

FORM 51-102F1

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

October 24, 2019

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, 2019, in comparison with those for the year ended June 30, 2018. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The following discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements for the years ended June 30, 2019 and 2018 (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 forward-looking 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 qualified personnel, competition for 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.

SIGNIFICANT EVENT

At the May 28, 2019 Annual and Special Shareholders Meeting, Pure Energy's shareholders voted on an Earn-In Agreement, (the "Agreement") with Schlumberger Technology Corporation ("SLB"), a subsidiary of Schlumberger Corporation, for the option to purchase the Company's Clayton Valley lithium brine project ("CV Project"), Nevada, for terms of:

- 1) A Private Placement of US\$1.5 million to the Company on closing by Schlumberger Canada Limited;
- 2) The full construction and testing of a Pilot Plant for CV Project lithium brines subject to test flow, recovery and minimum production criteria during a 3-year option period, after which the CV Property interests will be transferred to SLB; and
- 3) Upon exercise, a 3% net smelter returns production royalty (the "NSR") on all Clayton Valley Properties held by the Company, payable quarterly, subject to advance minimum royalty payments of US\$400,000 annually, commencing in January 2021, and continuing until the production royalty is triggered.

Pursuant to the Agreement, the advance minimum royalty payable to the Company will be non-refundable and fully credited against any future payments under the NSR. SLB has the right to acquire the NSR for US\$14 million following 10 years of commercial production, or for US\$9 million following 15 years of commercial production, as well as a right of first refusal ("ROFR") in the event that the Company wishes to sell the NSR to a third party (the "Transaction").

SLB will also assume project management, including all property payments and regulatory responsibilities relating to the CV Property while under the Earn-In, and will provide replacement security for reclamation bonds. The Agreement may be terminated at any time by SLB with 30 days' notice, provided that all underlying property payments and contractual obligations are assumed for the current calendar year. SLB will be the manager of the CV Project. It is the Company's understanding that SLB intends to continue the development of the project including the construction of a Pilot Plant and ultimately the construction of a commercial facility.

Prior to closing the Earn-In agreement and private placement, the Company currently had a low cash balance and a substantial net working capital deficit. With the closing of the Agreement the Company has successfully eliminated this deficit. Going forward the Company intends to search for new opportunities that are consistent with the terms of the Agreement.

Pure Energy's Board intends to recruit additional management team members who will, together with the Board, develop and execute a new business plan that will build on the opportunities provided by the above mentioned Agreement.

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 2100 – 1055 West Hastings Street, Vancouver, B.C. V6E 3P3.

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 at the pre-development stage and has advanced through various preliminary engineering and processing studies. Historically, 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.

MARKET CONTEXT AND OUTLOOK

As discussed above, under the terms of the Agreement, the Company will own a 3% NSR and as a result, future financial results will be in part dependent on market conditions for high value lithium compounds. Because of that dependency it is important for the Company to monitor closely the salient trends, developments and conditions of the lithium market.

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. However, the London Metal Exchange is partnering with the price reporting agency Fastmarkets to promote market acceptance of Fastmarkets’ lithium reference prices. It is expected that this will ultimately result in the launch of an LME lithium futures contract.

Roskill in its July 2019 Lithium Outlook to 2028 estimates that Lithium Carbonate Equivalent (LCE) demand will grow from an estimated 261,100 tonnes in 2018 to 1,290,000 tonnes in 2028. In Roskill’s Outlook they estimate that Compound Annual Growth Rate may range from a low of 11.9% to a high of 22.3%.

Lithium batteries are now the norm in almost all consumer 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 German Automobile Manufacturers Association estimates electric vehicle penetration of 15% to 25% being possible by 2025. EVs use tens of kilograms of LCE per unit as opposed to grams per unit in mobile phone batteries.

When discussing the market’s supply Roskill states;

Although new capacity has been brought online at several operations, there have also been a number of setbacks. Recently there have been capital expenditure blowouts, delays in mine ramp ups and the bear market in the lithium equities has undoubtedly curtailed investment in greenfield projects. These developmental challenges, along with the changing cost profile of the industry, highlight the technical and financial hurdles involved with bringing such sizable volumes of new capacity online. We maintain the view that concerns about future refined lithium over-supply are poorly founded and expect the lithium market to enter a period of sustained supply deficit in the early 2020s.

THE CLAYTON VALLEY PROJECT

A Preliminary Economic Assessment (“PEA”) technical report on the CV Project was filed on SEDAR on August 10, 2017. A revised PEA technical report was filed on SEDAR on April 5, 2018 in response to comments received from the British Columbia Securities Commission. As mentioned above SLB will be assuming management responsibilities for the CV Project and the development of the project may vary from the plans envisioned in the PEA.

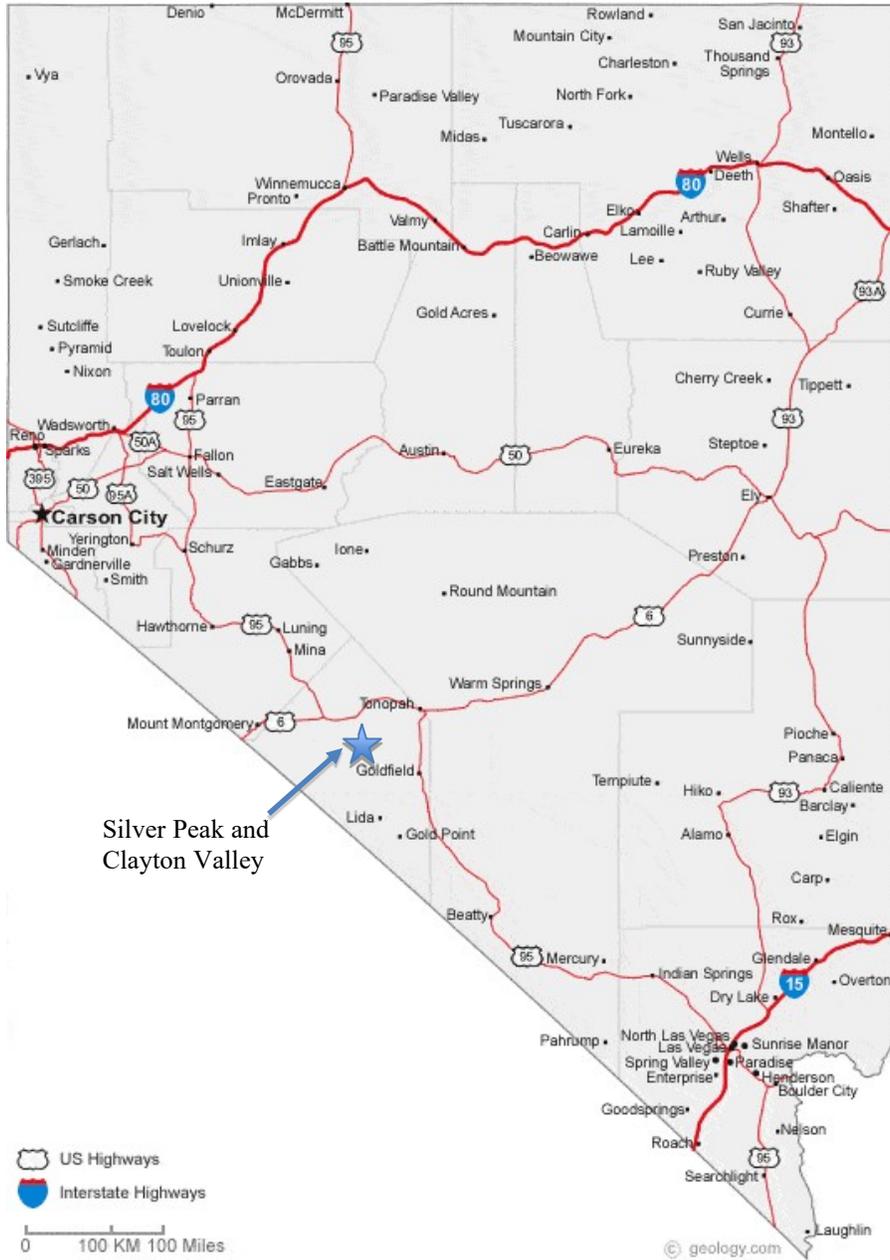
Clayton Valley Lithium Project Preliminary Economic Assessment, Esmeralda County, Nevada

Unless otherwise stated, the information that follows relating to the CV Project is derived from, and in some instances is an extract from, the Revised Technical Report entitled “Clayton Valley Lithium Project Preliminary Economic Assessment, Esmeralda County, Nevada” dated March 23, 2018 (the “Technical Report”) prepared by Ron Molnar, P.Eng of MetNetH₂O; Daniel S. Weber, P.G. of Montgomery & Associates; Ernie Burga, P.Eng. of Andeburg Consulting Services; Valerie Sawyer, P.E. of SRK Consulting; Raymond P. Spanjers; and Jeffrey A. Jaacks, CPG of Geochemical Applications International Inc. The authors of the Technical Report are “Qualified Persons” as such term is defined in NI 43-101 and are independent of the Company within the meaning of NI 43-101. Certain information below is based on assumptions, qualifications and procedures that are set out only in the Technical Report, and reference should be made to the full text of the Technical Report. The Company filed the Technical Report under its profile at www.sedar.com and on the Company’s website on April 5, 2018.

Property Description, Location and Access

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

Figure 1: Clayton Valley Project Location Map



Silver Peak and Clayton Valley

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.

Clayton Valley lies in a complex zone of disrupted geologic structure between the northwest trending Sierra Nevada Mountain Range to the west, and the north-south trending Basin and Range province to the north and east. The valley has a total watershed area of 1,437 km² (555 mi²), and the floor of the valley lies at an elevation of approximately 1,320 metres (4,320 feet) above sea level (ASL).

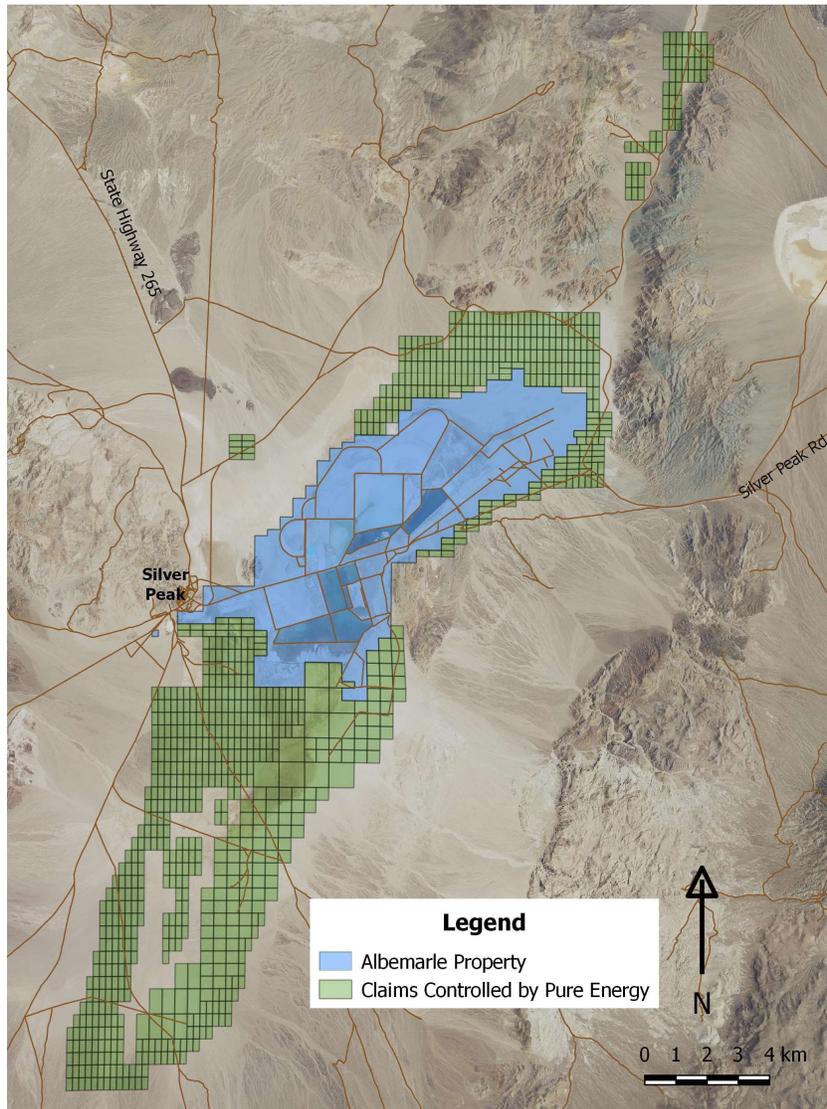
Mineral Tenure and Surface Rights

As described in the PEA technical report, the property consisted of 1,085 lithium placer claims covering about 10,600 hectares 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. In November 2017, the Company acquired 74 lithium placer claims covering 599 hectares from Advantage Lithium and Nevada Sunrise. With these transactions, the property consisted of 1,083 lithium placer claims in Clayton Valley as of June 30, 2018.

In August 2018, the Company released 135 claims to better refine its land position. As a result, the Company controls 948 placer claims located in blocks to the south, east and north of Albemarle's existing lithium brine operation. In their entirety, the claims controlled by Pure Energy as of September 1, 2018 occupy approximately 94 km² (9,400 hectares or 23,300 acres).

All 948 claims are located on unencumbered public land managed by the federal Bureau of Land Management (BLM), and shown in the claim map below. Of these, 541 claims representing about 4,400 hectares are owned by the Company or its subsidiaries as the claimant, and 407 claims representing about 5,000 hectares 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.

There is no permanent surface water in the Clayton Valley watershed, with the exception of the man-made evaporation ponds operated by Albemarle Corp. All watercourses are ephemeral and only active during periods of intense precipitation.

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 epoch 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. Geochemical analyses confirm relatively low concentrations of potentially deleterious elements such as calcium and magnesium.

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. All Pure Energy holes are exploratory and not production 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. Only exploration wells CV-7 and CV-8 remain in place as of November 1, 2018. Exploration wells CV-1 through CV-6 have been plugged and abandoned pursuant to Nevada regulatory requirements.

The total work program completed 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;
- water level monitoring for determining direction of groundwater movement, hydraulic gradient, and aquifer characteristics; and
- Drilling and sampling of exploration boreholes performed by Nevada Sunrise in late 2016 and early 2017 on claims purchased by the Company in November 2017. These data were not available for inclusion in the PEA technical report.

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.

Data from the Clayton NE exploration boreholes collected in late 2016 and early 2017 show similar patterns of lithium grades increasing with depth in brine beneath the claims to the east of Albemarle’s existing Silver Peak operation. No pumping tests have been performed at locations within the claim blocks acquired in 2017 from Nevada Sunrise and Advantage Lithium.

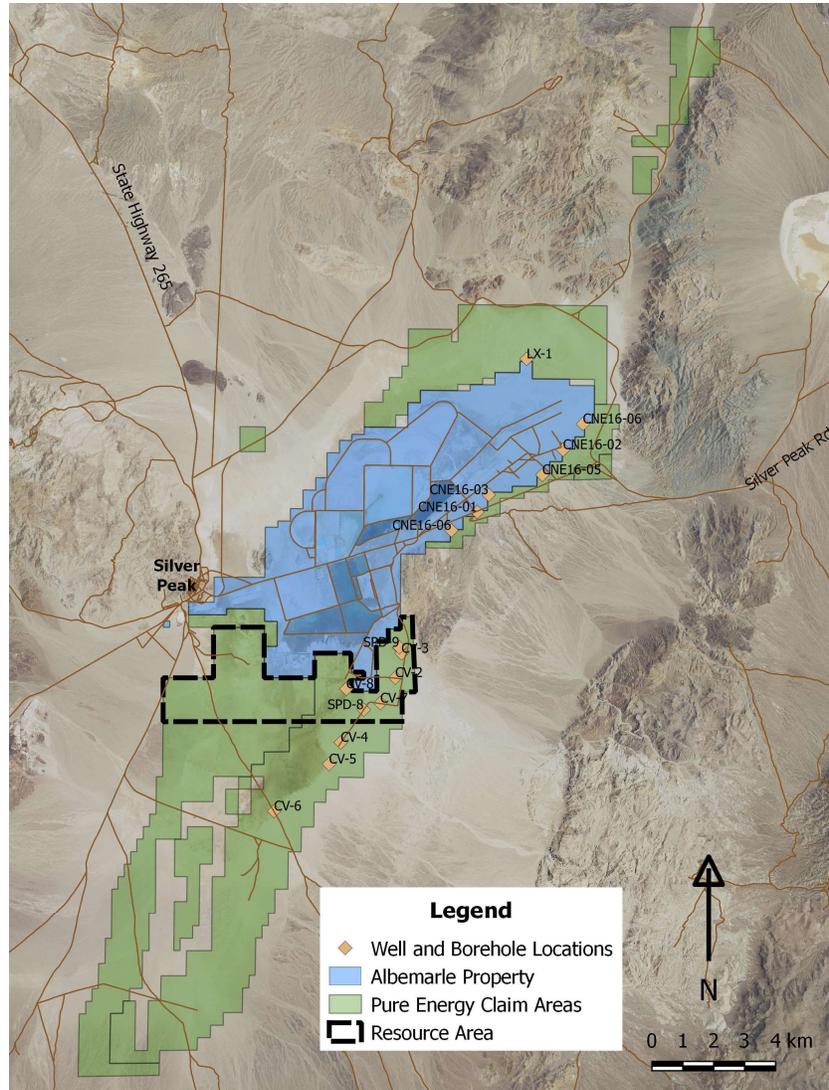
Sample Preparation, Analyses and Data Verification

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



Mineral Resource Estimate

The Resource Estimate at an Inferred mineral resource category for lithium is based on the total amount of lithium that is theoretically drainable from the aquifer system. The volumes within the resource area where lithium concentration is inferred to be less than the cutoff grade of 22 mg/L are not included in the resource calculations. In some areas, there are volumes of brine included in the Resource Estimate even where they extend beyond data points from wells. These zones (usually at depth below known data points or extending laterally from known data points) are included in the Resource Estimate based on the substantial amount of geophysical information obtained that justifies extrapolating the resource to its logical boundary conditions (such as lateral property or geological boundaries, lithological characteristics, or basin depth constraints imposed by the deepest project data point in well CV-8). The Resource Estimate does not include brine aquifer volumes at depths greater than the bedrock contact at CV-8 (below elevations of approximately

361 meters or 1,184 ft amsl). In some cases, deep brine aquifer volumes remain open for further exploration and characterization.

The lithium concentration volumes are used to calculate the drainable brine volume of the aquifer for the Resource Estimate using an estimated specific yield of 6 percent. The table below summarizes the Resource Estimate expressed as elemental lithium (Li), LiOH·H₂O and LCE at the Inferred category.

Inferred Resource Estimate for Lithium

	Average Lithium Concentration in Brine Volume (mg/L)	Brine Volume (m ³) x 10 ³	Specific Yield	Drainable Brine Volume (m ³) x 10 ³	Lithium (kTonnes)	LiOH·H ₂ O (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) The concentration and mass estimates represent the Inferred Resource of elemental lithium prior to pumping. To obtain the resource tonnage expressed as LiOH·H₂O and LCE, the estimated mass of elemental 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. The conversion factor from lithium to LCE is 5.322785. The conversion factor from lithium to LiOH·H₂O is 6.046398.
- 2) The average lithium concentration is based on the final calculated lithium mass and drainable volume. Brine with estimated lithium concentrations below the cut-off grade of 22 mg/L was not included in the resource calculation.
- 3) The Resource Estimate is for claims controlled by PEM 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.
- 6) The preliminary economic assessment is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized.

The Resource Estimate totals 40,900 tonnes (45,085 tons) of elemental lithium. This can also be represented as 217,700 tonnes (240,000 tons) on an LCE basis or 247,300 tonnes (272,600 tons) as LiOH·H₂O. 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.

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.

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. Processing facilities could be located either on BLM land or 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.

On December 26, 2018 the State Engineer granted Pure Energy's application, through its wholly-owned subsidiary Esmeralda Minerals LLC, for a finite-term water right with the total withdrawal not to exceed 50 acre-feet over a five-year period. The water right provides the permit necessary to pump brine from the Clayton Valley aquifer and deliver the brine to a future pilot plant for testing lithium processing methods.

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 and east of the existing Silver Peak operation. Under the terms of the Earn-in agreement SLB will be responsible for any future exploration work on the property.

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 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.

QUALITY CONTROL AND QUALIFIED PERSONS

Walter Weinig, Professional Geologist and SME Registered Member (SME Registered Member # 4168729) is a qualified person as defined by NI 43-101, and supervised the preparation of the scientific and technical information that form the basis for this MD&A. Mr. Weinig is not independent of the Company as he is a former officer and an advisor to the Company.

Dr. Ron Molnar, Professional Metallurgical Engineer (Ontario P.E.# 100111288), 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 year ended June 30, 2019 and for the subsequent period is described as follows:

- On July 3, 2018, the Company issued 1,250,000 common shares at a fair value of \$0.20 pursuant to a property option agreement.
- On August 10, 2018, the Company issued a US\$225,000 Senior Convertible Promissory Note with a related party. Terms include payment of the outstanding principal of the Note to the Holder on or prior to the Maturity Date of October 4, 2019, unless previously prepaid or converted, at the option of the Holder, into fully paid and non-assessable shares at US\$0.10 per share. The Note bears interest at the rate of 10% per annum, accruing daily and payable in quarterly installments. The Note was paid in full and retired on June 12, 2019.
- On August 29, 2018, the Company issued 750,000 common shares at a fair value of \$0.11 pursuant to a property option agreement.
- On November 13, 2018, the Company issued a US\$75,000 Senior Convertible Promissory Note with a related party. Terms include payment of the outstanding principal of the promissory note to holder on or before the maturity date of November 15, 2019, unless previously prepaid or converted, at the option of the holder, into fully paid and non-assessable shares at US\$0.10 per share. The promissory note bears interest at 10% per annum, accruing daily and payable in quarterly installments. This convertible debt was subsequently repaid on June 12, 2019.
- On November 23, 2018, the Company issued 750,000 common shares at a fair value of \$0.095 pursuant to a property option agreement.
- On January 10, 2019, the Company issued 2,500,000 shares to GeoXplor Corp pursuant to the terms of the Option Agreement dated May 10, 2017, as amended.
- On January 23, 2019, the Company issued 262,530 common shares with a fair value of \$26,253 to settle accounts payable of \$35,015 with a contractor. A gain of \$8,762 on the extinguishment of debt was recognized.
- On February 19, 2019, the Company announced a private placement offering of a US\$400,000 Senior Convertible Promissory Note with Schlumberger Canada Limited "SLB". Under the terms of the Earn-In Agreement, SLB will exercise its conversion option thus retiring the note. The note was subsequently converted to 5,523,707 common shares on May 30, 2019.

- On February 22, 2019, the Company issued 420,481 common shares with a fair value of \$42,048 to settle accounts payable of \$53,882 with a contractor. A gain of \$11,834 on the extinguishment of debt was recognized.
- On April 4, 2019, the Company issued 204,615 common shares with a fair value of \$16,369 to settle accounts payable of \$25,780 with a contractor. A gain of \$9,411 on the extinguishment of debt was recognized.
- On May 30, 2019, the Company issued 32,431,737 common shares to Schlumberger Canada Ltd as part of a private placement for US\$1,500,000 (CAD\$1,993,637). The Company paid cash commissions of US\$90,000 (CAD\$114,555) related to the private placement and other share issuance costs of \$37,171.
- On May 30, 2019, the Company issued 5,523,707 common shares due to the conversion of a convertible debt of US\$400,000 (CAD\$532,000) and accrued interest of \$19,765.

Share capital activity for the year ended June 30, 2018 is described as follows:

- On July 7, 2017, the Company issued 15,382 shares at a fair value of \$0.59 per share pursuant to a property option agreement.
- On August 22, 2017, the Company issued 700,000 shares at a fair value of \$0.55 per share pursuant to a property acquisition agreement.
- On September 20, 2017, the Company issued 900,000 shares at a fair value of \$0.50 per share pursuant to a property acquisition agreement.
- On September 26, 2017, the Company completed a private placement and issued 2,325,000 Units at \$0.50 per Unit. Each Unit consists of one common share and one-half share purchase warrant entitling the holder to acquire an additional common share at a cost of \$0.75 per share for a two-year period.
- On December 1, 2017, the Company issued 7,000,000 shares at a fair value of \$0.44 per share pursuant to a property option agreement.
- On February 6, 2018, the Company completed a brokered private placement and issued 13,745,000 Units at \$0.40 per Unit. Each Unit consists of one common share and one share purchase warrant. Each warrant is exercisable at \$0.55 per share for a three-year period, subject to acceleration in certain conditions. The Company also issued 671,150 share purchase warrants, exercisable at \$0.40 per share for a three-year period, as partial compensation to finders.
- On March 13, 2018, the Company issued 200,000 shares at \$0.33 per share as a finder's fee.
- On May 9, 2018, the Company issued 800,000 shares at a fair value of \$0.24 per share pursuant to a property option agreement.
- On May 31, 2018, the Company issued 38,215 shares at a fair value of \$0.27 per share pursuant to a property option agreement.

During the period from July 1, 2017 to June 30, 2018, the Company issued 315,898 common shares pursuant to the exercise of warrants at \$0.15 per share.

During the period from July 1, 2017 to June 30, 2018, the Company issued:

- 60,000 common shares pursuant to the exercise of stock options at \$0.235 per share;
- 250,000 common shares pursuant to the exercise of stock options at \$0.245 per share;
- 10,000 common shares pursuant to the exercise of stock options at \$0.27 per share;
- 400,000 common shares pursuant to the exercise of stock options at \$0.24 per share.

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.

Management and Directors

On October 31, 2018, Patrick Highsmith and Paul Zink resigned their positions as CEO and CFO, respectively. Mr. Highsmith continued his involvement with the Company as a director until May 2019.

On October 11, 2018, S. Scott Shellhaas resigned as a director of the Company for personal reasons.

On January 7, 2019, Walter Weinig resigned his position as Vice President for Projects and Permitting. Mr. Weinig continues his involvement with the Company as a technical advisor and Qualified Person under NI 43-101.

On October 31, 2018, Frank L. Wells, a current Director of the Company, was appointed Interim CFO.

On May 28, 2019, Tyler Durham was appointed to the Board of Directors. Mr. Durham is an employee of Schlumberger Technology Corporation.

On May 28, 2019, Yaping He was appointed to the Board of Directors. Mr. He is the founder of Nextview Capital, parent to Lithium X Corporation.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Three months ended June 30, 2019 compared to the three months ended June 30, 2018

During the three months ended June 30, 2019, the Company had a comprehensive loss of \$140,768 from operations compared to a comprehensive loss of \$4,529,082 for the three months ended June 30, 2018. Operating expenses for the three months ended June 30, 2019 were \$140,116 compared to \$630,879 for the three months ended June 30, 2018. Other comprehensive income for the three months ended June 30, 2019 was \$3,381 compared to \$21,963 for the three months ended June 30, 2018.

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.

Loss from other items decreased by \$3,916,133, due mainly to the Company electing to write down the Terra Cotta project in the prior year. As a result, the Company wrote off \$3,916,344 in capitalized evaluation and exploration assets in the three months ended June 30, 2018 compared to only \$51,394 in the three months ended June 30, 2019.

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:

Business development decreased by \$33,131 due to the Company's decreased efforts in fiscal 2018 to build relationships with potential offtakers/strategic partners, several of which are based overseas.

Management fees and salaries decreased by \$235,152 due to a reduction in the size of the management team.

Professional fees increased by \$68,662 mainly due to prior year legal fees related to the earn-in agreement that was announced on May 30, 2019.

Share-based compensation decreased by \$201,277, related to the issuance of incentive of stock options in the prior year. During the three months ended June 30, 2019, no stock options were granted or were vesting.

Travel decreased by \$48,817 due to cost reduction strategies and the reduced size of the management team. Also, less travel was required with the reduced activity at the Terra Cotta location.

Year ended June 30, 2019 compared to the year ended June 30, 2018

During the year ended June 30, 2019, the Company had a comprehensive loss of \$1,038,766 from operations compared to a comprehensive loss of \$7,182,617 for the year ended June 30, 2018. Operating expenses for the year ended June 30, 2019 were \$1,005,490, compared to \$3,312,937 for the year ended June 30, 2018. Other comprehensive income for the year ended June 30, 2019 was a loss of \$8,365 compared to income of \$51,446 for the year ended June 30, 2018.

Other comprehensive income (loss) is a result in foreign exchange differences between the translation to presentation currency of the subsidiaries and the functional currency of each subsidiary.

Loss from other items decreased by \$3,896,215 due to the Company electing to write down the Terra Cotta project in the prior year, and as a result, the Company wrote off \$3,916,344 in capitalized evaluation and exploration assets.

Overall decrease in operating expenses reflect decreased 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. Principal expenses were related to 2018 expenses which were paid in 2019, as well as legal and transaction costs associated with the Earn-In Agreement with Schlumberger. 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:

Investor relations decreased by \$289,280 due to the Company's increased efforts in fiscal 2018 to build relationships with potential offtakers/strategic partners, several of which are based overseas. In fiscal 2019, management focused on cost reduction strategies.

Management fees and salaries decreased by \$480,122 due to a reduction in the number of management team members.

Professional fees decreased by \$184,831 mainly due to lower business activity in fiscal 2019 compared to the prior year. Also, management implemented cost reduction strategies to reduce expenses during the year.

Share-based compensation decreased by \$941,744 due to no stock options being granted in the year ended June 30, 2019 compared to 6,100,000 stock options being granted in the year ended June 30, 2018.

Travel decreased by \$258,826 as a result of decreased activity at the Terra Cotta location and a reduction in the size of the management team travelling.

SELECTED ANNUAL INFORMATION

(\$000's except earnings per share)

	Years Ended		
	June 30, 2019	June 30, 2018	June 30, 2017
	\$	\$	\$
Revenue	-	-	-
Operating loss	(1,005)	(3,313)	(3,604)
Net loss	(1,030)	(7,234)	(3,579)
Comprehensive loss	(1,039)	(7,183)	(3,579)
Basic and diluted loss per share	(0.01)	(0.05)	(0.06)
Total assets	35,166	32,870	7,870
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	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sep 30
	2019	2019	2018	2018	2018	2018	2017	2017
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Loss	(140)	(94)	(293)	(479)	(631)	(953)	(851)	(878)
Net loss	(144)	(130)	(221)	(535)	(4,551)	(951)	(858)	(874)
Comprehensive loss	(141)	(132)	(228)	(538)	(4,529)	(885)	(849)	(920)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)

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 March 3, 2016, the Company appointed Patrick Highsmith as Chief Executive Officer replacing Robert Mintak. Mr. Highsmith resigned as CEO of Pure Energy effective October 31, 2018 for personal reasons and remained on the Board of Directors until his resignation on July 8, 2019.

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

On March 31, 2017, the Company appointed Walter Weinig as Vice President of Projects and Permitting. Mr. Weinig resigned his position as Vice President and was appointed an advisor to the Company on January 7, 2019.

On June 15, 2017, the Company appointed Paul Zink as Chief Financial Officer of the Company. Mr. Zink resigned as CFO effective October 31, 2018 for personal reasons.

On May 21, 2018, Frank Wells was appointed as a director of the Company and on October 31, 2018 Mr. Wells was appointed as the Interim CFO upon the resignation of Mr. Zink. Mr. Wells has more than 35 years of diverse experience as a financial analyst, business development specialist, financial officer, and director. He spent 17 years with Santa Fe Pacific Gold Corp. and Newmont Mining Corp. in senior business development and planning positions in the western US and around the world. Mr. Wells also acted as Finance Director and CFO of Central Asia Metals Ltd. His recent experience includes extensive financial modeling in association with advanced engineering studies and acquisition opportunities in the gold, lithium, copper, lead-zinc, rare earth element, and chromite sectors.

The Company is currently engaged in a search for a chief executive officer.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position was \$683,774 as at June 30, 2019, compared to \$72,539 as at June 30, 2018. The Company had working capital surplus of \$289,943 as at June 30, 2019, compared to a working capital deficit of \$388,794 as at June 30, 2019.

The Earn-In Agreement with SLB provides that SLB will assume all costs related to property, technical, permitting and development studies related to the CV Project.

Subsequent to the signing of the Earn-In Agreement and the related Private Placement, the Company had adequate cash to cover its accrued liabilities and cover most of its cash requirements cash for the coming year. 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, 2019, the Company's activities used \$609,282 of cash compared to the year ended June 30, 2018, when activities used \$2,273,595 of cash. The cash used in operating activities reflects the Company's operating losses (after adjusting for non-cash items) of \$891,904 (2018 - \$2,265,124). Non-cash items include the stock-based compensation of \$115,898 (2018 - \$1,057,642) and the write-off of exploration and evaluation assets of \$51,394 (2018 - \$3,916,344). Overall, the decrease in operating cash outflows is due to reduced administrative costs. Going forward, the Company's working capital requirements are expected to increase in connection with the development of its CV Project.

Investing Activities

The Company's primary investing activity is its expenditures on exploration and evaluation assets. During 2019, retirement of debts and costs related to the Earn-In Agreement with SLB comprised a majority of expenditures. During the year ended June 30, 2019, the Company spent \$1,182,540 (2018 - \$5,943,201) on exploration activity at the CV project. Details of expenditures for the year ended June 30, 2019 are more fully described in Note 5 to the June 30, 2019 Financial Statements "*Exploration and Evaluation Assets*".

Financing Activities

For the year ended June 30, 2019, the Company received total cash of \$1,993,637 (2018 - \$6,881,935) less share issuance costs of \$151,726 (2018 - \$475,626) from private placements. The issuance of convertible debt also provided cash of \$918,598 less repayments of convertible debt during the year of \$401,550.

Cash Flow Considerations

As of June 30, 2019, the Company had working capital surplus of \$289,943 compared to working capital deficit of \$388,794 as of June 30, 2018. 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 could also receive 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 ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and progress by SLB. 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

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 will continue to have working capital requirements that will require additional financings. 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.

Under the terms of the SLB Earn-in, SLB has assumed the responsibility for all operating and development cost at the CV Project. As a result, Pure Energy will not have to raise funds to cover CV costs thus greatly reducing its funding requirements for the project. However, it does have costs associated with Publicly traded companies including; executive salaries, various filing fees, IR costs etc. The Company currently has the funds required to meet most of these costs. However, the company may have to raise additional capital if decides to invest in other opportunities, and to fund required expenditures.

Under the terms of the Earn-in Agreement the Company will start to receive a US\$400,000 Advance Royalty in January 2021, which will help offset the various costs associated with a publicly traded company. However, it may have to raise additional funds to cover these costs. Further, if SLB commences commercial production the Company will begin receiving a 3% NSR royalty which will give the Company adequate resources to meet its corporate obligations and to potentially pursue other opportunities that may arise.

Property Commitments

The Company's mining properties may be subject to various land payments, royalties and/or work commitments. SLB will assume the obligation to make such payments for the CV Project under the term of the Earn-in agreement.

Exploration and Development

Exploring and developing natural resource projects bears a high potential for all manner of risks. While SLB will be responsible for financing CV exploration, the Company's future revenue stream from the 3% NSR may be impacted by the success or failure of SLB's exploration on the property which is subject to all the risks associated with exploration. Natural resource exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. SLB operations in which they 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 SLB'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 CV Project. In addition, there can be no assurance that results obtained in smaller-scale laboratory and pilot tests will be duplicated in larger scale tests under on-site conditions or during production. The Company will closely monitor SLB's activities and those factors which could impact them.

Operational Risks

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the CV Project, personal injury or death, environmental damage or, regarding the exploration or development activities of SLB, 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 SLB to incur costs to remedy such discharge. No assurance can be given that the application of environmental laws to the business and operations of SLB 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 relatively few suppliers and purchasers.

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 SLB's 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 and/or market price of 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 that 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 future equity or debt financing 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 existing or future debt obligations will depend on the Company's future operations and access to capital, 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, tariffs 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 commercial scale production plant of 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 has filed a new application for appropriation of groundwater based on updated estimates of brine extraction volumes required for commercial production. That application is being held in abeyance by the State Engineer's office.

On December 26, 2018 the State Engineer granted Pure Energy's application, through its wholly-owned subsidiary Esmeralda Minerals LLC, for a finite-term water right with the total withdrawal not to exceed 50 acre-feet over a five-year period. The water right provides the permit necessary to pump brine from the Clayton Valley aquifer and deliver the brine to a future pilot plant for testing lithium processing methods.

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. Regulations pursuant to AB 52 that streamline the permitting process for dissolved mineral exploration boreholes and wells have been put in place by the Nevada Division of Mining.

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 properties are located in the US and Argentina, and its expenditures and obligations are denominated in US dollars and Argentine pesos, 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.

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

Although there were no hedging arrangements in place as of June 30, 2019, 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

Actual time and costs of the CV Project may vary significantly from estimates for a variety of reasons, both within and beyond the control of the SLB. Failure to achieve time estimates and significant increases in costs may adversely affect the revenue from the 3% NSR. There is no assurance that estimates of the time and costs will be achievable.

Consumables Availability and Costs

The 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, and accounts payable and accrued liabilities.

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, 2019, the Company had the following related party transactions and balances:

- (a) management fees and salaries of \$58,000 (2018 - \$232,889) were expensed and accrued to Patrick Highsmith, a director and former CEO of the Company;
- (b) management fees and salaries of \$68,000 (2018 - \$217,363) were expensed and accrued to Paul Zink, former CFO of the Company;
- (c) management fees and salaries of \$83,171 (2018 - \$201,837) were expensed and accrued to Walter Weinig, an officer of the Company;
- (d) management fees of \$54,000 (2018 - \$54,000) were paid to a private company controlled by Dianne Szigety, the Corporate Secretary of the Company;
- (e) the Company incurred a total share-based compensation expense of \$42,146 (2018 - \$418,999) to officers;
- (f) the Company incurred a total share-based compensation expense of \$52,550 (2018 - \$408,188), to directors; and
- (g) as at June 30, 2019, accounts payable included \$50,477 (2018 - \$57,782) which was owed to related parties for travel expenses, salaries, 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.

RECENT ACCOUNTING PRONOUNCEMENTS

Changes in significant accounting policies and adoption of new accounting standards

The following new accounting policies were adopted during the year ended June 30, 2019:

Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of July 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at July 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Reclamation bond	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated other comprehensive income on July 1, 2018.

(ii) Measurement

Financial assets and liabilities at FVTOCI or amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the consolidated statements of loss.

Accounting standards anticipated to be effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRS Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning after July 1, 2019, or later periods. Some updates which are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 16 Leases

IFRS 16, Leases, specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The Company does not anticipate the adoption of this standard, which is effective for the fiscal year beginning on July 1, 2019, to have a significant impact on the Company’s consolidated financial statements.

STOCK-BASED COMPENSATION

The Company has a stock option plan, which is described in Note 8 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 had 190,680,621 common shares issued and outstanding as at June 30, 2019. The Company has 190,680,621 common shares outstanding as at October 24, 2019.

Stock Options

As at October 24, 2019, the Company has 6,445,000 stock options outstanding of which 6,445,000 are fully vested and exercisable. A summary of the Company's stock options is presented below:

	Number of Options	Exercise Price	Expiry Date
		\$	
March 11, 2015	270,000	0.27	March 11, 2020
October 23, 2015	300,000	0.67	October 23, 2020
November 5, 2015	400,000	0.54	November 5, 2020
February 4, 2016	400,000	0.57	February 4, 2021
December 2, 2016	200,000	0.71	December 2, 2019
April 19, 2017	325,000	0.50	April 19, 2022
July 11, 2017	1,500,000	0.57	July 11, 2022
February 26, 2018	2,800,000	0.37	February 26, 2023
May 21, 2018	250,000	0.27	May 21, 2023
Balance, October 24, 2019	6,445,000		
Fully vested and exercisable	6,445,000		

Warrants

The Company has 18,224,154 share purchase warrants outstanding at October 24, 2019. (June 30, 2019 – 30,685,506)

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

Expiry Date	Exercise price	Warrants outstanding
May 30, 2020	0.75	3,808,004
February 6, 2021	0.55	13,745,000
February 6, 2021	0.40	671,150
		18,224,154

Each whole 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.

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