FORM 51-102F1

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

May 25, 2017

The following management's discussion & analysis ("MD&A") provides a review of activities, results of operations and financial condition of the Company for the nine months ended March 31, 2017 in comparison with those for the nine months ended March 31, 2016. These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements. The following discussion and analysis should be read in conjunction with the Company's unaudited consolidated interim financial statements for the nine months ended March 31, 2017 and 2016 and the audited consolidated financial statements for the year ended June 30, 2016 and 2015. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. The reader is referred to 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 "may" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

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

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

BUSINESS OVERVIEW

Pure Energy is a public company incorporated under the laws of British Columbia. The Company is a reporting issuer in British Columbia and Alberta and its common shares are listed and posted for trading on the TSX Venture Exchange (the "TSX.V") under the trading symbol "PE". In addition, the Company trades on the OTCQB trading platform in the United States under the trading symbol "PEMIF". The Company also trades on the Frankfurt Stock Exchange under the trading symbol "AHG1" and on the Xterra trading platform in Germany under the trading symbol "A111EG". On October 18, 2012, the name of the Company was changed from Harmony Gold Corp. to Pure Energy Minerals Limited. The Company's offices are located at 1400 – 1111 West Georgia Street, Vancouver, B.C. V6E 4M3.

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 South Lithium Brine Project (the "CVS Project"), located in Clayton Valley, Esmeralda County, Nevada. The CVS Project is still at the exploration stage, but is advanced through preliminary engineering and processing studies during 2016. The Company has focused its business plan on producing high value lithium compounds such as Lithium Carbonate (Li_2CO_3) and Lithium Hydroxide Monohydrate ($LiOH \bullet H_2O$), which are primarily used in the emerging Lithium Ion Battery market.

The Company's primary objective is to advance the CVS Project towards production. The next phase of that process will be the completion of a preliminary economic assessment ("PEA") on the Project, which the Company hopes to complete near the middle of calendar year 2017. The results of the PEA will determine the manner in which the Company proceeds with the exploration and development of the CVS Project.

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

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

MARKET CONTEXT AND OUTLOOK

Lithium demand has grown steadily from its lows in 2009, but the market for lithium is still small compared to other metallic commodities and relatively restricted. Lithium supply and demand are often reported in terms of lithium carbonate equivalent because that is the form of lithium most often delivered into the battery market. According to Global Lithium LLC (2016), worldwide demand for lithium in 2016 was approximately 182,000 tonnes of lithium carbonate equivalent[1]. While there have been new entrants into the lithium supply market in the last two years, it continues to be dominated by four companies that control approximately 80% of global production. The rapid growth in demand is forecast to continue at a rate of more than 10% per annum over the next several years[2]. In May 2016, the Wall Street Journal quoted a study by Goldman Sachs that projected lithium demand could grow to 570,000 tons of LCE by 2025. Most experts agree that the lithium battery sector is the primary driver of this rapid growth[3].

The rising lithium demand does appear to be affecting price in this contract-pricing environment. Both Albemarle Corporation ("Albemarle") (the world's #1 producer) and FMC Corp. (the world's #4 supplier) have publicly reported price increases and rising margins in their lithium businesses. Benchmark Mineral Intelligence has reported in 2017 that battery grade lithium carbonate and lithium hydroxide pricing has been rising consistently year-over-year since 2011[4].

Lithium producers have not been quick to add major new production. There has been only one new lithium brine mine start-up in the last 20 years – Orocobre's operation at Olaroz Salar in Argentina. That project is working its way through its ramp-up period. Galaxy's Mt. Cattlin hard rock lithium mine has also re-started mining, and Neometals Ltd announced its first shipment of lithium in hard rock concentrate in February 2017.

Lithium batteries are now the norm in almost all electronics, and they have made significant inroads in power tool applications. However, it remains electric vehicles ("EVs") that are most likely to lead the accelerating demand in the near term. The mass of lithium in the bigger batteries that power EVs is a big part of their impact. EVs use kilograms of lithium carbonate per unit as opposed to grams per unit in mobile phone batteries. The successful unveiling of the Model 3 from Tesla Motors in March 2016 was a reminder of the potential impact these vehicles may have on the lithium battery business and perhaps on the production of lithium raw materials.

Portable electronics and EVs are not the only drivers of lithium demand. Large format grid storage batteries are under consideration by utilities and their customers around the world. These batteries can be used to store energy from intermittent power sources, such as wind and solar plants, and stabilize the distribution of that power into the grid. Grid storage batteries are also seeing increased use by businesses and residential customers. Green Tech Media estimates that energy storage capacity in the US approached 100 megawatts in 2015, but it projected that number will exceed 1.6 gigawatts in 2020[5]. These energy storage batteries are another potentially large consumer of lithium that is not factored into most of the projected demand curves seen in the literature and at industry conferences.

THE CLAYTON VALLEY SOUTH PROJECT

Summary

Management is very enthusiastic about the potential of its CVS Project. Work to date has documented a potentially significant volume of lithium-bearing brine beneath the northern portion of its claim block. As reported and documented below, drilling has yet to find the bottom of lithium bearing fluids in numerous boreholes (CV-1, CV-2, CV-3, CV-7, SPD-8, and SPD-9), meaning the lithium brine is likely to continue

to greater depths. The Company believes there is considerable growth potential at depth in the CVS Project. See Company Technical Report Entitled "*Inferred Resource Estimate for Lithium, Clayton Valley South Project, Clayton Valley, Esmeralda County, Nevada, USA*" dated July 17, 2015 (the "Technical Report") and Company news releases dated September 14, 2016, January 5, 2017, and February 7, 2017.

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

General Geology

The Company is in the process of developing the mineral properties comprising the CVS Project (Figures 1 and 2). Clayton Valley, Nevada is also the site of North America's only commercial lithium producer, Albemarle's Silver Peak Lithium Mine. Pure Energy's 3,850 hectare (9,500+ acre) Project adjoins the Silver Peak operation to the south. Clayton Valley is located within the Basin and Range Province in southern Nevada and is an internally-drained, fault-bounded and closed basin. It is likely that the basement geology, younger volcanic rocks, and ongoing geothermal activity are sources for the lithium in this part of Nevada (See the Technical Report). Surface waters and ground waters moving through this lithium-enriched geology incorporate soluble lithium, which ultimately accumulates in the ground waters of the basin. Evaporation drives the system to concentrate lithium and other salts as fresh water is depleted. Over geologic time, these brines may become sufficiently enriched in lithium to warrant exploration and extraction. The hosting geological formations for the brine are unconsolidated basin-filling sediments that are generated by the stream and lake environments that have dominated the Clayton Valley region over the last few million years. Volcanic ash units are often inter-bedded with the gravel, sand, silt, and clay that constitute the generally flat-lying strata in the basin.

Figure 1 - Project Location Map

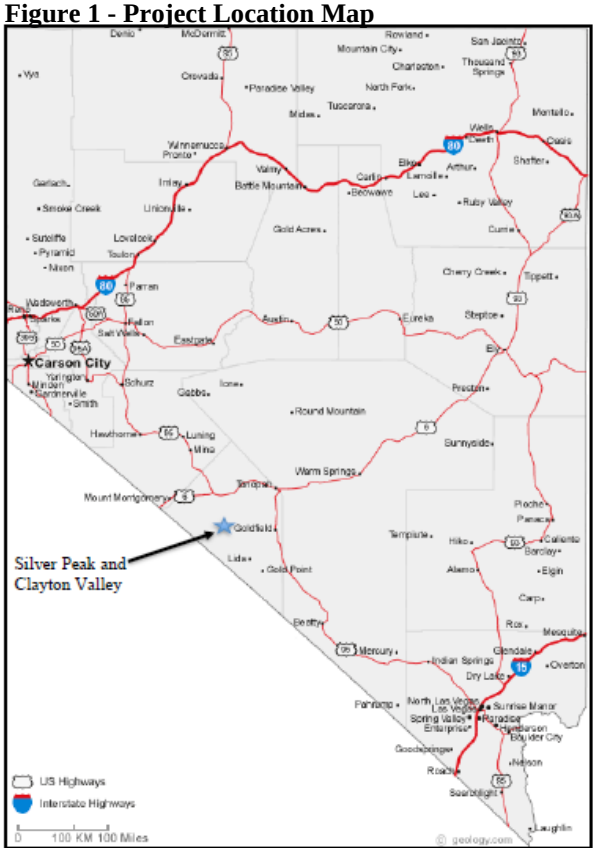
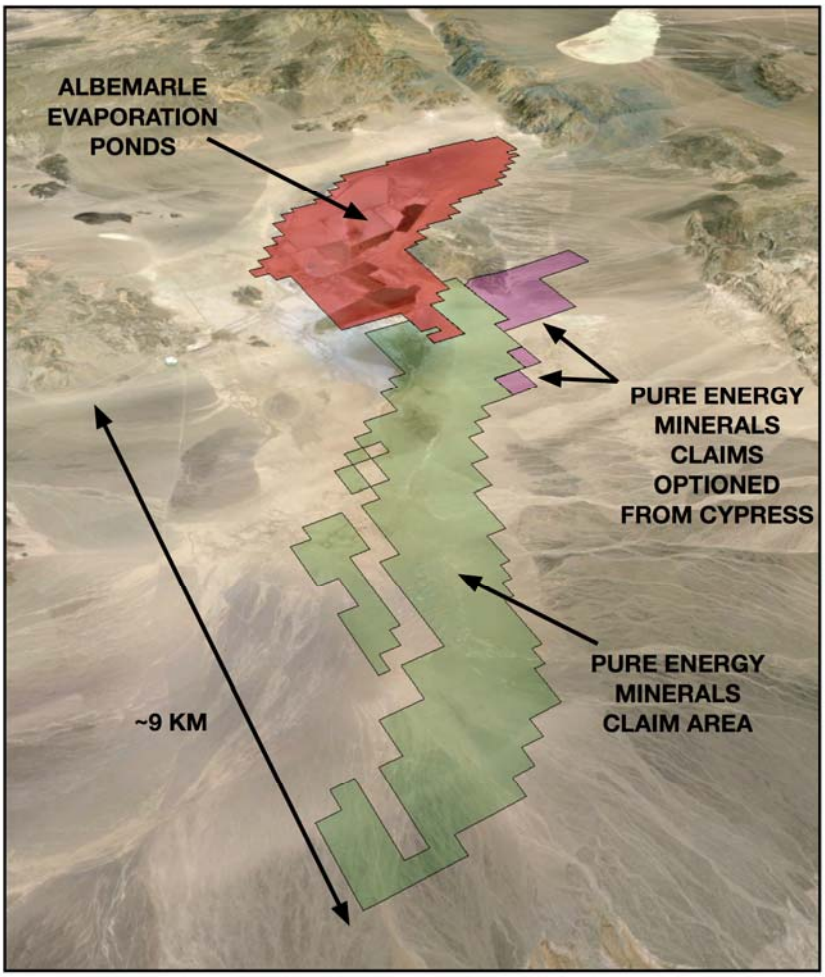


Figure 2 - Claim Location Map



The geological setting and processes at work are similar to the well-known lithium brine deposits of the Lithium Triangle in South America (Chile, Argentina, and Bolivia). Geologists who have worked in the South American salars report similar geology, relatively recent volcanic activity, and active geothermal systems. The climate is an important factor in explaining the differences among these deposits. In general, the climate is drier and the evaporation rate is higher in the South American deposits. Salar de Atacama is in the driest desert in the world, and Salar del Hombre Muerto is at more than 4,000 metres elevation. In both cases, the rates of evaporation far outpace precipitation. Clayton Valley, Nevada has much higher precipitation rates. Lithium source rocks are also different among these areas, but the extreme evaporation settings in South America result in more abundant salt bodies and more salt-saturated brines.

After a period of several years of intermittent exploration (spanning two different companies) in the form of mapping, geophysics, drilling, and preliminary pumping test work, Pure Energy announced an inferred mineral resource on July 28, 2015 for the CVS Project of 816,000 tonnes of lithium carbonate equivalent (LCE). The resource was reported in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") and is detailed below. During the year ended June 30, 2016, and continuing into fiscal year 2017, the Company continues to advance work on the Project. The Company announced results on May 11, 2016 from three new boreholes that are likely to negatively affect the inferred resource on the CVS Project. Whereas, on September 14, 2016, the Company

announced positive drill results from the CV-3 borehole that are likely to positively impact the mineral resource. Pure Energy also reported completion of a successful pumping test of CV-3 on October 12, 2016. The Company announced on November 17, 2016 that it was continuing its phase 3 drill program by collaring the CV-7 exploration borehole. During the reporting period (January 5 and February 7, 2017), the Company announced that both CV-7 and CV-8 had reached or exceeded their target depths. During the first quarter of 2017, the Company announced successful pumping tests at its CV-7 and CV-8 exploration wells (Company news releases dated March 6 and 27, 2017). Subsequent to the end of the reporting period, the Company also announced favorable lithium sampling results from CV-7 and CV-8 (Company news release dated May 9, 2017). These new data will be important contributions to the update to the Project's mineral resource, which is expected at mid-year 2017.

Exploration and Resource Development Work

Zampirro (2004) identified six primary aquifers in the Clayton Valley basin[6]. The Company has drilled at least two of these aquifers in its two drill campaigns, the Main Ash Aquifer (MAA) and Lower Aquifer System (LAS). Rodinia Minerals, Inc. ("Rodinia"), a previous holder of the claims that now comprise much of the Project completed a geophysical survey surrounding the existing lithium operation and identified a deep northeast-southwest structural trough in southern Clayton Valley. Rodinia drilled 2 dual wall reverse circulation boreholes in the north section of its claims (now Company claims) in 2009-2010 and identified aquifers that contained up to 400 mg/L Li to a depth of up to 494 metres (1620 ft). Rodinia dropped the claims in 2013. After securing a purchase option agreement on the claims, Pure Energy completed detailed gravity and seismic reflection surveys during 2014-2015 that confirmed the deep structural trough on its claims and identified numerous reflectors from sediment layers that appear to correspond to previously identified aquifer horizons (See the Technical Report).

The Company completed its first two exploratory boreholes in the north end of the claims, CV-1 and CV-2. CV-1 "twinned" a productive Rodinia hole, SPD-9. The technical team conducted preliminary pumping tests of CV-1 for 8 hours yielding steady production rates of 9.5 L/s (150 gpm). Brine samples from CV-1 sampling averaged approximately 236 mg/L Li. The second well, CV-2, was a significant step-out to the south of approximately 1 kilometer (0.6 mile), where it was a complementary data point to Rodinia well SPD-8. The Company sampled CV-2 using a combination of air lifting with a reverse circulation drill and Hydrasleeve-type bailers. The average grade of the CV-2 fluids was lower grade, but still significant, averaging approximately 36 mg/L lithium. Figure 3 shows the location of all drilling, including the final two boreholes in the Phase 3 drilling, which were completed early in 2017 (See Company news release dated July 28, 2015 and Technical Report).

The data from the previously drilled Rodinia wells and the Pure Energy wells told a similar story. The brine at the CVS Project tends to have a relatively low grade, compared with South American salars such as Salar de Atacama and Salar del Hombre Muerto. However, the chemistry is also very attractive, having generally low concentrations of magnesium and calcium (See Company news releases dated April 14 and September 14, 2016, May 9, 2017, and the Technical Report).

Utilizing the geological interpretations from geophysical data (gravity and seismic), borehole sample chemistry, preliminary pumping data, and the three-dimensional interpretation of the brine-hosting aquifers, the Company prepared its maiden mineral resource in 2015. The inferred resource was reported in accordance with NI 43-101 and announced on July 28, 2015. The resource included approximately 816,000 metric tonnes of contained lithium carbonate equivalent (LCE) at an average grade of 102 mg/L lithium (See Table 1). Please refer to the complete Technical Report, available under the Company's profile at www.sedar.com, for more details.

The inferred resource is relatively early stage in nature. The Technical Report included a number of recommendations to increase the data density, data quality, and upgrade the confidence of the resource. Additional geophysics, triple tube core drilling, more pumping tests, and deeper exploration were all areas of recommended focus. Porosity is also a key input to the resource that will improve as geological data improves. The Company had only limited porosity data in the inferred resource, but it has collected more data from drill core samples and from completed pumping tests. These data will be integral in the upcoming update to the mineral resource.

Commencing in November 2015, Pure Energy began its second phase of exploration drilling. The Phase 2 drilling stepped out southwards from the Company's previous drilling to test the inferred lithium brine hosting horizons identified in the 2015 seismic reflection survey. The objective of these holes was to increase drilling density and confirm the saturated thickness and grade of brine in the lower grade southern resource area, which averaged approximately 70 mg/L. The drillers collared the new holes at spacings of 2.8 km (1.7 mi), 3.5 km (2.2 mi), and 6.0 km (3.7 mi) from CV-2. Between November 2015 and March 2016, the Company completed three new boreholes (CV-4, CV-5, and CV-6) to depths ranging from 408 metres (1,340 feet) to 494 metres (1,620 feet) (See Company news release dated May 10, 2016).

Figure 3 - Clayton Valley Drill Hole Location Map

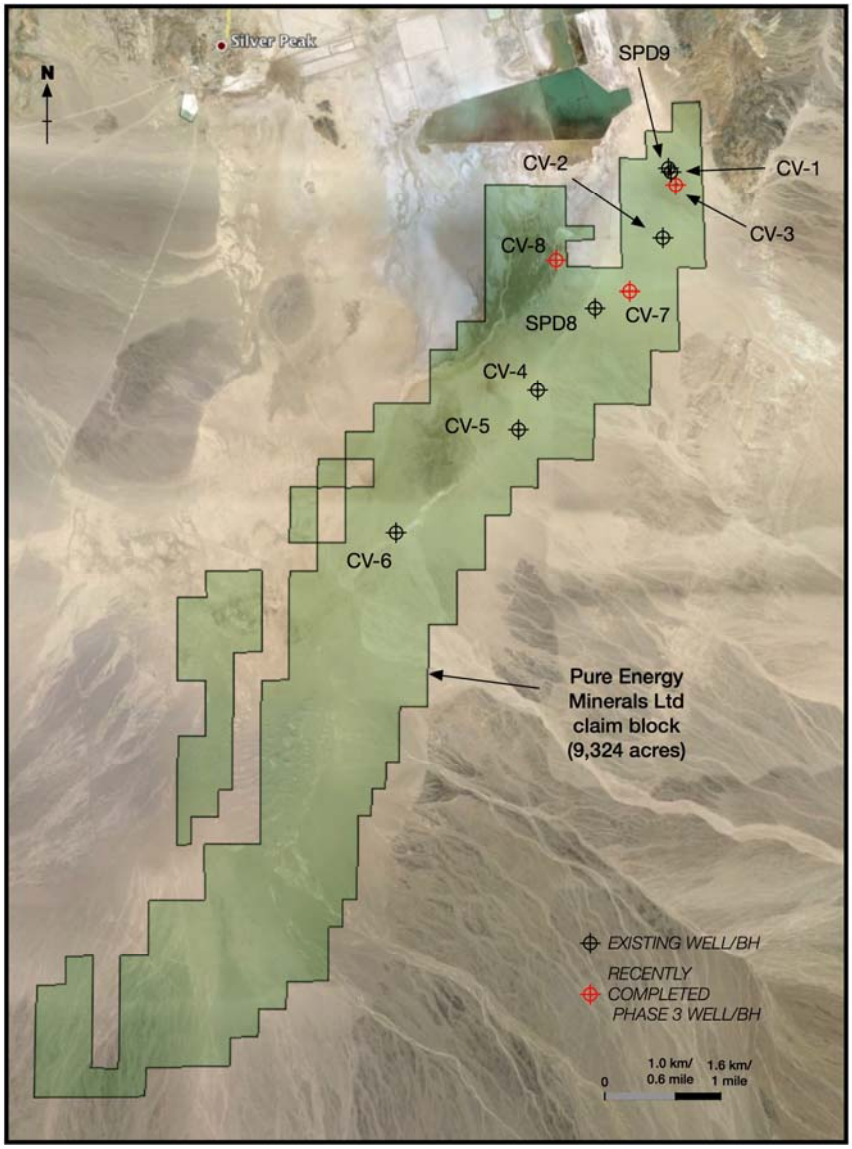


Table 1 - Summary of Inferred Mineral Resources

Zone	Saturated Thickness (m)	Li Grade mg/L	Lithium Resource LCE (metric tonnes)
Northern Zone Upper Transitional Part of MAA	36 [1]	102 [6]	10,300
Northern Zone MAA	31 [2]	370 [7]	31,700
Northern Zone LAS	299 [3]	194 [8]	163,000
Southern Zone MAA	43 [4]	102 [9]	245,000
Southern Zone LAS	177 [5]	37 [10]	366,000
Total			**816,000**

Notes:

[1] Based on 128 m to 165 m (420ft to 540 ft) bgl section from SPD-9 and CV-1; [2] 165 m to 195m (540ft to 640ft) bgl section of MAA in SPD-9 and CV-1; [3] Based on 195 m to 494 m (640ft to 1,620ft) of LAS in SPD-9 and CV-1. Seismic shows that this could likely be extended significantly deeper; [4] Based on 140 m to 183 m (460ft to 600ft) bgl section of MAA in SPD-8 and CV-2; [5] Based on 207 m to 384 m (680ft to 1,260ft) bgl section intersected in CV-2 and SPD-8. Seismic shows that this could likely be extended significantly deeper; [6] Average of SPD-9 samples from this interval; [7] Average of SPD-9 samples from this interval; [8] Average of SPD-9 samples from this interval; [9] Average of SPD-8 samples from this interval (better sample density relative to CV-2); [10] Average of combined SPD-8 and CV-2 samples from this interval.

The Phase 3 drilling program concluded during February 2017. During the summer of 2016, the Company completed CV-3 to a depth of approximately 610 metres (2,000 feet), deeper than any hole known in the southern portion of the basin at that time (See Company news release dated September 14, 2016). The Company drilled exploration wells CV-7 and CV-8 to depths of 610 metres (2,000 feet) and 974 metres (3,194 feet), respectively. Each of the three wells in the Phase 3 drilling campaign returned brine with high lithium values. The purpose of this drilling was to provide geological, hydrogeological and geochemical information for the planning and permitting of future exploration and development. These data will support a preliminary economic assessment expected at mid-year 2017. Table 2 summarizes the Project drilling to date.

Drilling methods on the CVS Project evolved during 2016. CV-6 was the first core hole on the project. Later in the year, success was had with core drilling on CV-3, CV-7, and CV-8. Core recovery was very good, exceeding 90% in all cases, except in the deepest reaches of CV-8 where drilling encountered coarse gravels. The newly generated core samples in 2016 and 2017 presented the Company with the first opportunities to correlate a high quality geological record with the seismic data. The core samples also improved the Company's database for direct measurement of porosity. CV-4 and CV-5, on the other hand, were completed with mud rotary methods. Given the depths involved and the potential for multiple

discrete aquifers in the basin, the Company's technical team has investigated numerous sampling methods and accumulated comparative data between methods, which instills confidence in the sampling results.

Table 2 – Summary of Drill Hole Details
See Technical Report & Company News Releases dated: May 10 and Sept 14, 2016 and Jan 5, Feb 7, and May 9, 2017 for more details

Well ID	Company	Date Completed	Drilling Method	Total Depth
SPD-8	Rodinia	Feb 2010	RC	1,280 ft (390 m)
SPD-9	Rodinia	Feb 2010	RC	1,620 ft (494 m)
CV-1	Pure Energy	Mar 2015	RC/mud rotary	900 ft (274 m)
CV-2	Pure Energy	Apr 2015	RC/mud rotary	970 ft (296 m)
CV-3	Pure Energy	Jun 2016	Mud rotary/core	2,000 ft (610 m)
CV-4	Pure Energy	Feb 2016	RC/mud rotary	1,340 ft (408 m)
CV-5	Pure Energy	Feb 2016	Mud rotary	1,620 ft (494 m)
CV-6	Pure Energy	Jan 2016	Rotary coring	1,500 ft (457 m)
CV-7	Pure Energy	Jan 2017	Rotary coring	2,000 ft (610 m)
CV-8	Pure Energy	Feb 2017	Rotary coring	3,194 ft (974 m)

During 2016, the Pure Energy technical team developed and adapted several sampling systems that are optimized for the relatively deep and stacked aquifers of the CVS Project. At the exploration stage, it is desirable to target discrete aquifer horizons for brine sampling in the boreholes. Pure Energy has employed submersible pump systems, the Snap Sampler system, and a wireline mechanical sampling apparatus to collect discrete samples from targeted depths within each well. The Pure Energy technical team has also conducted extensive well-logging of most of the Clayton Valley exploration wells.

During 2016 and early 2017, Company hydrogeologists worked to standardize and compare sampling methodologies by sampling and re-sampling active and previously drilled exploration wells. They employed low-flow sampling techniques, as discussed by the EPA and in other hydrogeology publications[7]. They also drew upon previous experience with the Snap Sampler system, a groundwater sampling device that employs double-end-opening bottles with pneumatically triggered "Snap" sealing end caps. Professional well-logging providers also added a wireline mechanical sample retrieval system, which was particularly well suited for the deeper wells. The chemical data on discrete samples from concurrent duplicate sampling and return sampling to previously drilled wells agreed very well.

All sampling programs included field duplicates, analytical control samples (blanks and standards), and check assays at an independent lab. The resulting quality control summary indicated that field samples and analyses reported during 2016 and 2017 were reliable. Analytical results from field duplicates exhibited very strong agreement; and the laboratories also demonstrated consistent check analysis results, except for one case in which one of the laboratories re-analyzed samples due to calibration errors.

In mid April and early May 2016, the Company reported the results of Phase 2 sampling. The new results supported the previously generated data for CV-1 and CV-2. The CV-1 borehole intercepted brine at approximately 165 metres (550 feet) below surface and the sediments remained saturated in that high lithium fluid over a thickness of at least 76 metres (250 feet) to the bottom of the hole. The average grade of the brine in CV-1 was approximately 209 mg/L (See Company news release dated April 14, 2016). The

data from CV-2 confirm the presence of a saline fluid from approximately 105 metres (350 feet) below surface and continuing down through at least 183 metres (600 feet) to the bottom of the hole. Just as in the first pass sampling, the fluid in CV-2 was lower grade, averaging only 28 mg/L lithium (See Technical Report and Company news release dated May 10, 2016).

The southern step out holes, CV-4, 5, and 6, probed into the central and southern portions of the claim block. The surface geology, gravity, and seismic data suggest a relatively continuous basin to the south that includes many depositional events into the basin associated with fluvial (stream) and lacustrine (lake) settings. Punctuating these normal sequences of sediments are volcanic ash layers, sometimes with a significant component of pumice. The ash layers are of variable thickness and form marker beds that can be correlated over large areas. Sometimes, multiple thin ash horizons occurring in close proximity to each other form recognizable clusters. The ash units, interbedded with silty and sandy sequences, tend to define the potential brine hosting aquifer sequences that have been documented by previous workers in the basin. The ash and associated silt and clay horizons (solid phases) are often highly anomalous in lithium, accounting for a possible source of lithium in the brines. The seismic data showed no major disruptions to the stratigraphy going south, so it appeared likely that these brine hosting aquifer packages would continue also (See Company news release dated May 10, 2016).

The Company announced the analytical data from CV-4, 5, and 6 on May 10, 2016, see that news release for details of the drill results and geology. The holes did not encounter lithium-enriched brine; instead, the drilling encountered an active geothermal system with warm waters containing very low lithium. Drilling and sampling down to depths of approximately 460 metres (1,506 feet) returned no lithium values above the inferred resource cutoff grade of 20 mg/L. The geology from drill core (CV-6) and cuttings (CV-4 and 5) indicated familiar repetitive sequences of fluvial and lacustrine sediments, sometimes interbedded with volcanic ash and pumice. The host geology for these geothermal fluids is consistent with the brine bearing aquifers encountered further north. The temperature of the deeper waters encountered in these wells was commonly at or above 30 degrees Celsius (86 degrees F), reaching maximum values of 35 degrees C (95 degrees F). Average temperatures elsewhere in the basin, even at >200m (650 ft) depth, were 23 degrees C (73 degrees F).

As reported in the May 10, 2016 news release, the Company's interpretation of these results is that a fault or series of faults in the vicinity of these holes is controlling the plumbing of a hot spring system in the subsurface. The warm, weakly mineralized waters from the hot spring system flow into the basin and rise up the fluid column based on their temperature and relatively low density (when compared to saline fluids or brines). The shallow portions of the central and south basin appear to be heavily influenced by these fluids. The same aquifers that host brine in the northern holes are interpreted in this area to host weakly mineralized low-lithium groundwaters. These data do not preclude the potential for lithium-bearing brines at greater depth (>494 m or 1,620 ft below surface) in the basin, as well as laterally outside the influence of this geothermal system. However, since the Phase 2 holes fell inside the footprint of the inferred resource, the Company expects the resource tonnage to contract in the southern resource area.

The Company completed the Phase 3 exploration program during the reporting period. It incorporated three exploration wells, CV-3, CV-7, and CV-8. CV-3 was completed in June 2016 and encountered favourable geology, including multiple horizons of interbedded volcanic ash, silt, and sand. Pure Energy announced the results from initial sampling of CV-3 on September 14, 2016 (See news release for more detail). The brine in CV-3 averaged 175 mg/L lithium over an interval of more than 320 metres (1,050 ft). CV-3 once again bottomed in lithium-rich brine. The magnesium content of the lithium brine encountered in CV-3 continued to be low. The average Mg:Li ratio in CV-3 was 2.7, well below the threshold of 3.0 that is generally considered favourable for lithium processing. The lithium grades in the northern resource

area continue to average well above 150 mg/L, so any additional tonnage in the north is likely to have a favourable impact on the average grade of the revised resource.

Subsequent to the end of the reporting period, the Company's news release dated May 9, 2017 reported positive sampling results from CV-7 and CV-8. Both exploration wells encountered thick sections of sediment hosting lithium-enriched brine. The brine in CV-7 averaged 70 mg/L lithium over an interval of more than 430 metres (1,410 feet), but it included higher values of over 100 mg/L in the deepest samples. CV-8 is one of the deepest wells ever drilled in Clayton Valley. It encountered an even thicker section of brine-saturated sediments, more than 600 metres (1,970 feet). Over that entire interval, the lithium content of the brine averaged 134 mg/L, but the deeper samples averaged over 200 mg/L. The Company also reported the results of detailed lithium analyses on the discharge from these pumping tests. In both cases, the lithium contents rose quickly and stabilized for the duration of the pumping tests, indicating the potential for sustained production of lithium-bearing brine from the CVS aquifer system.

Pure Energy will update the mineral resource on the CVS Project during mid-year of 2017. The anticipated new resource model will incorporate data from ten (10) wells, eight drilled by Pure Energy and two drilled by Rodinia.

Lithium Brine Process Testing

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

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

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

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

LiP™ – Physical removal of alkaline earth elements (Ca & Mg) using membranes and other methods;

LiSX™ - Recovery of lithium into concentrated high-purity lithium sulphate solution utilizing a proven solvent extraction process; and,

LiEL™ - conversion of the lithium sulphate solution into a concentrated high-purity lithium hydroxide solution, using electrolysis, and subsequent crystallization into high-purity battery grade lithium hydroxide.

During 2015, Pure Energy submitted some of its brine to TAT for some preliminary tests of its LiP™ and LiSX™ processes. Commencing in January and finishing in April of 2015 the Company worked with TAT to conduct lab scale test work for the extraction of lithium from raw brine collected from the CVS Project. The test work utilized TAT proprietary LiP™ (pre-treatment stage) and LiSX™ (Li-removal stage) processes for extraction of lithium from brine. Note that in this early work, TAT elected to use hydrochloric acid instead of sulfuric acid in the LiSX™ step during the laboratory-scale trials.

During 2016, Pure Energy announced its intent to produce a preliminary economic assessment (PEA) on the CVS Project. A major part of a successful PEA is to advance the process test work to a larger scale. The Company took the first step in November 2015 when it paid a deposit to TAT to reserve its access to the R&D facility. Pure Energy announced on May 11, 2016 that work on a mini-pilot plant had commenced at TAT's facility in Katzrin, Israel, again making a substantial payment towards completion of the test work. During the mini-pilot plant, the Company's engineering team worked together with TAT to evaluate the pre-treatment, solvent extraction, and electrolysis/crystallization steps required to produce battery grade lithium hydroxide from the CVS Project brine. The Company announced on September 29, 2016 that the mini-pilot plant test work was complete.

The mini-pilot plant commenced with approximately 20 tonnes of brine, synthetically prepared to match the chemistry determined from the CV-1 well; a big step up from the kilogram-scale tests in the laboratory. On December 13, 2016, the Company reported preliminary results from its mini-pilot testing campaign. In addition to achieving at least 85% lithium recovery from the tested brine, the test work also produced battery-grade lithium hydroxide monohydrate. Summarized here and in the flowsheet below (Figure 4), the process test work is an important part of the foundation for the upcoming PEA.

The team focused considerable attention on the LiP™ pretreatment step where the divalent cations are removed. TAT evaluated a number of membranes for their performance at removing magnesium (Mg), calcium (Ca), and strontium (Sr) while allowing lithium to pass. Further testing refined the membrane choice down to a leading candidate that the Company will continue testing in later work. The mini-pilot trial achieved a strong result, rejecting 91% of the Mg, 90% of the Ca, and >99% of the Sr using a single stage membrane arrangement.

In parallel with the membrane work in Israel, Pure Energy also engaged SGS Canada Inc. to drive testing of additional wet chemistry based methods for removing the divalent cations from the brine. Since these trials of direct chemical precipitation demonstrated the potential for removal of >99% of the Ca, Mg, and Sr with negligible lithium losses, the final engineering reports and process flowsheets will contemplate multi-stage pretreatment to optimize the removal of magnesium, calcium, and other interfering elements.

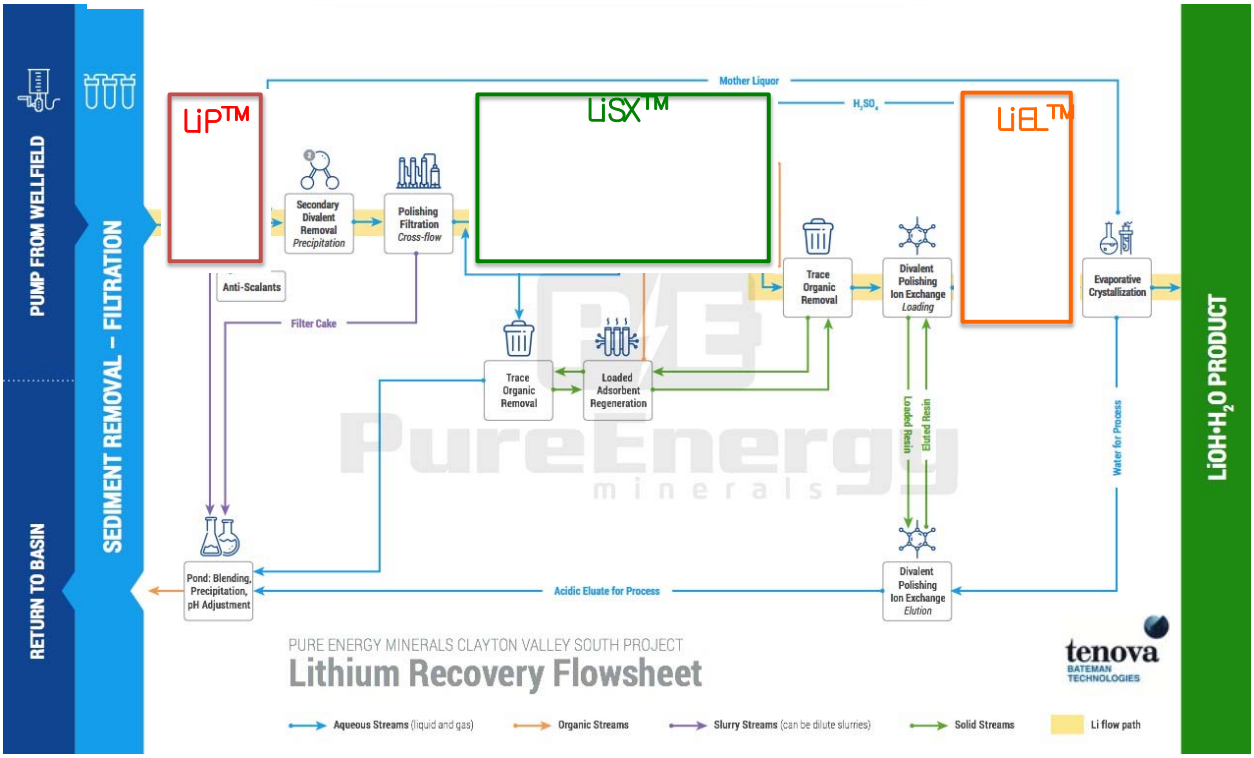
Solvent extraction is commercially applied on a large scale for the extraction of copper, uranium, cobalt and other elements and TAT has considerable experience in designing and building commercial solvent extraction plants. The solvent extraction step in the TAT process for lithium, LiSX™, has consistently yielded encouraging results on the CVS Project brine (See Company news releases dated April 20, 2015; August 9, 2016; September 29, 2016, and December 13, 2016). Pure Energy reported overall lithium recoveries of >85%, and once again, the lithium recovery to solvent during the LiSX™ step exceeded

99%. Given that evaporation processing rarely exceeds 50% lithium recovery, the Company is excited about the opportunity offered by this new approach.

The Company also received positive preliminary indications from the mini-pilot trial for the third step in the process, the electrolysis stage or LiEL™. The electrolysis stage is designed to convert a high purity lithium sulphate solution (from solvent extraction) into a high purity lithium hydroxide solution. On August 9, 2016, Pure Energy reported that lithium sulfate (from a solution prepared to match the product of the solvent extraction circuit) had been converted to lithium hydroxide by electrolysis. Later in September, the Company confirmed that a third party firm had successfully crystallized battery grade lithium hydroxide monohydrate.

In aggregate, Pure Energy believes that the preliminary results from the several steps of the mini-pilot plant convey a proof of concept for the TAT lithium processing technology at this scale. An updated flowsheet schematic of the work conducted in the mini-pilot plant is shared in Figure 4. While it is not yet possible to determine costs and economics, the outcome to date has been positive. These data and additional engineering work will represent major inputs to the PEA, which is expected in 2017.

Figure 4 - Preliminary Flow Sheet for Clayton Valley South Project



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

extraction plant could be a matter of hours not months. The capital and operating costs associated with this technology are matters to be resolved through engineering and technical studies and stepwise advancement towards feasibility studies and commercial scale production.

Assuming a positive outcome from the PEA, the Company expects to commence work in 2017 on a larger scale pilot plant on the CVS Project. Such a pilot plant would operate continuously on brine from the CVS Project. The pilot plant will be a major component of a feasibility study, the next step towards the full development of the Project.

Environmental and Permitting Developments

As part of the pre-development activities, on March 16, 2016, the Company through its US subsidiary Esmeralda Minerals LLC, filed Application 85990 with the Office of the State Engineer of Nevada for the appropriation of groundwater for the purpose of lithium extraction. On May 16, 2016 the Company received notice that three protests had been registered with the Office of the State Engineer in regards to its Application 85990. The Company has responded to the protests and expects to proceed with its campaign to advance the Project and position itself for securing the necessary water rights in time to develop the property once technical, permitting and financial milestones are achieved.

In addition, the Company sought and obtained an informational meeting with the consulting hydrogeologist who advises Esmeralda County, NV on water rights. The purpose of this meeting was to explain the Pure Energy work program on the CVS Project and our objectives to achieve a non-evaporation based lithium production facility in the future. The meeting was well received and both parties agreed that the more detailed communication was welcome. The continued engineering work and progress towards a feasibility study on the CVS Project will ultimately be major constituents of the Company's water rights application, as these data will demonstrate the likely brine needs for a future operation.

As for other environmental related matters, Pure Energy continues to operate its exploration program under a Notice of Intent ("NOI") with the Bureau of Land Management ("BLM"). During 2016, the Company received approval under the NOI for the final two drill holes of the Phase 3 drill program by plugging and reclaiming two of the Phase 2 boreholes.

On June 2, 2016, the Company announced that it had engaged SRK Consulting to conduct baseline environmental baseline monitoring and prepare a longer term permitting plan. The Company anticipates moving beyond its initial NOI as the Project advances, so important wildlife and environmental baseline studies were completed by the early summer of 2016. There can be no assurance of the timing or approval of any such permit application, but management believes the Company is well positioned for a successful permitting process.

On July 27, 2016, the Nevada Division of Water Resources ("DWR") circulated an informational letter to lithium exploration companies on the regulatory implications of lithium brine exploration in Nevada. An updated letter dated September 27, 2016 is available online at: http://water.nv.gov/documents/WD_Lithium_Wells_Letter.pdf. The purpose of the letter and its September update was to highlight the regulatory process for lithium brine exploration. The letters detail the relevant statutes and regulations governing exploration drilling, well drilling, diversion of ground water, and brine production. Nevada water law provides for a waiver process such that wells can be drilled and small amounts of ground water can be diverted for purposes of mineral exploration in designated basins. Pure Energy is utilizing the waiver process for its lithium exploration of the CVS Project while its application for water rights is being considered.

In September 2016, Pure Energy applied to the Nevada Division of Environmental Protection ("NDEP") for a temporary discharge permit that would facilitate the surface discharge of brine produced from a limited pumping test on CV-3. The Company received the NDEP temporary discharge permit in late September and proceeded soon after to conduct the pumping test as reported in a news release on October 12, 2016.

The Company also received mineral exploration waivers in 2016 for the drilling of CV-7 and CV-8. After completing these wells in early 2017, the Company received another temporary discharge permit from the NDEP for pumping tests on these new wells. Pumping tests on CV-7 and CV-8 were completed successfully and reported in news releases during March 2017.

Some of the waivers issued by the Nevada Division of Water Resources for the Company's exploration wells have been appealed by an allegedly aggrieved party. At the time of this writing, the Company is awaiting hearing dates on those appeals. In the meantime, the Company has also voluntarily plugged and reclaimed one of its older wells, CV-2.

Subsequent to the end of the reporting period on April 21, 2017, the Company received notice that its application 85990 for the appropriation of groundwater was denied by the Office of the State Engineer ("State Engineer"). This action does not affect the Company's current work program since it is still engaged in the exploration pursuant to the waivers granted to the Company by the State Engineer and early stage engineering phases of the project. However, after discussions with its counsel and consultants, the Company believes that its water right application should have been granted based on the long-standing Nevada practice that mining water is a temporary use, and therefore should be granted unless it will directly interfere with another's water rights. The State Engineer also failed to hold any hearing or discussion on application 85990, and in doing so, prohibited the Company from showing that the appropriation of brine for a future lithium mining operation will be beneficial to the people of Nevada.

On May 19, 2017, the Company replied by filing a Petition for Judicial Review and Notice of Appeal in regards to the decision of the State Engineer. This is established practice on the advice of the Company's counsel and its water rights consultants. The Company and its counsel and consultants look forward to the appeal process during which it can present its numerous factual and legal arguments.

Quality Control and Qualified Persons

The liquid samples from the CVS Project have been analyzed by Western Environmental Testing Laboratory ("WETLAB") of Sparks, Nevada. WETLAB is accredited by the Nevada State Division of Environmental Protection for determination of lithium, magnesium, and other elements in non-potable water by method EPA 200.7. WETLAB also employs its own quality assurance program to ensure accuracy and precision of its data. ALS Minerals in Vancouver, British Columbia provided systematic blind and independent check analyses on the lithium and other analytes in the well sampling program at CVS Project. ALS Minerals Vancouver operates an industry leading quality management system and is accredited under ISO 17025 for provision of mineral analysis.

Consistent with industry best practice, Pure Energy inserts additional blind quality control samples with every batch of samples. The data described herein have satisfied the Company's quality criteria for release.

Patrick Highsmith, Certified Professional Geologist (AIPG CPG # 11702), is a qualified person as defined by NI 43-101, and has supervised the preparation of the scientific and technical information that

forms the basis for this MD&A. Mr. Highsmith is not independent of the Company as he is an officer and director.

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.

Other Highlights

On November 2, 2015, the Company through its wholly owned US subsidiary, Esmeralda Minerals, LLC, acquired 1,320 acres of placer mineral claims (the "CA" claims) in Clayton Valley, Nevada. The CA claim block consists of 66 placer mining claims, (each approximately 20 acres in size) to fill in the west and southwest quadrants of the Project. The CA claims were acquired for staking costs, and as the new claims have been recorded and secured by a wholly-owned subsidiary of Pure Energy, there are no royalties, lease payments, work commitments or other encumbrances that apply to the CA claims, other than normal annual recording and payment obligations.

On November 5, 2015, the Company appointed Patrick Highsmith to the board of directors. Mr. Highsmith was granted an option to acquire 400,000 shares at an exercise price of $0.54 per share for a term of five years in accordance with the Company's stock option plan.

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

On April 14, 2016, Pure Energy announced that it was commencing with the Phase 3 drilling program at the CVS Project and that it had resampled the CV-1 borehole to determine representative chemistry for the mini-pilot plant.

On May 10, 2016, the Company announced the sampling results from the Phase 2 drilling program.

On May 11, 2016, Pure Energy announced the launch of the mini-pilot plant at the TAT facility in Katzrin, Israel.

On June 29, 2016, the Company announced that its newest borehole, CV-3, had been drilled beyond its target to a total depth of 610 metres (2,000 ft).

On July 20, 2016, Pure Energy announced the closing of its oversubscribed private placement for gross proceeds of $6.16 million.

On August 16, 2016, the Company announced the change of its US stock ticker symbol on the OTCQB Exchange to PEMIF.

On August 24, 2016, Pure Energy and Cypress Development Corporation ("Cypress") announced that Pure Energy had optioned Cypress' 1,520-acre Clayton Valley property, which is immediately adjacent to the CVS Project.

On September 6, 2016 the Company announced the completion of its Annual General Meeting of Shareholders and the approval of all business presented for consideration.

On September 14, 2016, the Company reported positive initial brine sampling results from the CV-3 borehole.

On September 29, 2016, Pure Energy announced that the mini-pilot plant testwork with TAT had been completed and that a number of interim milestones had been achieved.

On October 12, 2016, Pure Energy announced the completion of a pumping test on the CV-3 well.

On November 17, 2016, the Company reported the continuation of the Phase 3 drill program with the commencement of drilling operations on the CV-7 exploration borehole.

On November 28, 2016, the Company reported that its systematic sampling program had confirmed a large area of high lithium values on the Glory Claims, a property which it optioned from Cypress Development Corporation in August 2016.

On December 13, 2016, Pure Energy announced preliminary data from its successful mini-pilot plant testwork, including an estimate of >85% lithium recovery using the TAT process. The news release also included, for the first time, the preliminary flow sheet for the process design on the CVS Project.

On January 5, 2017, the Company announced that the CV-7 exploration borehole had reached its target depth of 610 metres (2,000 ft).

On January 10, 2017, Pure Energy unveiled its new option on a new lithium project at Pocitos Salar in Salta, Argentina. The news release outlined the material terms of the option and indicated that a definitive agreement would soon follow the binding letter of intent.

On February 7, 2017, the Company announced that it had completed its phase 3 drill program at the CVS Project by terminating the CV-8 exploration borehole at a depth of 974 metres (3,194 ft).

On March 9, 2017, the Company announced that it had closed the previously announced purchase option agreement on the Terra Cotta lithium brine project in Argentina.

On March 16, 2017 Pure Energy announced the appointment of Walter Weinig as the new Vice President – Projects and Permitting and the departure of Andy Robinson as COO.

On April 27, 2017, Pure Energy announced the appointment of former lithium executive, Scott Shellhaas, as a director of the Company.

On May 8, 2017, the Company announced closing of a private placement generating gross proceeds of $1,072,000.

On May 9, 2017, the Company announced favourable drilling results from exploration wells CV-7 and CV-8, which included higher lithium grades from the deeper parts of the aquifer system.

On May 11, 2017, Pure Energy announced that it had entered into definitive agreements, subject to approval by the TSX.V, with Lithium X Energy and GeoXplor Corp. to expand its Clayton Valley properties to more than 25,000 acres and to receive a strategic investment of $2 million from Lithium X Energy.

Recent Developments

Financing

During the nine months ended March 31, 2017 the Company

- issued 325,089 common shares pursuant to the exercise of warrants at $0.15 per share.
- issued 645,000 common shares pursuant to the exercise of warrants at $0.24 per share.
- issued 347,000 common shares pursuant to the exercise of stock options at $0.245 per share.
- issued 410,000 common shares pursuant to the exercise of stock options at $0.40 per share.
- issued 400,000 common shares pursuant to the exercise of stock options at $0.235 per share.
- issued 75,000 common shares pursuant to the exercise of stock options at $0.54 per share.
- issued 125,000 common shares pursuant to the exercise of stock options at $0.67 per share.
- issued 43,616 common shares for services rendered at a fair value of $27,857.19.
- issued 11,201,902 Units pursuant to a brokered private placement at $0.55 per Unit. Each Unit consisted of one common share of the Company and one share purchase warrant entitling the holder to acquire one additional share at a cost of $0.80 to July 19, 2019. Agents were paid a cash commission of $322,915 and were issued an aggregate of 575,910 Agents' Warrants with a fair value of $238,605. Each Agents Warrant entitles the holder to acquire one common share at a cost of $0.55 for a period of 36 months. There was additional share issue costs of $155,433.
- issued 14,277 common shares at a fair value of $0.86 pursuant to a property option agreement.
- issued 350,000 common shares to Cypress at a fair value of $290,500 pursuant to a property option agreement.

Subsequent to March 31, 2017, the Company:

- issued 10,000 common shares pursuant to the exercise of stock options at $0.245 per share.
- issued 10,000 common shares pursuant to the exercise of stock options at $0.27 per share.
- issued 2,144,000 units at $0.50 per Unit pursuant to a private placement. Each Unit consists of one common share and one half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at a price of $0.75 per share for a period of 2 years. There are acceleration provisions attached to the warrants. The Company paid cash commissions of $33,075 and issued 66,150 finder's warrants. Each warrant entitles the holder to purchase one additional share at a price of $0.75 per share for a period of 2 years.
- issued 357,000 common shares pursuant to the exercise of warrants at $0.15 per share.
- issued 500,000 common shares pursuant to the exercise of stock options at $0.245 per share.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Three months ended March 31, 2017 compared to the three months ended March 31, 2016

During the three months ended March 31, 2017, the Company had a loss of $707,137 from operations compared to a net loss of $519,864 for the three months ended March 31, 2016. Operating expenses for the three months ended March 31, 2017 were $703,007 compared to $519,783 for the three months ended March 31, 2016.

Overall increases and decreases in operating expenses reflect increased management costs as corporate development and decreasing investor awareness activities continued during the three months ended March 31, 2017. 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:

Share-based compensation decreased by $60,936, related to the vesting of stock options issued during the previous period. These represent non-cash charges, with the value of the options being calculated using the Black-Scholes pricing model as determined at the date of grant. Substantially all share-based compensation is charged to expense at the date of issuance, and variations between periods reflect the timing of individual stock option grants. The value of stock-based compensation expensed is added to the share-based payment reserve within shareholders' equity, resulting in no net effect on total shareholders' equity.

Professional fees increased by $100,963 being mainly due to increases in legal fees related to re-organization of a subsidiary and permitting activity in Nevada and the acquisition of the Argentina Option during the current period.

Consulting costs increased by $106,561, due to increased technical consultation work on the Company's projects in the current period.

Nine months ended March 31, 2017 compared to the nine months ended March 31, 2016

During the nine months ended March 31, 2017, the Company had a loss of $2,927,703 from operations compared to a net loss of $2,696,675 for the nine months ended March 31, 2016. Operating expenses for the nine months ended March 31, 2017 were $2,920,190 compared to $2,721,664 for the nine months ended March 31, 2016.

Overall increases in operating expenses reflect increased management costs as corporate development and decreasing investor awareness activities continued during the nine months ended March 31, 2017. 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:

Professional fees increased by $268,702, which represents costs related to securities compliance, permitting matters in Nevada, and for a title opinion on the Company's Exploration and Evaluation asset.

Investor relations and regulatory expenses decreased by $176,322 during the nine months ended March 31, 2017. The major contributing factor to this decrease was the launch of a new website in the prior period, and a general reduction in amounts expended in the current period

Travel and entertainment increased by $93,712 being mainly due to costs to have consultants and management on site in Clayton Valley during the drilling program carried out in the current period.

Consulting fees decreased by $64,703. The major contributing factor to this decrease was the payment of 800,000 units to Haywood Securities Ltd, valued at $224,000, in the prior period.

Management fees increased by $62,817, representing costs incurred for management services provided to the Company by non-employee officers. These fees increased during the nine months ended March 31, 2017 as the Company engaged Patrick Highsmith in March 2016 paying him $167,903 in the current period. This increase was partially offset by the resignations of Jeremy Poirier in November 2016, Alexi Zadwadzki in June 2016 and Robert Mintak in March 2017. (see "*Related Party Transactions*" below.)

The fluctuation in losses for the Company on a quarter-to-quarter basis is due to capital availability, and the stage of exploration that the Company initiates in any particular quarter. There are quarters of intense efforts to achieve milestones followed by quarters where information is analyzed.

These expenses are itemized in the unaudited Consolidated Condensed Statements of Comprehensive Loss, in the Company's Financial Statements for the nine months ended March 31, 2017 and 2016. Refer to "Risk Factors" below for a list of risks and uncertainties that may have an effect on the Company's business.

SELECTED ANNUAL INFORMATION

($000's except earnings per share)

	Years Ended		
	June 30, 2016	June 30, 2015	June 30, 2014
Revenue	$ 0	$ 0	$ 0
Operating profit (Loss)	$ (3,604)	$ (1,960)	$ (486)
Net Income (Loss)	$ (3,579)	$ (3,361)	$ (313)
Basic and diluted loss per share	$ (0.06)	$ (0.07)	$ (0.02)
Total assets	$ 7,870	$ 3,876	$ 1,784
Long term debt	$ 0	$ 0	$ 0
Dividends	$ 0.00	$ 0.00	$ 0.00

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 period-to-period variations in the Company's financial condition and performance.

SUMMARY OF QUARTERLY RESULTS

($000's except earnings per share)

	Quarters Ended							
	Mar 31 2017	Dec 31 2016	Sept 30 2016	June 30 2016	Mar 31 2016	Dec 31 2015	Sept 30 2015	June 30 2015
Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating profit (Loss)	($703)	($804)	($1,413)	($883)	($520)	($1,327)	($874)	($469)
Net Income (Loss)	($707)	($808)	($1,412)	($882)	($520)	($1,339)	($838)	($1,964)
Basic and diluted Profit (loss) Per Share	($0.008)	($0.009)	($0.016)	($0.012)	($0.008)	($0.021)	($0.015)	($0.042)

As the Company does not yet generate revenue from its operations, the Company's financial results are primarily impacted by the timing and nature of exploration-related activities undertaken and the award of share-based compensation. To date, the timing of exploration activities has not been subject to significant weather impacts or seasonality. In addition, the Company's exposure to USD currency fluctuations could be significant in future periods as the Company's principal asset is US based. Refer to "Overall Performance and Results of Operations" above for discussion of certain key factors which cause period-to-period variations in the Company's financial condition and performance.

MANAGEMENT AND STAFFING

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

On February 4, 2016 Alex Rothwell was appointed to the strategic advisory board for the Company. Mr. Rothwell has 20 years of experience in Canadian capital markets, most recently as President of Macquarie Capital Markets Canada. Mr. Rothwell holds an MBA from the Ivey School of Business and a Bachelor of Chemical Engineering from McGill University.

On February 4, 2016 Paul Reinhart was appointed to the strategic advisory board for the Company. Mr. Reinhart is the President of Vanhart Capital Corporation, a company specializing in early stage businesses in the resource and life sciences industries. Mr. Reinhart has 30 years of experience providing early stage financing and shareholder management services.

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

On June 6, 2016, Alexi Zawadzki tendered his resignation as Vice President, Business Development of the Company.

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

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

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

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

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

On March 31, 2017, Dr. Andy Robinson tendered his resignation as Chief Operating Officer of the Company.

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

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

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position was $1,270,939 as at March 31, 2017, compared to $1,581,372 as at March 31, 2016. The Company had working capital of $435,561 as at March 31, 2017 compared to a working capital of $1,396,742 as at March 31, 2016. Subsequent to the reporting period, the Company closed a private placement for proceeds of $1,072,000. On May 11, 2017, the Company also announced new agreements, subject to approval by the TSX.V, that will result in an additional strategic investment into the Company of $2,000,000.

The Company's estimated cash requirements for the next 12 months are $8,000,000. In the next 12 months the Company will have property option and land maintenance costs of up to $3,600,000; anticipated exploration, engineering, and evaluation expenditures of approximately $3,500,00; and expected administration costs of approximately $1,000,000. These estimates are subject to several major discretionary expenditures, such as option payments on the new Argentina property, option payments on the newly acquired Clayton Valley properties, optional claim maintenance fees in Clayton Valley, and the technical program at both the CVS and Terra Cotta Projects. All of these are contingent on technical outcomes, markets, and budget decisions.

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

Operating Activities

During the nine months ended March 31, 2017, the Company's activities used $948,248 of cash compared to March 31, 2016 when activities provided $839,871 of cash. The cash used in operating activities reflects the Company's funding of losses of $1,622,415 (2016: $1,113,892) adjusted for non-cash items of stock based compensation totaling $790,326 (2016: $842,916), the payment of non-cash consulting fees of $27,857 (2016: $288,142) and other minor non-cash adjustments. Overall, the increase in operating cash outflows is due to additional administrative costs associated with the continuing ramp-up of Company operations. Going forward, the Company's working capital requirements are expected to increase in connection with the development of the CVS Project and initiation of exploration activities at the Terra Cotta Project in Argentina.

Investing Activities

The Company's primary investing activity is its expenditures on exploration and evaluation assets. During the nine months ended March 31, 2017 the Company spent $5,715,359 (2016: $1,310,121) on the CVS Project and the acquisition of the Argentina Option. Details of expenditures for the nine months ended March 31, 2017 are more fully described in Note 5 to the March 31, 2017 Financial Statements "*Exploration and Evaluation Assets*".

Financing Activities

For the nine months ended March 31, 2017, the Company received a total of $6,831,874 (2016: $3,263,884) less cash issue costs of $478,348 (2016: $Nil) from private placements and warrant exercises and stock option exercises.

Subsequent to March 31, 2017, the Company issued:

- 10,000 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.
- 2,144,000 units at $0.50 per Unit pursuant to a private placement. Each Unit consists of one common share and one half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at a price of $0.75 per share for a period of 2 years. There are acceleration provisions attached to the warrants. The Company paid cash commissions of $33,075 and issued 66,150 finder's warrants. Each warrant entitles the holder to purchase one additional share at a price of $0.75 per share for a period of 2 years.
- 357,000 common shares pursuant to the exercise of warrants at $0.15 per share.
- 500,000 common shares pursuant to the exercise of stock options at $0.245 per share.

Cash Flow Considerations

As of March 31, 2017, the Company had a working capital of $435,561 compared to a working capital of $1,396,742 as of March 31, 2016. The Company anticipates receiving cash proceeds from the exercise of warrants and private placements, however the Company cannot predict the timing or amount of additional options and warrants that may be redeemed, if any.

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

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

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

Historically, the Company has used net proceeds from issuances of common shares to provide sufficient funds to meet its near-term exploration and development plans and other contractual obligations when due. However, further development and construction of the CVS 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 CVS 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 CVS Project, and will continue to complete necessary process testing at the bench, mini-pilot, and pilot scale as the development of the CVS 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 CVS 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 CVS Project is a complex and resource intensive undertaking that may result in overall schedule delays and increased project costs for the Company.

Reliance on Key Personnel

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

Substantial Capital Requirements and Liquidity

The Company anticipates that it will make substantial capital expenditures for the continued exploration and development of the CVS Project in the future. The Company currently has no revenue and may have limited ability to undertake or complete future drilling or exploration programs, process studies and the design of a surface plant and processing facilities. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for

other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. Sales of substantial amounts of securities may have a highly dilutive effect on the ownership or share structure of the Company. Sales of a large number of common shares in the public markets, or the potential for such sales, could decrease the trading price of the common shares and could impair the Company's ability to raise capital through future sales of common shares.

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

Property Commitments

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

Exploration and Development

Exploring and developing natural resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. Natural resource exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of natural resources, any of which could result in work stoppages, damage to property, and possible environmental damage. If any of the Company's exploration programs are successful, there is a degree of uncertainty attributable to the calculation of resources and corresponding grades being extracted or dedicated to future production. Until actually extracted and processed, the quantity of lithium brine reserves and grade must be considered as estimates only. In addition, the quantity of reserves may vary depending on commodity prices. Any material change in quantity of reserves, grade or recovery ratio, may affect the economic viability of the Company's properties. In addition, there can be no assurance that results obtained in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. The Company closely monitors its activities and those factors which could impact them, and employs experienced consulting, engineering, and legal advisors to assist in its risk management reviews where it is deemed necessary.

Operational Risks

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

ground movements, cave-ins, and encountering unusual or unexpected geological conditions and technological failure of exploration methods.

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

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

Environmental Risks

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

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

Commodity Price Fluctuations

The price of commodities varies on a daily basis. However, 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 such as copper, zinc, gold or iron ore. However the price of lithium tends to be set through a limited long-term offtake market, contracted between the very few suppliers and purchasers.

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

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

The Company's common shares are listed on the TSX.V under the symbol "PE", on the OTCQB trading platform in the United States under the trading symbol "PEMIF", on the Frankfurt Stock Exchange under the trading symbol "AHG1", and on the Xterra trading platform in Germany under the trading symbol "A111EG". The quotation of Pure Energy common shares on the TSX.V may result in a less liquid market available for existing and potential stockholders to trade common shares, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future.

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

(a) The trading volume and general market interest in the Company's common shares could affect a shareholder's ability to trade significant numbers of common shares; and

(b) The size of the public float in the Company's common shares may limit the ability of some institutions to invest in the Company's securities.

As a result of any of these 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 periods of volatility in the market price of their securities. The Company could in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

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

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

Economic and Financial Market Instability

Global financial markets have been volatile and unstable at times since the global financial crisis, which started in 2007. Bank failures, the risk of sovereign defaults, other economic conditions and intervention measures have caused significant uncertainties in the markets. The resulting disruptions in credit and capital markets have negatively impacted the availability and terms of credit and capital. High levels of volatility and market turmoil could also adversely impact commodity prices, exchange rates and interest rates. In the short term, these factors, combined with the Company's financial position, may impact the Company's ability to obtain equity or debt financing in the future and, if obtained, on terms that are favorable 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 has 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 its debt obligations will depend on the Company's future operations, which are subject to prevailing industry conditions and other factors, many of which are beyond the control of the Company.

Industry Competition and International Trade Restrictions

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

Governmental Regulation and Policy

Mining operations and exploration activities are subject to extensive laws and regulations. Such regulations relate to production, development, exploration, exports, imports, taxes and royalties, labor standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic and radioactive substances, transportation safety and emergency response, and other matters. Compliance with such laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and refining and other facilities. It is possible that, in the future, the costs, delays and other effects associated with such laws and regulations may impact decisions of the Company with respect to the exploration and development of properties such as the CVS 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 period 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 CVS 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 protection of groundwater resources by the State Engineer, but does not 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 existing water use regulations when carrying out mineral exploration and project development work on the CVS Project. Water use regulations, the appropriation of water and water use rights are evolving in a manner that may result in stricter 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 subject to time delays or restrictions that could impact the Project and its future development.

The Company's lithium exploration commenced before the designation of the Clayton Valley Basin. Recently there has been a transition period during which there is uncertainty about the applicability of some elements of the state water law to lithium exploration. So there is some risk that practices will change and boreholes drilled under the previous understanding will cease to be useful for brine extraction in Clayton Valley. Since the extractive phase of exploration and pumping tests on these older drill holes has been completed, the Company does not anticipate a material impact to the Project from any such developments.

The Company expects Nevada state statutes and regulations to evolve with respect to water rights and its implications on lithium mineral rights. 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 manage this topic.

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 CVS Project and, to the best of its knowledge, its rights in relation to lands covering the CVS 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 CVS 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. The Company is currently operating under a working capital deficiency, and requires additional financing to ensure it can continue to maintain a positive working capital position. If the Company does not generate sufficient cash flow from operating activities it will remain dependent upon external financing sources. There can be no assurance that such sources of financing will be available on acceptable terms or at all.

Legal and Litigation

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

Insurance

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

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

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

Currency

The Company is exposed to foreign currency fluctuations to the extent that the Company's material mineral property is located in the US and its expenditures and obligations are denominated in US dollars, yet the Company is currently headquartered in Canada, is listed on a Canadian stock exchange and typically raises funds in Canadian dollars. In addition, a number of the Company's key vendors are based in Canada, including vendors that supply geological, process engineering and chemical testing services. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. On December 14, 2015 Company entered into a 60 day hedging arrangement for $750,000 US at a conversion rate of 1.3729. Management may elect to use such instruments in the future or be required to enter into such transactions as a condition of certain financing transactions.

Conflicts of Interest

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

The Company and its directors and officers will attempt to minimize such conflicts. If such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which several directors, or officers, may have a conflict. In determining whether or not the Company will participate in a particular program and the interest to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

Decommissioning and Reclamation

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

Dividends

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

Hedging

On December 14, 2015 Company entered into a 60 day hedging arrangement, for $750,000 US at a conversion rate of 1.3729. Management may elect to use such instruments in the future or be required to

enter into such transactions as a condition of certain financing transactions. 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) basic risk resulting from ineffective hedging activities and (d) legal risk associated with an action that invalidates performance by one or both parties. There is no assurance that any hedging or other derivative program will be successful.

Time and Cost Estimates

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

Consumables Availability and Costs

The Company's planned development activities and operations, including the profitability thereof, will continue to be affected by the availability and costs of consumables used in connection with the Company's activities. Of significance, this may include concrete, steel, copper, piping, diesel, 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 Resources 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 products 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, receivables and accounts payable and accrued liabilities. The carrying value of receivables, accounts payable and accrued liabilities approximates their fair values due to their immediate or short-term maturity. Cash is carried at fair value using a level 1 fair value measurement.

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

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 the 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:

As of March 31, 2017, the Company had the following related party transactions and balances:

(a) management fees of $75,000 (2016: $90,000) were paid to a company controlled by Mr. Mintak, a former director and former Executive Chairman of the Company;

(b) management fees of $Nil (2016: $6,200) were paid to a company controlled by Mr. Dake, a director of the Company;

(c) management fees of $30,000 (2016: $65,000) were paid to a company controlled by Mr. Poirier, a former director of the Company;

(d) professional and accounting expenses of $45,000 (2016: $45,000) were paid to a company controlled by John Jardine, CFO of the Company;

(e) Management fees of $Nil (2016: $97,829) were paid to a company controlled by Mr. Zawadzki, a former officer of the Company;

(f) Management fees of $134,257 (2016: $122,064) were paid to a Company controlled by Dr. Robinson, a former officer and former director of the Company;

(g) consulting fees of $Nil (2016: $13,040) were paid to Grant Hall, a former director of the Company;

(h) consulting fees of $660 (2016: $1,500) were paid to Gerhard Jacob, a former director of the Company;

(i) management fees of $167,903 (2016: $13,749) were paid to Patrick Highsmith, a director and CEO of the Company;

(j) management fees of $18,000 (2016: $nil) were paid to a private company controlled by Dianne Szigety, the Corporate Secretary of the Company;

(k) the Company incurred a total share based compensation expense of $790,326 (2016: $842,916), calculated using the Black-Scholes pricing model; and

(l) as at March 31, 2017 accounts payable included $15,520 (2016: $46,214) which was owed to related parties for travel expenses, professional and management fees.

The transactions noted above were measured at the exchange amounts which were agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

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

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

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

STOCK-BASED COMPENSATION

The Company has a stock option plan, which is described in Note 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 period with a corresponding increase in contributed surplus. When the options are exercised, share capital is credited for the consideration received and the related contributed surplus is decreased. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock based compensation.

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 amounts receivable and accounts payable and accrued liabilities. The Company is not exposed to any derivative instruments. The Company is exposed to currency exchange rate risk as certain transactions are denominated in US dollars. The Company does not have foreign exchange hedges in place at this time. It is management's opinion that the Company is not exposed to significant interest rate or credit risks.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

OUTSTANDING SHARE DATA

Issued

The Company has 94,968,446 common shares issued and outstanding as at May 25, 2017. The Company had 91,947,446 common shares outstanding as at March 31, 2017.

Share Purchase Options

As at May 25, 2017, the Company has 5,795,000 stock options outstanding of which 5,263,750 are fully vested and exercisable. A summary of the Company's stock options is presented below.

	Number of Options	Exercise Price	Expiry Date
Issued October 3, 2014	410,000	$0.245	October 3, 2019
Issued November 13, 2014	400,000	$0.235	November 13, 2017
Issued March 11, 2015	300,000	$0.27	March 11, 2020
Issued July 21, 2015	60,000	$0.235	July 21, 2017
Issued October 23, 2015	1,125,000	$0.67	October 22, 2020
Issued November 5, 2015	475,000	$0.54	November 5, 2020
Issued February 4, 2016	400,000	$0.57	February 4, 2021
Issued July 25, 2016	1,600,000	$0.75	July 24, 2019
Issued September 27, 2016	250,000	$0.76	March 27, 2018
Issued December 2, 2016	200,000	$0.71	December 1, 2018
Issued April 1, 2017	575,000	$0.51	April 1, 2022
Balance, May 25, 2017	5,795,000	$0.55	
Fully vested and exercisable	5,263,750	$0.55	

Warrants

The Company has 13,524,010 share purchase warrants outstanding at May 25, 2017.

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

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Issued May 30, 2014	3,160,000	$0.15	May 30, 2017
Issued July 17, 2014	3,118,200	$0.15	July 17, 2017
Issued July 17, 2014 (finders warrants)	32,487	$0.15	July 17, 2017
Issued September 5, 2014	9,900,000	$0.15	September 5, 2017
Issued September 5, 2014 (finders warrants)	6,650	$0.15	September 5, 2017
Issued December 19, 2014	8,622,500	$0.30	June 19, 2016
Issued December 29, 2014	2,525,000	$0.30	June 29, 2016
Issued December 29, 2014 (finders warrants)	152,625	$0.30	June 29, 2016
Issued July 10, 2015	3,128,233	$0.24	December 16, 2016
Issued August 4, 2015	800,000	$0.35	February 4, 2017
Issued July 25, 2016	11,201,902	$0.80	July 19, 2019
Issued July 25, 2016	575,910	$0.55	July 19, 2019
Issued April 28, 2016	1,072,000	$0.75	April 27, 2018
Issued April 28, 2016	66,150	$0.75	April 27, 2018
Exercised up to May 15, 2017	(15,609,289)	$0.15	
Exercised up to May 15, 2017	(2,428,233)	$0.24	
Exercised up to May 15, 2017	(11,300,125)	$0.30	
Exercised up to May 15, 2017	(800,000)	$0.35	
Expired unexercised up on December 16, 2016	(700,000)	$0.24	
Balance, May 15, 2017	13,524,010	$0.77	

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

OTHER

Additional information about the Company, including the Financial Statements and Technical Report, is available on the Company's website at www.pureenergyminerals.com, or on SEDAR at www.sedar.com.

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