therewith, or develop its federal mining claims. Administrative, judicial, and appellate proceedings are pending with the Nevada Division of Water Resources and in Nevada District Court and Supreme Court regarding these matters and the outcome of such is uncertain. For further discussion of possible risks associated with these matters, please refer to material contained in "Risk Factors" under "Changes to Governmental Laws and Regulations".

The CV Project is located primarily on unpatented federal mineral claims within Esmeralda County, Nevada. The federal claims encompass public lands administered by the BLM and the processing facilities would be located on private land in the unincorporated town of Silver Peak. The CV Project, therefore, falls under the jurisdiction and permitting requirements of Esmeralda County, the State of Nevada (primarily the Nevada Division of Environmental Protection (NDEP) and the Nevada Division of Water Resources (NDWR), also known as the State Engineer's office), and the BLM. The table below summarizes the permits that may be required to bring the CV Project into commercial production.

The Nevada State Engineer’s administration of water rights and waivers for exploration has been delayed by the protests and lobbying activities of competing mining companies. These actions have delayed issuance to Pure Energy of water rights permits and waivers to drill wells and divert water therefrom. The recent passage of Nevada Assembly Bill 52 holds promise to streamline the process of exploration for lithium brine, but the impacts of these various issues on permitting and construction of a lithium mine are uncertain.

The CV Project workforce (including shorter-term construction contractors) would most likely reside in the towns of Silver Peak and Tonopah and the surrounding communities in Esmeralda and Nye counties, respectively. The construction work force is estimated to peak at 400 employees for about 12 months, and the operations work force is expected to be about 72 full-time employees.

The Company plans to coordinate closely with local governments and businesses to ensure that the needs of both the community and the workforce are being met, since most of the workers would necessarily originate from outside of Esmeralda County, which is sparsely populated, rural, and has no large urban centers. According to the Nevada State Demographer, the population of Esmeralda County was only 926 in 2014, with no cities and only two unincorporated towns: Goldfield (population 272) and Silver Peak (population 128). Nye County is considerably larger, with an estimated population of 45,456 in 2014, 2,578 of whom reside in Tonopah.

No formal presentations have yet been made to the Esmeralda Board of County Commissioners. Engagement of potential stakeholders in Silver Peak and Clayton Valley is in its early stages. No community agreements are yet in place.

Table 2. Permits that may be required for the Clayton Valley Project

| Permit/Approval | Issuing Authority | Permit Purpose | Status |
|---|---|---|---|
| Federal Permits Approvals and Registrations | | | |
| Plan of Operations / National Environmental Policy Act (NEPA) Analysis and Record of Decision | BLM | Prevent unnecessary or undue degradation of public lands, Initiate NEPA analysis to disclose and evaluate environmental impacts and project alternatives. | REQUIRED. Pure Energy unpatented mineral claims are located on public land. Exploration and operations would require a plan of operations and NEPA analysis. |
| Rights-of-Way / NEPA Analysis | BLM | ROW grant authorizes rights and privileges for a specific use of the land for a specific period of time. | REQUIRED. Linear infrastructure (e.g., pipelines, utilities, roads, etc.) crossing federal public lands require SF-299 and POD. Action analyzed under a NEPA document. |
| Explosives Permit | U.S. Bureau of Alcohol, Tobacco, Firearms, and Explosives | Storage and use of explosives | MAYBE, if explosives are required for development of the process area site. |
| EPA Hazardous Waste ID No. | U.S. Environmental Protection Agency (USEPA) | Registration as a small-quantity generator of wastes regulated as hazardous | REQUIRED of all mining operations in Nevada that include chemical processing. |

| Permit/Approval | Issuing Authority | Permit Purpose | Status |
|--|---|--|---|
| Notification of Commencement of Operations | Mine Safety and Health Administration | Mine safety issues, training plan, mine registration | REQUIRED of all mining operations in Nevada. |
| Biological Opinion and Consultation | FWS | Only if project Threatened or Endangered Species are determined present during the NEPA analysis of the project. | NOT REQUIRED . There are no current federal T&E species in the Project area. |
| Incidental Take Permit | FWS | Required when non-Federal activities would result in take of T&E species. A habitat conservation plan must be developed to ensure that the effects of the take are minimized and mitigated | MAYBE , if Pure Energy intends to operate large process water ponds or infiltration basins. |
| Waters of the U.S. Jurisdictional Determination | U.S. Army Corps of Engineers (USACE) | Implementation of Section 404 of the Clean Water Act (CWA) and Sections 9 and 10 of the Rivers and Harbors Act of 1899 | REQUIRED , although this closed hydrographic basin would be non-jurisdictional – need formal agency concurrence. |
| Federal Communications Commission Permit | Federal Communications Commission | Frequency registrations for radio/microwave communication facilities | MAYBE , if Pure Energy intends to use business radios to transmit on their own frequency |
| State Permits, Authorizations and Registrations | | | |
| Nevada Mine Registry | Nevada Division of Minerals | Required operations registration | REQUIRED of all mining operations in Nevada. |
| Surface Area Disturbance Permit | NDEP/Bureau of Air Pollution Control (BAPC) | Regulates airborne emissions from surface disturbance activities | REQUIRED of all industrial operations disturbing 5 acres or more of surface area not related to agriculture. |
| Air Quality Operating Permit | NDEP/BAPC | Regulates project air emissions from stationary sources | REQUIRED for proposed lithium processing operation. |
| Mercury Operating Permit to Construct | NDEP/Bureau of Air Quality Planning | Requires use of Nevada Maximum Achievable Control Technology (MACT) for all thermal units that have the potential to emit mercury | NOT REQUIRED . Only applicable to precious metal mining in Nevada. |
| Mining Reclamation Permit | NDEP/Bureau of Mining Regulation and Reclamation (BMRR) | Reclamation of surface disturbance due to mining and mineral processing; includes financial assurance requirements | REQUIRED of all mining operations in Nevada. |
| Mineral Exploration Hole Plugging Permit or Waiver | Nevada Division of Water Resources (NDWR) | Temporary use of water for exploration and groundwater characterization. | REQUIRED of all drilling operations in Nevada. |
| Groundwater Permit | NDEP/ Bureau of Water Pollution Control (BWPC) | Prevents degradation of waters of the state from surface disposal, septic systems, mound septic systems, unlined ponds and overland flow | REQUIRED for post-process infiltration and septic systems. |
| Water Pollution Control Permit | NDEP/BMRR | Prevent degradation of waters of the state from mining, establishes minimum facility design and containment requirements | REQUIRED of all metal mining operations in Nevada. |

| Permit/Approval | Issuing Authority | Permit Purpose | Status |
|--|---|--|---|
| Underground Injection Control Permit | NDEP/BWPC | Prevent degradation of all potential and current underground sources of drinking water due to underground injection practices. | REQUIRED for post-process re-injection if proposed |
| Approval to operate a Solid Waste System | NDEP/Bureau of Waste Management (BWM) | Authorization to operate an on-site landfill | MAYBE , if Pure Energy proposes to utilize on-site landfill |
| Hazardous Waste Management Permit | NDEP/BWM | Management and recycling of hazardous wastes | REQUIRED for mineral processing operations that generate hazardous wastes |
| National Pollutant Discharge Elimination System (NPDES) Permit | NDEP/BWPC | Management of site discharges | MAYBE , required for proposed Waste Water Treatment Plant. |
| General Industrial Stormwater Discharge Permit | NDEP/BWPC | Management of site stormwater discharges in compliance with federal CWA | NOT REQUIRED , but is advised as precautionary; NVR050000, even though no waters of the U.S. at the mine site. |
| Permit to Appropriate Water/Change Point of Diversion | Nevada Division of Water Resources (NDWR) | Water rights appropriation | REQUIRED . Pure Energy is in the process of applying for water rights. |
| Permit to Construct a Dam | NDWR | Regulate any impoundment higher than 20 feet or impounding more than 20 acre-feet | NOT REQUIRED . No impoundments meeting the 20/20 rule are currently proposed. |
| Potable Water System Permit | Nevada Bureau of Safe Drinking Water | Water system for drinking water and other domestic uses (e.g., lavatories) | NOT REQUIRED . Pure Energy to obtain municipal water. |
| Septic Treatment / Sewage Disposal System Permit | NDEP/Bureau of Water Pollution Control | Design, operation, and monitoring of septic and sewage disposal systems | LIKELY , if Pure Energy proposes to utilize septic system(s) |
| Dredging Permit | Nevada Department of Wildlife (NDOW) | Protection of Nevada waterways | NOT REQUIRED . No dredging proposed for operation. |
| Industrial Artificial Pond Permit | NDOW | Regulate artificial bodies of water containing chemicals that threaten wildlife | REQUIRED for all process water ponds. |
| Wildlife Protection Permit | NDOW | Stream and watershed wildlife habitat protection | NOT REQUIRED . No stream or watershed modification anticipated. |
| Hazardous Materials Permit | Nevada Fire Marshal | Store a hazardous material in excess of the amount set forth in the International Fire Code, 2006 | MAYBE required for LPG tanks larger than 10 gallons if used on site. |
| License for Radioactive Material | Nevada State Health Division, Radiological Health Section | Radioactive material licensing | REQUIRED . If Pure Energy intends to use a densitometer or similar device at site. |

| Permit/Approval | Issuing Authority | Permit Purpose | Status |
|--|---|--|---|
| Encroachment Permit | Nevada Department of Transportation | Permits for permanent installations within State rights-of-way and in areas maintained by the State | REQUIRED. Pure Energy would need due to proposed improvements, signal installations, and/or commercial off-site use and road crossings |
| Temporary Permit to Work in Waterways | NDEP/BWPC | Covers temporary working or routine maintenance in surface waters of the State, such as channel clearing and minor repairs to intake structures. | NOT REQUIRED. Activity not proposed. |
| Fire and Life Safety Permit | Nevada Fire Marshal | Review of non-structural features of fire and life safety and flammable reagent storage | REQUIRED for buildings in counties with populations fewer than 50,000. Esmeralda Co. only has 926 as of 2014. |
| Liquefied Petroleum Gas License | Nevada Board of the Regulation of Liquefied Petroleum Gas | Tank specification and installation, handling, and safety requirements | MAYBE required for LPG tanks larger than 10 gallons if used on site. |
| State Business License | Nevada Secretary of State | License to operate in the state of Nevada | REQUIRED. |
| Retail Sales Permit or Exemption Certificate | Nevada State Department of Taxation | Permit to buy wholesale or sell retail | MAYBE, if Pure Energy is direct selling product to other processors or selling product directly to the market. |
| Local Permits for Esmeralda County | | | |
| Building Permits | Esmeralda County | Ensure compliance with local building standards/requirements | NOT REQUIRED. Encourage adoption of Uniform Building Codes for the State. |
| Conditional Special Use Permit | Esmeralda County | Provided as necessary under applicable zoning ordinances | NOT REQUIRED. Encourage coordination with County Board of Commissioners. |
| County Road Use and Maintenance Permit/Agreement | Esmeralda County Road Department | Use and maintenance of county roads | MAYBE, if Pure Energy intends to maintain, damage, or encroach on any of the area county roads. |
| Business License | Esmeralda County Sheriff | License for the engagement of business activities | REQUIRED. |

Market Studies and Contracts

At its steady-state production rate, the CV Project conceived in the PEA is designed to produce approximately 11,500 tonnes per year (12,650 tons per year) of LiOH·H₂O primarily for use in lithium-ion batteries for EVs. Analysts' consensus forecasts indicate that the increase in worldwide EV sales is expected to drive annual growth in lithium demand for these applications to more than 20 percent per annum through 2025.

Pure Energy's independent lithium market consultant, Benchmark, anticipates that lithium hydroxide demand will grow considerably in the next five years, as EVs increasingly use nickel-cobalt-aluminum ("NCA") cathode chemistries to achieve higher energy density and extend range between charges.

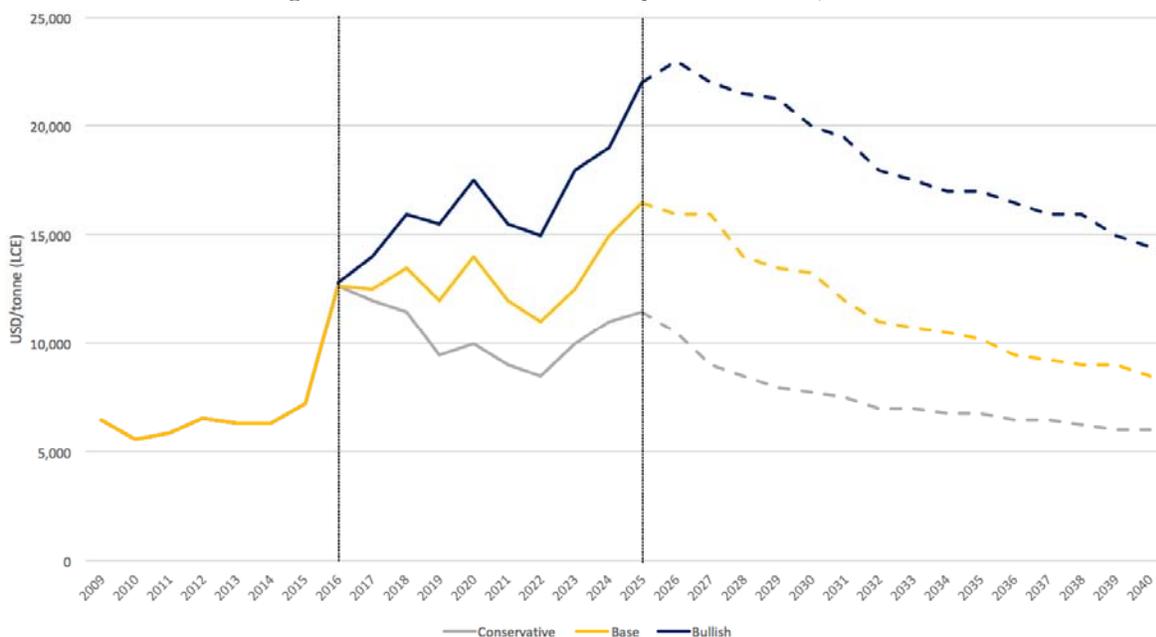
Benchmark forecasts that annual demand for lithium hydroxide will grow at a compound average rate of more than 23 percent from 2016 through 2025.

On the supply side, Benchmark estimates that lithium hydroxide production accounted for approximately 20% of global lithium chemical production in 2016, or around 39,000 tonnes. Based on various company announcements and its professional judgment on when announced company plans might actually materialize, Benchmark estimates that the annual world supply of lithium hydroxide will grow from 39,000 tonnes (42,990 tons) in 2016 to almost 135,000 tonnes (148,812 tons) in 2024-2025.

In the context of Benchmark’s global supply-demand balance for lithium hydroxide, substantial price increases over the past 12 to 18 months are stimulating a significant supply-side response, but long lead times to production and relative lack of sufficient lithium feed materials are expected to keep the overall market in a relatively tight balance until mid-2020, when steadily growing demand is again expected to outstrip planned capacity.

The projected lithium hydroxide prices used in the economic analysis of the CV Project were developed by Benchmark in conjunction with their supply and demand forecast. As illustrated in the figure below, Benchmark developed three scenarios for the period 2017 to 2040 – a base price forecast, a conservative (downside) price case and a bullish (upside) price scenario. All three price scenarios are projected from an average 2016 lithium hydroxide price of US\$12,683/tonne. The summary PEA economics were based on the base price forecast.

Figure 5. Outlook for Lithium Hydroxide Prices, 2017-2040



In September 2015, Pure Energy entered into an agreement with Tesla Motors, Inc. (“Tesla”) for the potential supply of LiOH·H₂O from the CV Project. Provided that Pure Energy meets certain terms and conditions related to project execution, product quality and timing of delivery, the agreement establishes a commitment for an annual purchase volume of product over a period of five years by Tesla and/or its authorized purchasers. The agreement sets a predetermined price that is below current market rates and is aligned with Tesla’s goal to continuously reduce the cost of its lithium-ion batteries.

Pure Energy’s product is expected to be used in the battery cell manufacturing process of Tesla’s rapidly growing electric vehicle and stationary storage business units (the Gigafactory), which are located approximately 3.5 hours’ drive from the CV Project. Any deliveries from Pure Energy would cover only a portion of Tesla’s needs, with the remainder to come from other sources. Certain information relating to future pricing formulas and forecasted deliveries has been omitted from this report on the basis of confidentiality and on the basis that the supply agreement is subject to various conditions, as stated above.

Estimated Capital Costs

A capital cost estimate was developed for a process plant with an annual capacity of 10,000 tonnes (approximately 11,000 tons) of LCE, which correlates to about 11,500 tonnes (approximately 12,650 tons) of LiOH·H₂O. The estimate is regarded as a Class 5 estimate, as defined by the AACE International and has an accuracy of +30/-20 percent. This estimate does not constitute a pre-feasibility or feasibility level of analysis. The capital expenditure (Capex) estimate includes costs associated with the development of basin extraction systems, processing plant, administrative and maintenance infrastructure, and associated indirect costs. The table below summarizes the total estimated capital costs, including contingency.

Table 3. Estimated Capital Costs

| Description of Capital Costs | US \$ |
|------------------------------------|-----------------|
| Basin Activities | \$ 29 M |
| Plant Facilities & Equipment | \$ 100 M |
| Infrastructure & Utilities | \$ 30 M |
| Direct Costs | \$ 159 M |
| Indirect Costs | \$ 28 M |
| Contingency | \$ 56 M |
| Owner’s and Other Costs | \$ 54 M |
| Total Initial Capital Costs | \$ 297 M |
| Sustaining Capital Costs (LoM) | \$ 62 M |

Estimated Operating Costs

Operating costs (Opex) were determined based on the production schedule, process equipment requirements, operating hours, equipment operating costs, and project labour force requirements. The operating costs are considered to have an accuracy of ± 30 percent. For the purpose of the economic analysis, the operating costs were separated into the following categories: labour; power; operating supplies & services, and maintenance. The table below provides a summary of the operating costs.

Table 4. Estimated Operating Costs

| | Operating Costs | |
|-------------------------------|-------------------------------------|-------------|
| | US\$/tonne LiOH·H ₂ O | Percent |
| Labour | \$428 | 13% |
| Power | \$394 | 12% |
| Operating Supplies & Services | \$2,227 | 69% |
| Maintenance supplies | \$169 | 5% |
| Total | US\$3,217 | 100% |

Economic Analysis

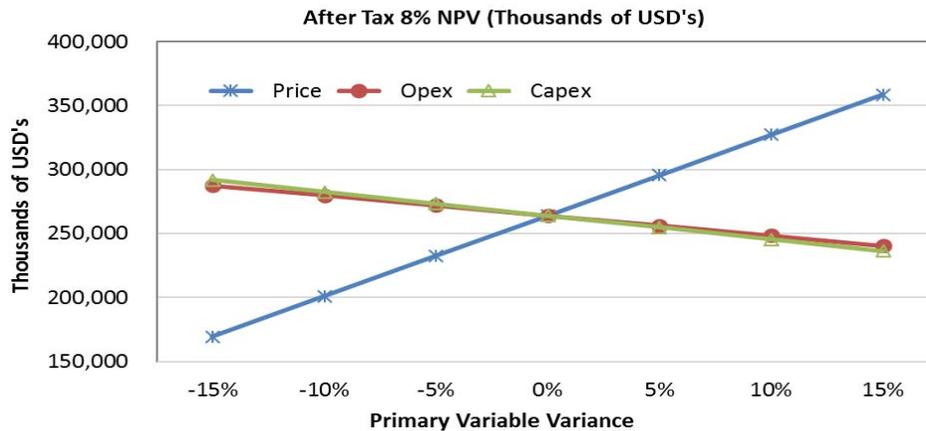
An economic analysis was conducted to determine the net present value (NPV) and internal rate of return (IRR) of the CV Project. The analysis was completed using a Discounted Cash Flow model. The analysis was based on average annual production of 10,300 tonnes (11,350 tons) per year of LiOH·H₂O. The economic indicators determined are presented in the table below. The pre-tax and after-tax NPV at an 8 percent discount rate were US\$356.8 million and US\$264.1 million, respectively; with respective pre-tax and after-tax IRRs of 24 percent and 21 percent. The payback period is estimated at 4.4 years from first production of saleable product.

Table 5. Economic Analysis Results

| Financial Metric | Pretax Values | After-Tax Values |
|--|-------------------|-------------------|
| NPV at 8% | US\$356.8 million | US\$264.1 million |
| IRR | 24.2 % | 21.0 % |
| Payback period, years (after commencement of operations) | 4.1 years | 4.4 years |

Note: Mineral resources that are not mineral reserves do not have demonstrated economic viability.

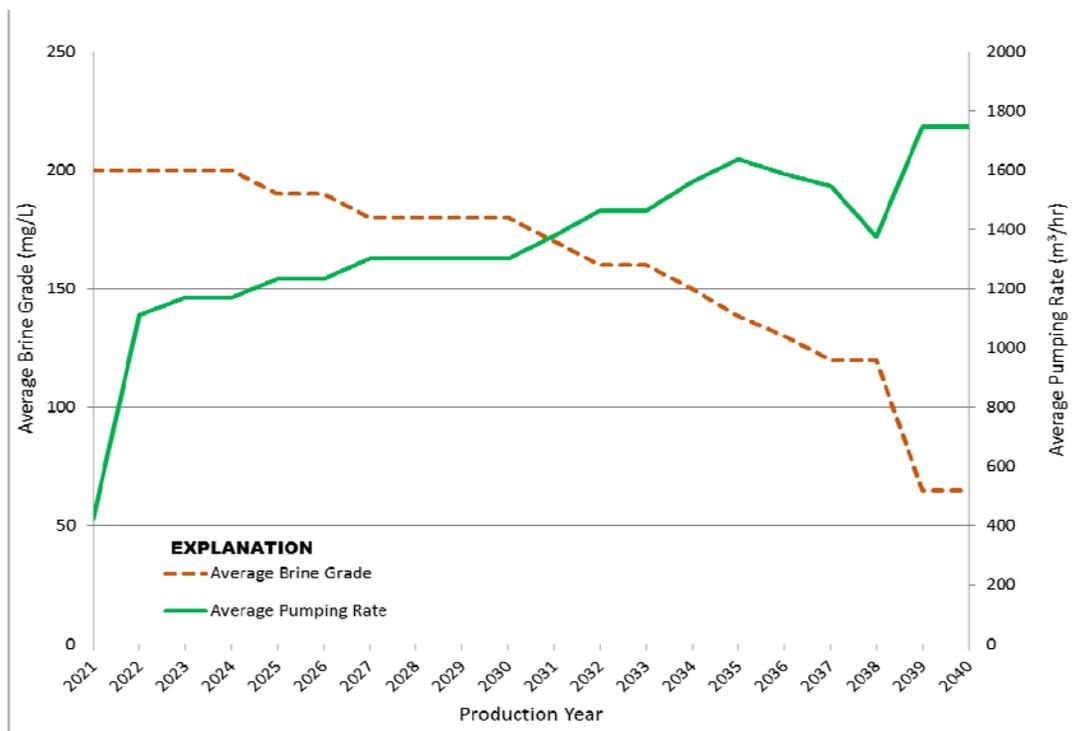
A sensitivity analysis was completed for the CV Project economics to determine which variable(s) had the greatest impact on the project economics. The results are presented in the figure below.

Figure 6. After-Tax Sensitivity Chart

Development and Production

Using the Extractable resource model to be developed during the feasibility study, subdivisions within the wellfield will be evaluated and identified to facilitate well field design and production scheduling. The figure below shows a preliminary production schedule that maximizes brine grade from wellfield subdivisions during early years of mining as wellfield production rates increase. The production schedule was generated with the goal of average plant production of approximately 11,500 tonnes (12,650 tons) of $\text{LiOH}\cdot\text{H}_2\text{O}$ per year after an initial ramp-up period. As mining progresses, additional wellfield subdivisions pumping lower-grade lithium would be brought on line over the life of mine to maintain the desired production rate. This would result in an increase of the total amount of extraction wells and overall wellfield pumping rate to maintain the required mass of lithium delivered to the plant. Eventually, near the end of the mine life, production would decrease as the dilution increases and total extraction from the wellfield becomes uneconomical to maintain operations.

Figure 7. Preliminary Production Schedule and Results of Phasing Extraction Wellfield Operations



Exploration Potential

Significant exploration potential remains at depth in the southern portion of the CV Project property and at all depths in the portion of the property north of the existing Silver Peak operation. Further exploration activities are expected to be performed during the upcoming feasibility study.

Conclusions

The Clayton Valley Lithium Project is a lithium-enriched brine aquifer deposit in Clayton Valley, Nevada, USA that is amenable to mining using wells to extract brine for processing to a saleable lithium hydroxide monohydrate ($\text{LiOH}\cdot\text{H}_2\text{O}$) product. The process plant design has been based on the TAT proprietary process to produce $\text{LiOH}\cdot\text{H}_2\text{O}$ from the brine input as received from Pure Energy for the

mini-pilot testwork. The annual capacity of the plant has been selected on the basis of 10,000 tonnes (11,000 tons) of lithium carbonate equivalent (LCE), which correlates to about 11,500 tonnes (12,650 tons) of $\text{LiOH}\cdot\text{H}_2\text{O}$.

The Resource Estimate in the Drainable Inferred category is estimated at 247,300 tonnes (272,600 tons) of lithium contained as $\text{LiOH}\cdot\text{H}_2\text{O}$ and 217,700 tonnes (239,970 tons) on an LCE basis. The average lithium concentration is 123 mg/L in the volume of the Resource Estimate, based on the calculated lithium mass and the theoretical drainable volume of the host brine aquifer. A substantial part of the brine volume falls between concentrations of 65 mg/L and 221 mg/L lithium.

The study projects an estimated average “steady-state” operating cost of US\$3,217 per tonne of $\text{LiOH}\cdot\text{H}_2\text{O}$ and product sale pricing ranging between US\$9,000 and US\$16,500 per tonne. Having these margins and an estimated initial capital cost of US\$297 million, the project would achieve pay-back in a little over 4 years. The project after-tax NPV at an 8 percent discount rate is forecast to be US\$264.1 million, with an estimated IRR of 21 percent. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

THE TERRA COTTA PROJECT

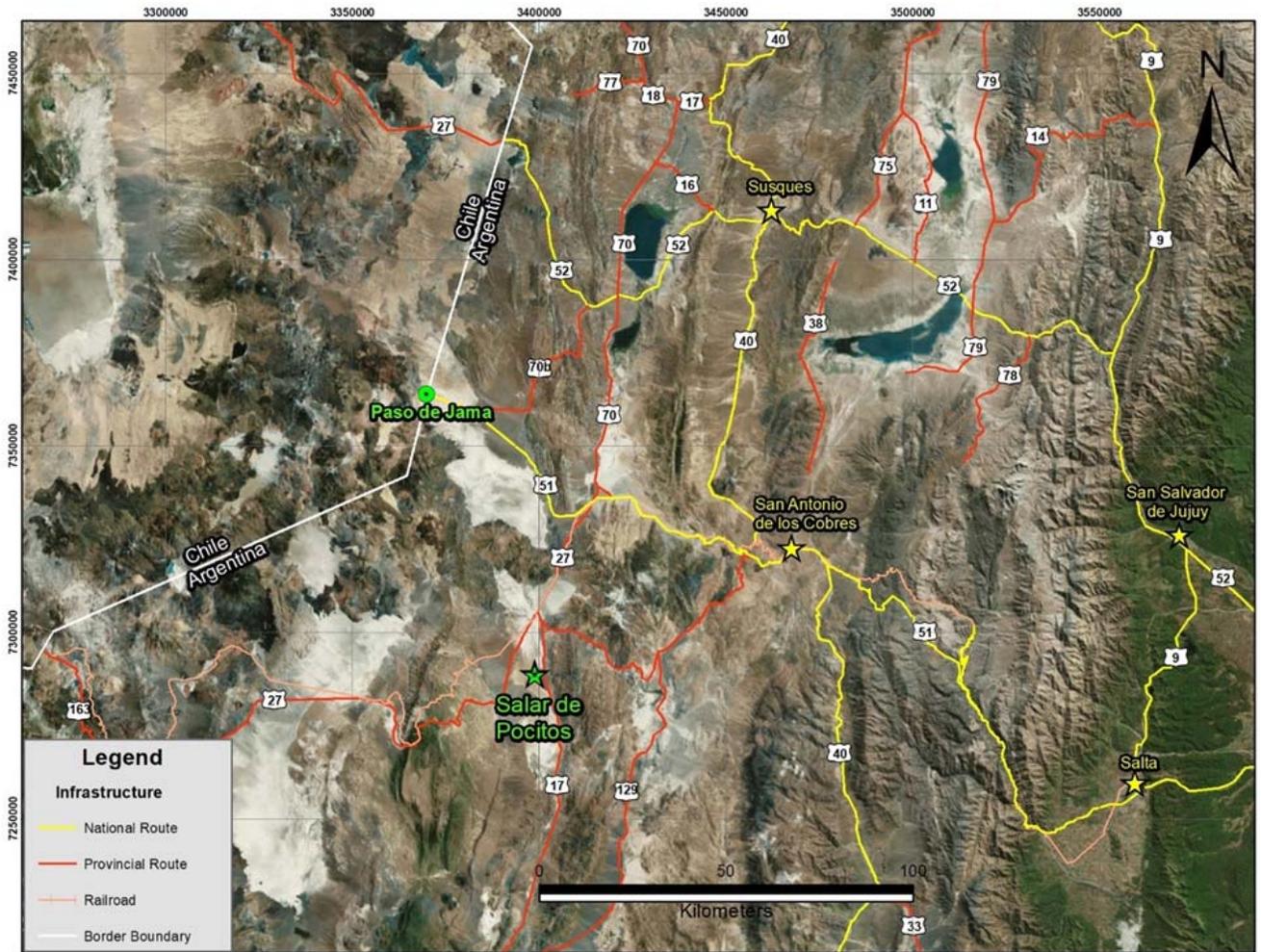
An initial technical report dated August 9, 2017 is the most current technical report for the Terra Cotta Project, as of the date of this MD&A. Unless otherwise indicated, the information below is derived from that technical report. The full technical report should be consulted for details on how the information was developed. The Company has filed the Terra Cotta Project technical report under our profile at www.sedar.com and made it available on our Web site.

The Terra Cotta Project consists of 10 mining exploitation claims located in the Salar de Pocitos, in the municipality of San Antonio de Los Cobres, Los Andes Department, Salta Province in northwestern Argentina. Salar de Pocitos is located 159 km east of the city of Salta. Provincial route no. 17 is located adjacent to the Project. The project location is shown in Figure 9 below.

The 10 claims cover a total of 13,075 ha in the southern portion of the Salar de Pocitos. All of the claims currently have the status of exploitation claims, or “minas”. This type of claim includes all the exploration work in the total area covered by the claim. A map of the mining claims is shown in Figure 10 below.

The mining claims, originally claimed by two companies, are currently under the control of four individuals each of whom has equal participation in the mining, supported by a Transfer Agreement that is registered in the Mining Court and in process of final approval. Nine out of ten claims were officially granted by the Mining Court to the applicants’ companies and/or individuals on July 31, 2017. One of the claims, which was originally requested as a new claim, is still in the process of final approval by the mining authorities.

Figure 9. Terra Cotta Project Location, Salar de Pocitos Argentina



On December 22, 2016, Pure Energy signed a Letter of Intent (LOI) to acquire the Pocitos Project (now referred to as the Terra Cotta Project) from the current owners, Solaris S.R.L and Minera Cerro Juncal, S.A. The LOI established that Pure Energy would acquire 100% of the mining claims over a two-year period. On March 9, 2017, Pure Energy announced the closure of its purchase option on the lithium brine mining concession as considered in the original LOI. The payments set forth in the LOI are summarized in the table below.

Figure 10. Location map for the Terra Cotta Project mining claims

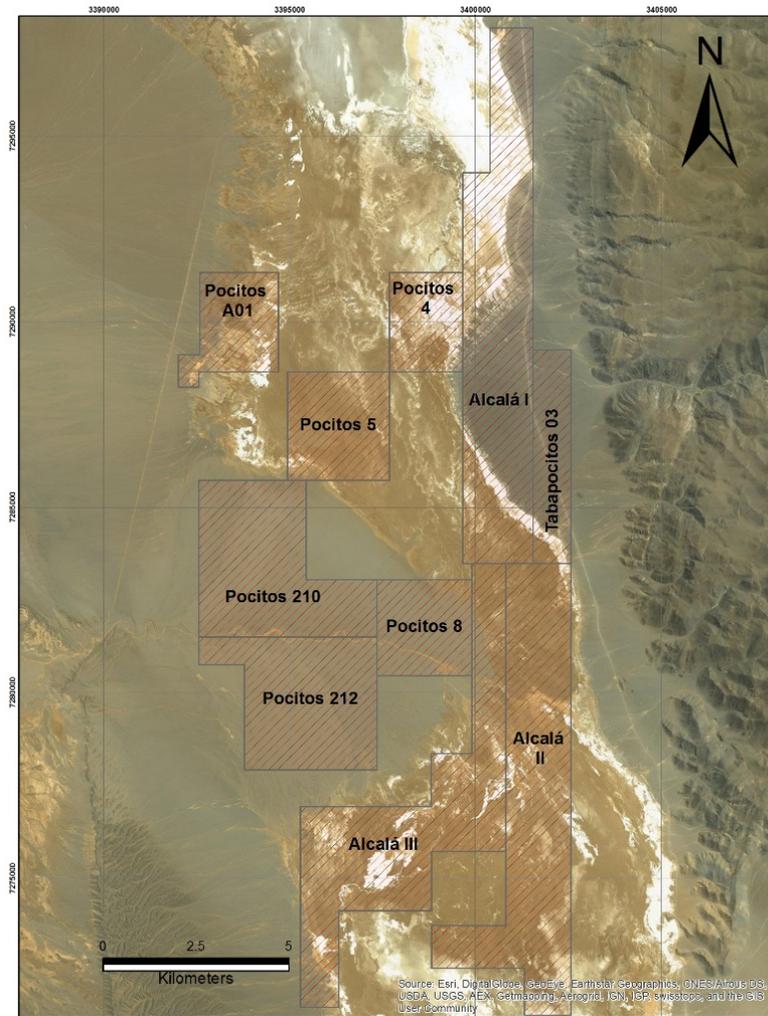


Table 6. Summary of Payments According to the Terra Cotta Project LOI

| Cash (US \$) | Common Shares | Due Date/Event | Status |
|---------------------|------------------|--|------------------------|
| \$ 25,000 | 0 | 5 days after receipt of title opinion | Paid |
| \$ 175,000 | 0 | 5 days after Execution Date (2 March 2017) | Paid |
| \$ 200,000 | 600,000 | 5 days after approval from TSXV | Paid ⁽¹⁾ |
| \$ 600,000 | 900,000 | 180 days after Execution Date | Pending ⁽²⁾ |
| \$ 1,000,000 | 1,500,000 | On or before the 1 st anniversary of Execution Date | Pending |
| \$ 2,000,000 | 3,000,000 | On or before the 2 nd anniversary of Execution Date | Pending |
| \$ 4,000,000 | 6,000,000 | | |

(1) This cash payment and issuance of shares was satisfied on August 22, 2017.

- (2) Per a side letter agreement of September 26, 2017, US\$150,000 cash was paid and 900,000 shares issued; payment of the remaining US\$450,000 cash extended until December 2, 2017.

Pure Energy will make a bonus payment of US\$1,000,000 in cash to the owners within 30 days of either of the following events as determined by Pure Energy:

- 1) To proceed with a feasibility study with respect to the properties; or
- 2) To commence commercial production at the properties.

The Terra Cotta Project is in an early exploration stage, with no drilling or other exploration completed by the current owners or Pure Energy during the reporting year. The Company plans to conduct surface geophysical testing, shallow brine sampling and analyses, and a drilling program to advance its understanding of the potential lithium resource at the project.

QUALITY CONTROL AND QUALIFIED PERSONS

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.

Dr. Ron Molnar, Professional Metallurgical Engineer (Ontario P.E.# 10011288), is a qualified person as defined by NI 43-101, and has reviewed and approved the scientific and technical information that forms the basis for the Process Testing portions of this MD&A. Dr. Molnar is independent of the Company.

RECENT DEVELOPMENTS

Financing

Share capital activity for the year ended June 30, 2017 is described as follows:

- (i) On July 20, 2016, the Company issued 11,201,902 units pursuant to a brokered private placement at \$0.55 per unit. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire one additional share at a cost of \$0.80 per share to July 19, 2019. Agents were paid a cash commission of \$322,915 and were issued an aggregate of 575,910 Agents' warrants with a fair value of \$238,605. Each Agent warrant entitles the holder to acquire one common share at a cost of \$0.55 for a period of 36 months. There was additional issue cost of \$191,051.
- (ii) On August 3, 2016, the Company issued 14,277 common shares at a fair value of \$0.58 pursuant to a property option agreement.
- (iii) On September 2, 2016, the Company issued 350,000 common shares at a fair value of \$0.83 pursuant to a property option agreement.
- (iv) On October 28, 2016, the Company issued 43,616 common shares in exchange for services valued at \$27,857.

- (v) On May 8, 2017, the Company issued 2,144,000 units pursuant to a brokered private placement at \$0.50 per unit. Each unit consists of one common share and one half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at a price of \$0.75 per share for a period of 2 years. There are acceleration provisions attached to the warrants. The Company paid cash commissions of \$33,075 and issued 66,150 agent's warrants with a fair value of \$12,779. Each agent warrant entitles the holder to acquire one common share at a cost of \$0.75 for a period of 24 months. There was additional issue cost of \$52,890.
- (vi) On May 30, 2017, the Company issued 20,038,182 common shares at a fair value of \$0.60 per common share and 2,022,290 share purchase warrants pursuant to a property acquisition agreement. Each warrant entitles the holder to acquire one additional share at a cost of \$0.75 for 3 years. The warrants were measured at a fair value of \$724,223.
- (vii) On May 30, 2017, the Company issued 3,571,429 Units of the Company at a cash purchase price of \$0.56 per unit. Each Unit consists of one common share and one half of a share purchase warrant. Each warrant entitles the holder to purchase one additional share at a price of \$0.75 per share for a period of 3 years. There are acceleration provisions attached to the warrants.
- (viii) On May 30, 2017, the Company issued 1,250,000 common shares at a fair value of \$0.60 pursuant to a property option agreement.
- (ix) During the period from July 1, 2016 to June 30, 2017, the Company issued:
 - 682,089 common shares pursuant to the exercise of warrants at \$0.15 per share; and
 - 645,000 common shares pursuant to the exercise of warrants at \$0.24 per share.
- (x) During the period from July 1, 2016 to June 30, 2017, the Company issued:
 - 400,000 common shares pursuant to the exercise of stock options at \$0.235 per share;
 - 857,000 common shares pursuant to the exercise of stock options at \$0.245 per share;
 - 20,000 common shares pursuant to the exercise of stock options at \$0.27 per share;
 - 410,000 common shares pursuant to the exercise of stock options at \$0.40 per share;
 - 75,000 common shares pursuant to the exercise of stock options at \$0.54 per share;
 - and
 - 125,000 common shares pursuant to the exercise of stock options at \$0.67 per share.

Subsequent to June 30, 2017, the Company:

- Issued 315,898 shares pursuant to warrants exercised at \$0.15 per share;
- Issued 60,000 shares pursuant to options exercised at \$0.235 per share;
- Issued 250,000 shares pursuant to options exercised at \$0.245 per share;
- Issued 10,000 shares pursuant to options exercised at \$0.27 per share;
- Issued 15,382 shares measured at a fair value of \$0.59 per share pursuant to the CE and CD claims option agreement; and
- Issued 700,000 and 900,000 shares measured at a fair value of \$0.55 and \$0.50, respectively, per share pursuant to the Terra Cotta option and finder's fee agreement;

On July 11, 2017, the Company granted 2,150,000 stock options to directors, officers, and consultants. The options vest quarterly in four equal tranches, with the first tranche on the issuance date. The options are exercisable at an exercise price of \$0.57 per common share for a period of five years.

On September 6, 2017, 350,000 and 50,000 options with exercise prices of \$0.67 and \$0.75 respectively, were cancelled pursuant to a director's resignation.

On September 5, 2017, 35,150 warrants with an exercise price of \$0.15 expired unexercised.

On September 26, 2017, the Company completed a non-brokered private placement of 2,325,000 Units at \$0.50 per Unit. Each Unit consists of one common share and one-half share purchase warrant (Warrant). Each whole Warrant entitles the holder to acquire an additional common share at \$0.75 per share for a two-year period, expiring September 26, 2019, subject to an accelerated exercise provision. The Company paid a cash commission of \$48,475 and issued 96,950 Broker's warrants, having the same terms and conditions as the Warrants.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

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

During the three months ended June 30, 2017, the Company had a comprehensive loss of \$1,137,640 from operations compared to a comprehensive loss of \$882,492 for the three months ended June 30, 2016. Operating expenses for the three months ended June 30, 2017 were \$637,091 compared to \$882,047 for the three months ended June 30, 2016. Other comprehensive loss for the three months ended June 30, 2017 was \$14,546 compared to \$nil for the three months ended June 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.

Loss from other items increased by \$485,558, due mainly to the Company's election to terminate its Cypress property option agreement. As a result, the Company wrote off \$488,449 in capitalized evaluation and exploration assets.

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 increased by \$40,732 due to the greater use of outside consultants driven by an acceleration of corporate activities. In addition, the Company made a one-time donation of \$13,447 to the University of Nevada – Reno for research during the three months ended June 30, 2017. There was no such donation in the prior year.

Investor relations increased by \$145,904 as a result of the Company increasing investor awareness and marketing activities to increase market price and attract funding. The Company raised over \$10M in equity funding during the year with over \$3M raised during the three months ended June 30, 2017, compared to \$5M in equity funding during the prior year and \$2M raised during the three months ended June 30, 2016.

Management fees decreased by \$33,038 as a result of the Company reducing its management team by one member compared to the prior year.

Professional fees increased by \$98,390 being mainly due to legal fees related to re-organization of a subsidiary and permitting activity in Nevada and to higher audit and accounting fees due to increased activities and greater complexities with new land acquisitions.

Project evaluation decreased by \$158,171 as a result of the Company shifting its focus from evaluation of potential mineral properties claims during the three months ended June 30, 2016, to acquisition of and exploration work that is now being capitalized in accordance with the Company's exploration and evaluation asset accounting policy during the three months ended June 30, 2017.

Share-based compensation decreased by \$211,979, related to the valuation of stock options issued during the year being lower than the prior year's quarter due to a reduction in the volatility in the Company's stock price. 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 retained earnings if the options are exercised or cancelled/expired, respectively.

Year ended June 30, 2017 compared to the year ended June 30, 2016

During the year ended June 30, 2017, the Company had a comprehensive loss of \$3,803,019 from operations compared to a comprehensive loss of \$3,579,167 for the year ended June 30, 2016. Operating expenses for the year ended June 30, 2017 were \$3,294,957, compared to \$3,603,711 for the year ended June 30, 2016. Other comprehensive loss for the year ended June 30, 2017 was \$14,546 compared to \$nil for the year ended June 30, 2016.

Other comprehensive loss is a result in 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.

Loss from other items increased by \$518,060 due to the Company electing to terminate the Cypress property option agreement, and as a result, the Company wrote off \$488,449 in capitalized evaluation and exploration assets. The remaining increase in loss from other items is from the Company's prior year recovery of \$25,000 of exploration expenses being a one-time event.

Overall decreases in operating expenses reflect increased focus on exploration activities on acquired mineral properties and a reduction in the volatility of stock options resulting in a lower value attributed to share-based payments. 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 \$342,307 due mainly to the Company's reduced need for outside consultants' assistance with financing and strategic corporate matters for the majority of the year; however, in the final quarter of the year, the Company increased its use of outside consultants. The Company expects the use of outside consultants to fluctuate based on the evolving needs of the Company.

Professional fees increased by \$367,092 mainly due to legal fees related to re-organization of a subsidiary, extensive legal work over permitting activities in Nevada, increases in audit fees, AGM costs and related materials, and additional accounting resources due to increased activities and complexities.

Project evaluation decreased by \$145,346 as the Company allocated relatively fewer resources to evaluating new opportunities to expand its project/property portfolio and concentrated greater resources on the projects/properties already in its control, mainly the CV Project.

Share-based compensation decreased by \$264,569, as the value of stock options issued during the year declined due to reduced volatility in the Company's stock price. This calculation represents non-cash charges (with option value 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. Substantially 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 retained earnings if the options are exercised or cancelled/ expired, respectively.

Travel increased by \$89,800 as a result of increased travel to have management on site in Argentina and Nevada, related to the incorporation of a new subsidiary in Argentina, acquisition of new mineral claims in Argentina and Clayton Valley, Nevada and a revised option agreement with GeoXplor.

SELECTED ANNUAL INFORMATION

(\$000's except earnings per share)

| | Years Ended | | |
|----------------------------------|---------------|---------------|---------------|
| | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| | \$ | \$ | \$ |
| Revenue | - | - | - |
| Operating loss | (3,295) | (3,604) | (1,960) |
| Net loss | (3,788) | (3,579) | (3,361) |
| Comprehensive loss | (3,803) | (3,579) | (3,361) |
| Basic and diluted loss per share | (0.04) | (0.06) | (0.07) |
| Total assets | 28,214 | 7,870 | 3,876 |
| Long term debt | - | - | - |
| Dividends | - | - | - |

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. Refer to "Overall Performance and Results of Operations" above for discussion of certain key factors which cause year-to-year variations in the Company's financial condition and performance.

SUMMARY OF QUARTERLY RESULTS
(\$000's except earnings per share)

| | Quarters Ended | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Jun 30 <u>2017</u> | Mar 31 <u>2017</u> | Dec 31 <u>2016</u> | Sep 30 <u>2016</u> | Jun 30 <u>2016</u> | Mar 31 <u>2016</u> | Dec 31 <u>2015</u> | Sep 30 <u>2015</u> |
| Revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating loss | (\$637) | (\$441) | (\$804) | (\$1,413) | (\$882) | (\$520) | (\$1,327) | (\$875) |
| Net loss | (\$1,123) | (\$445) | (\$808) | (\$1,412) | (\$882) | (\$520) | (\$1,339) | (\$838) |
| Comprehensive loss Basic and diluted | (\$1,138) | (\$445) | (\$808) | (\$1,412) | (\$882) | (\$520) | (\$1,339) | (\$838) |
| Loss Per Share | (\$0.01) | (\$0.01) | (\$0.01) | (\$0.02) | (\$0.01) | (\$0.01) | (\$0.02) | (\$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 years, 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 year-to-year variations in the Company's financial condition and performance.

MANAGEMENT AND STAFFING

On November 5 2015, Patrick Highsmith was appointed to the board of directors of the Company. Mr. Highsmith has a Bachelor of Science degree in Geological Engineering and a Master of Science in Economic Geology from the Colorado School of Mines, and is a 27-year veteran of the mining industry. During his tenure as COO and CEO at Lithium One Inc. ("Lithium One"), he led the discovery teams on the Sal de Vida and James Bay lithium projects. He negotiated Lithium One's strategic joint venture with LG, GS Caltex and KORES on the Sal de Vida lithium brine and potash project in Argentina before co-engineering the 2012 sale of the company for over \$100 million.

On February 4, 2016, Alex Rothwell and Paul Reinhart were appointed to the strategic advisory board for the Company. Mr. Rothwell has 20 years of experience in Canadian capital markets, most recently as President of Macquarie Capital Markets Canada. Mr. Rothwell holds an MBA from the Ivey School of Business and a Bachelor of Chemical Engineering from McGill University. Mr. Reinhart is the President of Vanhart Capital Corporation, a company specializing in early stage businesses in the resource and life sciences industries. Mr. Reinhart has 30 years of experience providing early stage financing and shareholder management services.

On March 3, 2016, the Company appointed Patrick Highsmith as Chief Executive Officer replacing Robert Mintak. Robert Mintak was appointed Executive Chairman on the same date.

As of September 1, 2016, Gerhard Jacob and Jeremy Poirier ceased to be directors of the Company, as they did not stand for reelection at the annual general meeting of shareholders. Mr. Jacob remained an advisor to the Company, and Mr. Poirier was appointed as the Company's General Manager of Corporate Communications.

On November 30, 2016, Mr. Poirier resigned from the Company.

On December 1, 2016, Dianne Szigety was appointed Corporate Secretary for the Company. Ms. Szigety's experience specializes in corporate governance as well as corporate and regulatory compliance.

On March 6, 2017, Robert Mintak tendered his resignation as Executive Chairman and director of the Company.

On March 16, 2017, the Company appointed Walter Weinig as Vice President of Projects and Permitting, effective on April 1, 2017.

On April 19, 2017, the Company appointed S. Scott Shellhaas as a director of the Company.

On April 19, 2017, Dr. Andy Robinson tendered his resignation as a director of the Company

On May 30, 2017, the Company appointed Bassam Moubarak as a director of the Company. Mr. Moubarak is the Chief Financial Officer of Lithium X Energy Corp. Mr. Moubarak is a Chartered Professional Accountant who has held senior executive positions for various mining companies for over 10 years.

On June 14, 2017, the Company appointed Paul Zink as Chief Financial Officer of the Company. Mr. Zink is a mining industry professional with more than 35 years' experience in project finance, financial analysis, strategic planning, royalties, mergers and acquisitions, and business development.

On June 14, 2017, John Jardine tendered his resignation as Chief Financial Officer of the Company.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position was \$1,886,036 as at June 30, 2017, compared to \$2,255,187 as at June 30, 2016. The Company had working capital of \$1,642,359 as at June 30, 2017, compared to a working capital of \$1,906,069 as at June 30, 2016. Subsequent to the reporting year, the Company raised \$61,485 pursuant to option and warrant exercises and \$1,162,500 via a private placement of units (consisting of one common share and one half common share purchase warrant), which closed on September 26, 2017.

The Company's estimated cash requirements for the next 12 months are \$13,000,000. 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 Terra Cotta 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 year ended June 30, 2017, the Company's activities used \$2,424,537 of cash compared to June 30, 2016, when activities used \$1,793,242 of cash. The cash used in operating activities reflects the Company's operating losses (after adjusting for non-cash items) of \$2,388,747 (2016: \$2,154,153), stock based compensation of \$882,293 (2016: \$1,146,862), the payment of non-cash consulting fees of \$27,857 (2016: \$264,142) and write-off of exploration and evaluation assets of \$488,449 (2016: \$10,722). Overall, the increase in operating cash outflows is due to additional administrative costs associated with the continuing ramp-up of Company project development activities. Going forward, the Company's working capital requirements are expected to increase in connection with the development of its CV project and initiation 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 year ended June 30, 2017, the Company spent \$7,383,611 (2016: \$2,300,794) on the CV Project and the acquisition of the Terra Cotta option. Details of expenditures for the year ended June 30, 2017 are more fully described in Note 5 to the June 30, 2017 Financial Statements "*Exploration and Evaluation Assets*".

Financing Activities

For the year ended June 30, 2017, the Company received a total of \$10,087,774 (2016: \$5,607,722) less cash issuance costs of \$599,931 (2016: \$Nil) from private placements, warrant exercises and stock option exercises.

Cash Flow Considerations

As of June 30, 2017, the Company had working capital of \$1,642,359 compared to working capital of \$1,906,069 as of June 30, 2016. The Company anticipates receiving cash proceeds from the exercise of options and warrants, however, the Company cannot predict the timing or amount of additional options and warrants that may be exercised, 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.

This section describes risk factors identified as being potentially significant to the Company and its material property, the CV Project. Additional risk factors may be included in technical reports or other documents previously disclosed by the Company. In addition, 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.

Process Testing

The Company has completed preliminary bench scale and mini-pilot scale process testing on the CV Project, and will continue to complete necessary process testing at the bench, mini-pilot, and pilot scale as the development of the CV Project progresses. There can be no assurance that the results of such testing will be favorable or as expected by the Company. Furthermore, there can be no certainty that lithium recoveries obtained in the bench or mini-pilot tests will be achieved in either subsequent testing or commercial operations. In addition, testing to date has focused on representative samples of the resource and synthetically prepared brines to simulate the chemistry of the CV Project brines, but the variability of chemical recoveries across the resource has not been established. Finally, the development of a complete lithium processing facility to produce a saleable final product from the CV Project is a complex and resource intensive undertaking that may result in overall schedule delays and increased project costs for the Company.

Reliance on Key Personnel

The senior officers of the Company are critical to its success. In the event of the departure of a senior officer, the Company believes that it will be successful in attracting and retaining qualified successors, but there can be no assurance of such success. Recruiting qualified personnel as the Company grows is critical to its success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited, and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, engineering, geological and mining personnel as well as additional operations staff. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on future cash flows, earnings, results of operations and the financial condition of the Company. The

Company is particularly at risk at this state of its development as it relies on a small management team, the loss of any member of which could cause severe adverse consequences.

Substantial Capital Requirements and Liquidity

The Company anticipates that it will make substantial capital expenditures for the continued exploration and development of the CV Project in the future. The Company currently has no revenue and may have limited ability to undertake or complete future drilling or exploration programs, process studies and the design of a surface plant and processing facilities. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. Sales of substantial amounts of securities may have a highly dilutive effect on the ownership or share structure of the Company. Sales of a large number of common shares in the public markets, or the potential for such sales, could decrease the trading price of the common shares and could impair the Company's ability to raise capital through future sales of common shares.

The Company has not yet commenced commercial production at any of its properties and as such, it has not generated positive cash flows to date and has no reasonable prospects of doing so unless successful commercial production can be achieved at the CV Project. The Company expects to continue to incur negative investing and operating cash flows until such time as it enters into commercial production. This will require the Company to deploy its working capital to fund such negative cash flow and to seek additional sources of financing. There is no assurance that any such financing sources will be available or sufficient to meet the Company's requirements. There is no assurance that the Company will be able to continue to raise equity capital or that the Company will not continue to incur losses.

Property Commitments

The Company's mining properties may be subject to various land payments, royalties and/or work commitments. Failure by the Company to meet its payment obligations or otherwise fulfill its commitments under these agreements could result in the loss of related property interests.

Exploration and Development

Exploring and developing natural 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. Natural resource exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of natural resources, any of which could result in work stoppages, damage to property, and possible environmental damage. If any of the Company's exploration programs are successful, there is a degree of uncertainty attributable to the calculation of resources and corresponding grades being extracted or dedicated to future production. Until actually extracted and processed, the quantity of lithium brine reserves and grade must be considered as estimates only. In addition, the quantity of reserves may vary depending on commodity prices. Any material change in quantity of reserves, grade or recovery ratio, may affect the economic viability of the Company's properties. In addition, there can be no assurance that

results obtained in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. The Company closely monitors its activities and those factors which could impact them, and employs experienced consulting, engineering, and legal advisors to assist in its risk management reviews where it is deemed necessary.

Operational Risks

The Company will be subject to a number of operational risks and may not be adequately insured for certain risks, including: environmental pollution, accidents or spills, industrial and transportation accidents, which may involve hazardous materials, labor disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory environment, impact of non-compliance with laws and regulations, natural phenomena such as inclement weather conditions, floods, earthquakes, ground movements, cave-ins, and encountering unusual or unexpected geological conditions and technological failure of exploration methods.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the property of the Company, personal injury or death, environmental damage or, regarding the exploration or development activities of the Company, increased costs, monetary losses and potential legal liability and adverse governmental action. These factors could all have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Additionally, the Company may be subject to liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Environmental Risks

All phases of mineral exploration and development businesses present environmental risks and hazards and are subject to environmental regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances used and or produced in association with natural resource exploration and production operations. The legislation also requires that facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures, and a breach may result in the imposition of fines and penalties, some of which may be material.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that the application of environmental laws to the business and operations of the Company will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Commodity Price Fluctuations

The prices of commodities vary on a daily basis. Price volatility could have dramatic effects on the results of operations and the ability of the Company to execute its business plan. Lithium is a specialty chemical and is not a commonly traded commodity like copper, zinc, gold or iron ore. However, the price of

lithium tends to be set through a limited long-term offtake market, contracted between the very few suppliers and purchasers.

The world's largest suppliers of lithium are Sociedad Quimica y Minera de Chile S.A (NYSE:SQM), FMC Corporation (NYSE:FMC), Albemarle (NYSE:ALB) and Tianqi Group, who collectively supply approximately 80% of the world's lithium. Any attempt to suppress the price of lithium materials by such suppliers, or an increase in production by any supplier in excess of any increased demand, could have negative consequences on the Company. The price of lithium materials may also be reduced by the discovery of new lithium deposits, which could not only increase the overall supply of lithium (causing downward pressure on its price), but could draw new firms into the lithium industry which would compete with the Company.

Volatility of the Market Price of the Company's Common Shares

The Company's common shares are listed on the TSX.V under the symbol "PE", on the OTCQB trading platform in the United States under the trading symbol "PEMIF", and on the Frankfurt Stock Exchange under the trading symbol "AHG1". The quotation of Pure Energy common shares on the TSX.V may result in a less liquid market available for existing and potential stockholders to trade common shares, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future.

Securities of junior companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The Company's common share price is also likely to be significantly affected by delays experienced in progressing our development plans, a decrease in the investor appetite for junior stocks, or in adverse changes in our financial condition or results of operations as reflected in our annual and quarterly financial statements. Other factors unrelated to our performance that could have an effect on the price of the Company's common shares include the following:

- (a) The trading volume and general market interest in the Company's common shares could affect a shareholder's ability to trade significant numbers of common shares; and
- (b) The size of the public float in the Company's common shares may limit the ability of some institutions to invest in the Company's securities.

As a result of any of these or other factors, the market price of the Company's common shares at any given point in time might not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following years of volatility in the market price of their securities. The Company could in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Future Share Issuances May Affect the Market Price of the Common Shares

In order to finance future operations, the Company may raise funds through the issuance of additional common shares or the issuance of debt instruments or other securities convertible into common shares. The Company cannot predict the size of future issuances of common shares or the issuance of debt instruments or other securities convertible into common shares or the dilutive effect, if any, that future issuances and sales of the Company's securities will have on the market price of the common shares.

Economic and Financial Market Instability

Global financial markets have been volatile and unstable at times since the global financial crisis, which began in 2007. Bank failures, the risk of sovereign defaults, other economic conditions and intervention measures have caused significant uncertainties in the markets. The resulting disruptions in credit and capital markets have negatively impacted the availability and terms of credit and capital. High levels of volatility and market turmoil could also adversely impact commodity prices, exchange rates and interest rates. In the short term, these factors, combined with the Company's financial position, may impact the Company's ability to obtain equity or debt financing in the future and, if obtained, the terms that are available to the Company. In the longer term, these factors, combined with the Company's financial position could have important consequences, including the following:

- (a) Increasing the Company's vulnerability to general adverse economic and industry conditions;
- (b) Limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements;
- (c) Limiting the Company's flexibility in planning for, or reacting to, changes in the Company's business and the industry; and
- (d) Placing the Company at a disadvantage when compared to competitors that have less debt relative to their market capitalization.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. The Company's articles do not limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. The Company's ability to service any future debt obligations will depend on the Company's future operations, which are subject to prevailing industry conditions and other factors, many of which are beyond the control of the Company.

Industry Competition and International Trade Restrictions

The international resource industries are highly competitive. The value of any future reserves discovered and developed by the Company may be limited by competition from other world resource mining companies, or from excess inventories. Existing international trade agreements and policies and any similar future agreements, governmental policies or trade restrictions are beyond the control of the Company and may affect the supply of and demand for minerals, including lithium, around the world.

Governmental Regulation and Policy

Mining operations and exploration activities are subject to extensive laws and regulations. Such regulations relate to production, development, exploration, exports, imports, taxes and royalties, labor standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic and radioactive substances, transportation safety and emergency response, and other matters. Compliance with such laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and refining and other

facilities. It is possible that, in the future, the costs, delays and other effects associated with such laws and regulations may impact decisions of the Company with respect to the exploration and development of properties such as the CV Project, or any other properties in which the Company has an interest. The Company will be required to expend significant financial and managerial resources to comply with such laws and regulations. Since legal requirements change frequently, are subject to interpretation and may be enforced in varying degrees in practice, the Company is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, future changes in governments, regulations and policies and practices, such as those affecting exploration and development of the Company's properties could materially and adversely affect the results of operations and financial condition of the Company in a particular year or in its long-term business prospects.

The development of mines and related facilities is contingent upon governmental approvals, licenses and permits which are complex and time consuming to obtain and which, depending upon the location of the project, involve multiple governmental agencies. The receipt, duration and renewal of such approvals, licenses and permits are subject to many variables outside the control of the Company, including potential legal challenges from various stakeholders such as environmental groups or non-government organizations. Any significant delays in obtaining or renewing such approvals, licenses or permits could have a material adverse effect on the Company, including delays and cost increases in the advancement of the CV Project.

Changes to Government Laws and Regulations

The Office of the State Engineer of Nevada (the "State Engineer"), the State of Nevada Department of Conservation and Natural Resources, Division of Water Resources named the Clayton Valley Hydrographic Basin within Esmeralda County as a designated basin on March 7, 2016. Designation of a basin infers higher levels of scrutiny and management of groundwater resources by the State Engineer, but does not necessarily preclude additional future use of groundwater resources over and above that which is currently permitted. The Company, its officers, directors, contractors and agents must comply with all applicable water use laws and regulations when carrying out mineral exploration, project development work, and production associated with the CV Project. Water use laws and regulations, the appropriation of water and water use rights are evolving in a manner that may result in stricter and/or modified standards and assessments. Now that the State Engineer has designated the Clayton Valley Hydrographic Basin, there is a risk that exploration work and project development may be impacted by time delays or restrictions that could adversely affect and/or preclude the Project and its future development. At this time, these impacts are uncertain and unknown.

The Company's lithium exploration commenced before the designation of the Clayton Valley Basin. However, with the designation, there is uncertainty about the applicability of some elements of the state water law to lithium exploration in general and the Company's activities in particular. This creates a risk that practices will change and boreholes previously drilled by the Company will cease to be eligible for brine extraction in Clayton Valley. The Company received notice that its initial application for the appropriation of groundwater for the CV Project was denied by the State Engineer. This determination does not affect the Company's current work program since it is still engaged in exploration and early stage engineering phases of the project, pursuant to the waivers granted by the State Engineer and the guidelines of Nevada's newly passed AB 52. The Company believes that its water right application should have been granted on established legal grounds, and is in the process of pursuing all available legal and equitable remedies. However, the outcome of such are uncertain and unknown at this time.

The Company expects Nevada state statutes and regulations to evolve with respect to water rights and their implications for lithium mineral rights. Such evolution has already been observed in the rapid introduction and passage of AB 52, a statute that governs exploration for dissolved minerals species.

Nevada has a long history in mining, and there are indications that the overall state government environment is facilitative and supportive for lithium exploration and mining, but there can be no assurance as to the direction of change in the regulatory environment. For these reasons, the Company has retained specialist water rights consultants and legal counsel in order to proactively pursue its various administrative and legal matters and to develop and evaluate alternatives in the event that water rights for the CV Project are not granted or are not granted on the terms anticipated.

Risk Related to the Cyclical Nature of the Mining Business

The mining business and the marketability of the products that are produced are affected by worldwide economic cycles. At the present time, the significant demand for commodities such as lithium, in many countries is driving increased prices, but it is difficult to assess how long such demand may continue. Fluctuations in supply and demand in various regions throughout the world are common.

As the Company's mining and exploration business is in the exploration stage and as the Company does not carry on production activities, its ability to fund ongoing exploration is affected by the availability of financing which is, in turn, affected by the strength of the economy and other general economic factors.

Properties May be Subject to Defects in Title

The Company has investigated its rights to explore and exploit the CV Project and, to the best of its knowledge, its rights in relation to lands covering the CV Project are in good standing. Nevertheless, no assurance can be given that such rights will not be revoked, or significantly altered, to the Company's detriment. There can also be no assurance that the Company's rights will not be challenged or impugned by third parties.

Although the Company is not aware of any existing title uncertainties with respect to lands covering material portions of the CV Project, there is no assurance that such uncertainties will not result in future losses or additional expenditures, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

No Revenue and Negative Cash Flow

The Company has negative cash flow from operating activities and does not currently generate any revenue. Lack of cash flow from the Company's operating activities could impede its ability to raise capital through debt or equity financing to the extent required to fund its business operations. In addition, working capital deficiencies could negatively impact the Company's ability to satisfy its obligations promptly as they become due. If the Company does not generate sufficient cash flow from operating activities, it will remain dependent upon external financing sources. There can be no assurance that such sources of financing will be available on acceptable terms or at all.

Legal and Litigation

All industries, including the mining industry, are subject to legal claims, with and without merit. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company may become subject could have a material adverse effect on the Company's business, prospects, financial condition, and operating results. Defense and settlement of costs of legal claims can be substantial. There are no current claims or litigation outstanding against the Company.

Insurance

The Company is also subject to a number of operational risks and may not be adequately insured for certain risks, including: accidents or spills, industrial and transportation accidents, which may involve hazardous materials, labor disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory environment, impact of non-compliance with laws and regulations, natural phenomena such as inclement weather conditions, floods, earthquakes, tornados, thunderstorms, ground movements, cave-ins, and encountering unusual or unexpected geological conditions and technological failure of exploration methods.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the properties of the Company, personal injury or death, environmental damage or, regarding the exploration or development activities of the Company, increased costs, monetary losses and potential legal liability and adverse governmental action, all of which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums. The Company is not currently covered by any form of environmental liability insurance, since insurance against environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is unavailable or prohibitively expensive. This lack of environmental liability insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Currency

The Company is exposed to foreign currency fluctuations to the extent that the Company's material mineral property is located in the US and its expenditures and obligations are denominated in US dollars, yet the Company is currently headquartered in Canada, is listed on a Canadian stock exchange and typically raises funds in Canadian dollars. In addition, a number of the Company's key vendors are based in Canada, including vendors that supply geological, process engineering and chemical testing services. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company.

Conflicts of Interest

The Company's directors and officers are or may become directors or officers of other mineral resource companies or reporting issuers or may acquire or have significant shareholdings in other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Company may, or may also wish to participate, the directors and officers of the Company may have a conflict of interest with respect to such opportunities or in negotiating and concluding terms respecting the extent of such participation.

The Company and its directors and officers will attempt to minimize such conflicts. If such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which several

directors, or officers, may have a conflict. In determining whether or not the Company will participate in a particular program and the interest to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

Decommissioning and Reclamation

Environmental regulators are increasingly requiring financial assurances to ensure that the cost of decommissioning and reclaiming sites is borne by the parties involved, and not by government. It is not possible to predict what level of decommissioning and reclamation (and financial assurances relating thereto) may be required in the future by regulators. The Company's ability to advance the CV Project could be adversely affected by any inability on its part to obtain or maintain the required financial assurances.

Dividends

The Company has never paid cash dividends on our common shares, and does not expect to pay any cash dividends in the future in favor of utilizing cash to support the development of our business. Any future determination relating to the Company's dividend policy will be made at the discretion of the Company's Board of Directors and will depend on a number of factors, including future operating results, capital requirements, financial condition and the terms of any credit facility or other financing arrangements the Company may obtain or enter into, future prospects and other factors the Company's Board of Directors may deem relevant at the time such payment is considered. As a result, shareholders will have to rely on capital appreciation, if any, to earn a return on their investment in the common shares for the foreseeable future.

Hedging

On December 14, 2015, the Company entered into a 60 day hedging arrangement for \$750,000 US at a conversion rate of 1.3729. Although there were no hedging arrangements in place as of June 30, 2017, management may elect to use such instruments in the future. Derivative instruments may be used to manage changes in commodity prices, interest rates, foreign currency exchange rates, energy costs and the costs other consumable commodities. Common inherent risks associated with derivative transactions include (a) credit risk resulting from a counterparty failing to meet its obligation, (b) market risk associated with changes in market factors that affect fair value of the derivative instrument, (c) basis risk resulting from ineffective hedging activities and (d) legal risk associated with an action that invalidates performance by one or both parties. There is no assurance that any hedging or other derivative program will be successful.

Time and Cost Estimates

Time and cost estimates to develop, operate and close the CV Project have been prepared in connection with the Company's recent preliminary economic assessment. Other estimates of time and costs are made from time to time for exploration and other business activities. Actual time and costs may vary significantly from estimates for a variety of reasons, both within and beyond the control of the Company. Failure to achieve time estimates and significant increases in costs may adversely affect the Company's ability to continue exploration, develop the CV Project and ultimately generate sufficient cash flows. There is no assurance that the Company's estimates of time and costs will be achievable.

Consumables Availability and Costs

The Company's planned development activities and operations, including the profitability thereof, will continue to be affected by the availability and costs of consumables used in connection with the Company's activities. Of significance, this may include concrete, steel, copper, piping, diesel fuel, processing reagents and electricity. Other inputs such as labor, consultant fees and equipment components are also subject to availability and cost volatility. If inputs are unavailable at reasonable costs, this may delay or indefinitely postpone planned activities. Furthermore, many of the consumables and specialized equipment used in exploration, development and operating activities are subject to significant volatility. There is no assurance that consumables will be available at all or at reasonable costs.

Mineral Resource Uncertainties

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to mineral resources, there can be no assurances that mineral resources will be upgraded to mineral reserves as a result of continued exploration or during the course of operations.

There can be no assurances that any of the mineral resources stated in this MD&A or published technical reports of the Company will be realized. Until a deposit is actually extracted and processed, the quantity of mineral resources or reserves, grades, recoveries and costs must be considered as estimates only. In addition, the quantity of mineral resources or reserves may vary depending on, among other things, product prices. Any material change in the quantity of mineral resources or reserves, grades, dilution occurring during mining operations, recoveries, costs or other factors may affect the economic viability of stated mineral resources or reserves. In addition, there is no assurance that chemical recoveries in limited, small scale laboratory tests will be duplicated by larger scale tests or during production. Fluctuations in lithium/lithium product prices, results of future drilling, metallurgical testing, actual mining and operating results, and other events subsequent to the date of stated mineral resources and reserves estimates may require revision of such estimates. Any material reductions in estimates of mineral resources or reserves could have a material adverse effect on the Company.

Taxation

The Company is affected by the tax regimes of numerous jurisdictions. Revenues, expenditures, income, investments, land use, intercompany transactions and all other business conditions can be taxed. Tax regulations, interpretations and enforcement policies may differ from the Company's applied methods and may change over time due to circumstances beyond the Company's control. The effect of such events could have material adverse effects on the Company's anticipated tax consequences. There is no assurance regarding the nature or rate of taxation, assessments and penalties that may be imposed.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable, reclamation bond, accounts payable and accrued liabilities, 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.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous reporting years.

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 fiscal year ended June 30, 2017, the Company had the following related party transactions and balances:

- (a) management fees of \$82,005 (2016: \$120,000) were paid to a company controlled by Mr. Mintak, a former director and former Executive Chairman of the Company;
- (b) management fees of \$nil (2016: \$6,200) were paid to a company controlled by Mr. Dake, a director of the Company;
- (c) management fees of \$32,544 (2016: \$87,500) were paid to a company controlled by Mr. Poirier, a former director of the Company;
- (d) professional and accounting expenses of \$61,169 (2016: \$60,000) were paid to a company controlled by John Jardine, former CFO of the Company;
- (e) Management fees of \$Nil (2016: \$118,129) were paid to a company controlled by Mr. Zawadzki, a former officer of the Company;
- (f) Management fees of \$134,257 (2016: \$152,664) were paid to a Company controlled by Dr. Robinson, a former officer and former director of the Company;
- (g) consulting fees of \$Nil (2016: \$13,040) were paid to Grant Hall, a former director of the Company;
- (h) consulting fees of \$2,278 (2016: \$1,500) were paid to Gerhard Jacob, a former director of the Company;
- (i) management fees of \$242,589 (2016: \$52,995) were paid to Patrick Highsmith, a director and CEO of the Company;
- (j) management fees of \$32,075 (2016: \$nil) were paid to a private company controlled by Dianne Szigety, the Corporate Secretary of the Company;
- (k) consulting fees of \$56,650 (2016: \$nil) were paid to a company owned and controlled by Walter Weinig, an officer of the Company;
- (l) consulting fees of \$10,168 (2016: nil) were paid to Paul Zink, CFO of the Company;

(m) the Company incurred a total share based compensation expense of \$663,007 (2016: \$943,328), to related parties; and

(n) as at June 30, 2017, accounts payable included \$18,214 (2016: \$17,790) 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 and are on terms and conditions similar to non-related entities.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

In applying the Company's accounting policies, management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results.

The most significant critical judgment that members of management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements is the policy on exploration and evaluation assets.

In particular, management is required to assess exploration and evaluation assets for impairment. Note 5 to the Financial Statements discloses the carrying values of such assets. As part of this assessment, management must make an assessment as to whether there are indicators of impairment. If there are indicators, management performs an impairment test on the major assets within this balance.

The recoverability of exploration and evaluation assets is dependent on a number of factors common to the natural resource sector. These include the extent to which the Company can continue to renew its exploration and future development licenses with local authorities, establish economically recoverable reserves on its properties, the ability of the Company to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Company will use the evaluation work of professional geologists, geophysicists and engineers for estimates in determining whether to commence or continue mining and processing. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralization. If a determination is made that a deposit does not contain economically recoverable mineralization, or if other factors are present that indicate the existence of an impairment, a property is written down to net realizable value, which could have a material effect on the financial position and financial performance of the Company.

STOCK-BASED COMPENSATION

The Company has a stock option plan, which is described in Note 7 to the 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 year 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.

FINANCIAL INSTRUMENTS

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company accounts for transaction costs related to the issuance of financial instruments other than those at FVTPL (fair value through profit or loss) as a reduction of the carrying value of the related financial instruments.

Financial instruments included in the statement of financial position are comprised of cash, amounts receivable, reclamation bond, accounts payable and accrued liabilities, and asset retirement obligation. The Company is not exposed to any derivative instruments. The Company is exposed to currency exchange rate risk as certain transactions are denominated in US dollars. The Company does not have foreign exchange hedges in place at this time. It is management's opinion that the Company is not exposed to significant interest rate or credit risks.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the 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 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 124,414,336 common shares issued and outstanding as at October 5, 2017. The Company had 119,838,056 common shares outstanding as at June 30, 2017.

Share Purchase Options

As at October 5, 2017, the Company has 6,925,000 stock options outstanding of which 5,025,000 are fully vested and exercisable. A summary of the Company's stock options is presented below:

| | Number of Options | Exercise Price | Expiry Date |
|------------------------------|------------------------------|---------------------------|--------------------|
| | | \$ | |
| October 3, 2014 | 160,000 | 0.245 | October 3, 2019 |
| November 13, 2014 | 400,000 | 0.235 | November 13, 2017 |
| March 11, 2015 | 280,000 | 0.270 | March 11, 2020 |
| October 23, 2015 | 625,000 | 0.670 | October 23, 2020 |
| November 5, 2015 | 475,000 | 0.540 | November 5, 2020 |
| February 4, 2016 | 400,000 | 0.570 | February 4, 2021 |
| July 25, 2016 | 1,410,000 | 0.750 | July 24, 2019 |
| September 27, 2016 | 250,000 | 0.760 | March 27, 2018 |
| December 2, 2016 | 200,000 | 0.710 | December 2, 2019 |
| April 19, 2017 | 575,000 | 0.500 | April 19, 2022 |
| July 11, 2017 | 2,150,000 | 0.570 | July 11, 2022 |
| <hr/> | | | |
| Balance, October 5, 2017 | 6,925,000 | \$0.580 | |
| <hr/> | | | |
| Fully vested and exercisable | 5,025,000 | \$0.587 | |

Warrants

The Company has 17,983,416 share purchase warrants outstanding at October 5, 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 |
| <hr/> | | 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 Financial Statements and Technical Reports, is available on the Company's website at www.pureenergyminerals.com, or on SEDAR at www.sedar.com.

REFERENCES CITED

- (1) Lithium processors prepare to meet demand in era of electric car”, Reuters, August 7, 2017.
- (2) Auto Revolution: Rise of the lithium ion battery megafactories”, Benchmark Mineral Intelligence Ltd., April 26, 2017
- (3) Tesla to build world’s biggest lithium ion battery in South Australia”, theguardian.com, July 6, 2017
- (4) “U.S. Energy Storage Monitor: Q3 2017 Executive Summary”, GTM Research, September 2017, www.greentechmedia.com
- (5) Neometals press release, “Mt Marion Lithium Operation Update”, June 19, 2017
- (6) Private report prepared for Pure Energy Minerals Ltd. by Benchmark Mineral Intelligence, April 1, 2017
- (7) Auto Revolution: Rise of the lithium ion battery megafactories”, Benchmark Mineral Intelligence Ltd., April 26, 2017
- (8) Lithium”, Mineral Commodity Summaries 2017”, U.S. Geological Survey, January 2017
- (9) Private report prepared for Pure Energy Minerals Ltd. by Benchmark Mineral Intelligence, April 1, 2017
- (10) Zampirro, D., 2004. “Hydrogeology of Clayton Valley Brine Deposits, Esmeralda County, Nevada”, in Nevada Bureau of Mines and Geology Special Publication 33, p. 271-280, Proceedings of the 39th Forum on the Geology of Industrial Minerals, May 18-24, 2003.
- (11) Porfert, C., 2010. “Low Stress (Low Flow) Purging and Sampling Procedures for the Collection of Groundwater Samples from Monitoring Wells”; U.S. Environmental Protection Agency, Quality Assurance Unit, January 19, 2010.