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ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

October 10, 2017

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PRELIMINARY NOTES

Date of Information

All information in this Annual Information Form (“AIF”) is as of June 30, 2017, unless otherwise indicated.

Cautionary Notes to U.S. Investors Concerning Resource Estimates

This AIF has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of the U.S. securities laws. All resource estimates included in this AIF have been prepared in accordance with the guidelines set out in National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) and the Canadian Institute of Mining and Metallurgy Classification System. The terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” used in this AIF are defined in NI 43-101; however, these terms are not defined terms under United States Securities and Exchange Commission (“SEC”) Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be upgraded to a higher category. Investors are further cautioned that “inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. Under Canadian rules, estimates of “inferred mineral resources” may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Accordingly, information contained in this AIF and the documents incorporated by reference herein containing descriptions of the Company’s mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under United States federal securities laws and the rules and regulations thereunder.

Currency

Except where otherwise indicated, all references to currency in this Annual Information Form are to Canadian Dollars (“\$”).

Glossary of Terms and Technical Abbreviations

The following is a glossary of certain technical terms and abbreviations that appear in this AIF.

Benchmark.....	Benchmark Mineral Intelligence Ltd.
BLM.....	US Bureau of Land Management
BMRR.....	Bureau of Mining Regulation and Reclamation
BWM.....	Bureau of Waste Management
BWPC.....	Bureau of Water Pollution Control
Capex.....	Capital expenditures
cm.....	Centimeter(s)
CSAMT / MT.....	Controlled-source audio-magnetotellurics / magnetotellurics
CV.....	Clayton Valley
CWA.....	Clean Water Act
d.....	Day
DWRC.....	Dual wall reverse circulation
EA.....	Environmental Assessment
EIS.....	Environmental Impact Statement
EPCRA.....	Emergency Planning and Community Right-to-Know Act
ft.....	Foot (feet)
FWS.....	US Fish and Wildlife Service
gal.....	Gallon(s)
Gpm.....	Gallon(s) per minute
GE.....	GE Water & Process Technologies
h.....	Hour
H ₂ SO ₄	Sulphuric acid
Ha.....	Hectare(s)

IRR.....	Internal rate of return
IX.....	Ion exchange
Kg.....	Kilogram(s)
Km.....	Kilometer(s)
km ²	Square kilometer(s)
L.....	Liter(s)
Li.....	Lithium metal or lithium ion
LiEL™.....	TAT's proprietary process using electrolysis for the recovery of lithium
LiSX™.....	TAT's proprietary Solvent Extraction process for the recovery of lithium
LiP™.....	TAT's proprietary preparatory process for the removal of calcium and magnesium ions
LCE.....	Lithium carbonate equivalent
LiOH·H ₂ O.....	Lithium hydroxide monohydrate
LoM.....	Life of mine
m.....	Meter(s)
m ³	Cubic meter(s)
mg/L.....	Milligram(s) per liter
mi.....	Mile(s)
mi ²	Square mile(s)
min.....	Minute
mm.....	Millimeters
MACT.....	Nevada maximum achievable control technology
MR.....	Mud rotary
Mt.....	Million metric tonne(s)
Mton.....	Million US short ton(s)
NAC.....	Nevada Administrative Code
NCA.....	Nickel-cobalt-aluminium, as applied to lithium-ion batteries
NDEP.....	Nevada Division of Environmental Protection
NDOW.....	Nevada Department of Wildlife
NDWR.....	Nevada Division of Water Resources
NEPA.....	National Environmental Policy Act
NI.....	Canadian National Instruments
NMC.....	Nickel-manganese-cobalt, as applied to lithium-ion batteries
NMR.....	Nuclear Magnetic Resonance
NPV.....	Net present value
NRHP.....	National Register of Historic Places
Opex.....	Operating costs
PEA.....	Preliminary Economic Assessment
Project.....	The Clayton Valley Lithium Project
QPs.....	Qualified persons, as defined by NI 43-101
RBRC.....	Relative Brine Release Capacity
RCRA.....	Resource Conservation and Recovery Act
ROW.....	Right-of-way
SEDAR.....	System for Electronic Document Analysis and Retrieval
SHPO.....	State Historic Preservation Office
SQM.....	Sociedad Quimica y Minera de Chile S.A.

Std. Dev.....	Standard deviation
SX.....	Solvent extraction
Tesla.....	Tesla Motors, Inc.
TAT.....	Tenova Advanced Technologies Ltd., formerly Tenova Bateman Technologies
TD.....	Total depth
Ton.....	US Customary ton
tonne or t.....	Metric tonne(s)
t/y.....	Tonne(s) per year
US.....	United States
USEPA.....	US Environmental Protection Agency
USGS.....	US Geological Survey
USACE.....	US Army Corps of Engineers
WPCP.....	Water Pollution Control Permit

Forward-Looking Information

Except for statements of historical fact, this Annual Information Form ("AIF") contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar terms, or statements that certain events or conditions "might", "may", "could" or "will" occur. In particular, forward-looking information in this AIF 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 statements are 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 AIF 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.

Certain Other Information

Certain information in this AIF is obtained from third party sources, including Benchmark and public sources, and there can be no assurance as to the accuracy or completeness of such information. Although believed to be reliable, management of the Company has not independently verified any of the data from third party sources unless otherwise stated. In addition, Benchmark has not verified any of the information in this AIF and assumes no responsibility, express or implied, for such information, including with respect to the accuracy or completeness of any information provided in this AIF related to the Clayton Valley Lithium Project.

CORPORATE STRUCTURE

Name, Address and Incorporation

Pure Energy Minerals Ltd. (the “Company”, “Pure Energy” and “our”) was incorporated under the *Company Act* (British Columbia) on June 7, 1999 under the name 586713 B.C. Ltd. On August 8, 1999, the Company’s name was changed to My Venture Inc. and subsequently to Avantec Technologies Inc. on July 18, 2003. On November 29, 2004, the Company transitioned pursuant to the *Business Corporations Act* (British Columbia) and adopted a new Notice of Articles and Articles. On August 7, 2009, the Company amended its Notice of Articles to remove the pre-existing company provisions (which existed under the Company Act) and to increase its authorized share structure from 100,000,000 common shares without par value to an unlimited number of common shares without par value. On August 17, 2009, the Company’s name was changed to Harmony Gold Corp., and on October 18, 2012, the name was changed to Pure Energy Minerals Limited.

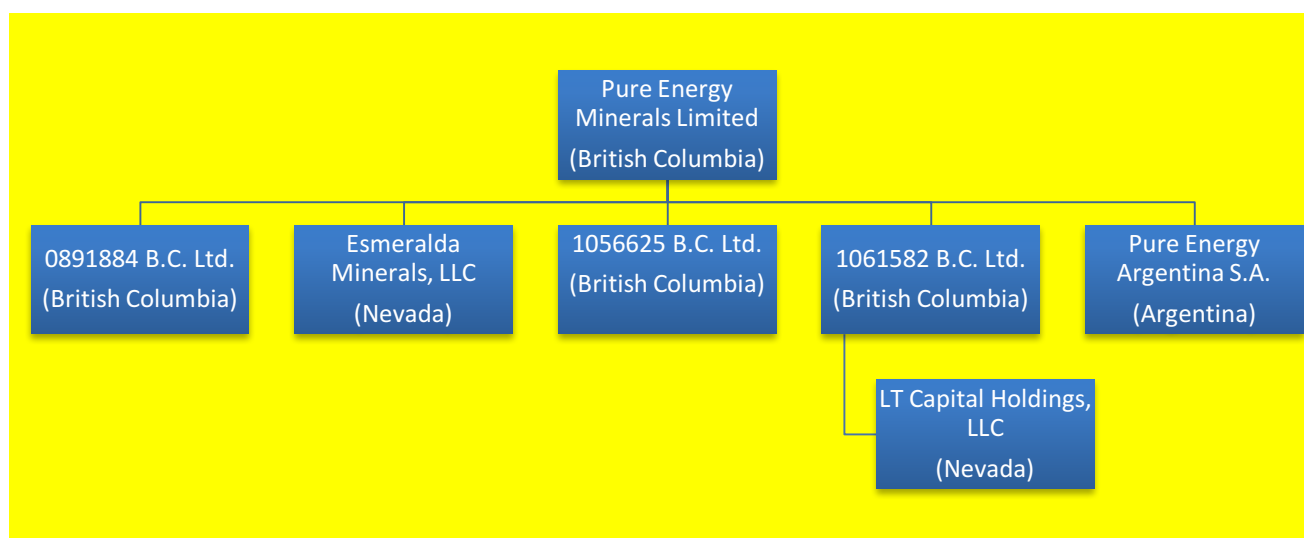
The Company is a reporting issuer in British Columbia and Alberta, and its common shares are listed and posted for trading on the TSX Venture Exchange (the “TSX.V”) under the trading symbol “PE”. The Company also trades on the OTCQB trading platform in the United States under the trading symbol “PEMIF”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

The Company’s head office, as well as its registered and records office, are located at Suite 1400 – 1111 West Georgia Street, Vancouver, B.C. V6E 4M3.

Intercompany Relationships

The following chart illustrates the Company’s corporate structure, including all of its subsidiaries, jurisdictions of incorporation, and the percentage of ownership or number of voting securities in relation to such subsidiaries, as of the date hereof.

PURE ENERGY MINERALS LIMITED CORPORATE STRUCTURE



Note: All subsidiaries shown are wholly owned.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Since 2014, the Company has been focused on developing its flagship project, the Clayton Valley Lithium Brine Project in Esmeralda County, Nevada, USA. (the “Clayton Valley Project” or “CV Project”)

2015 Developments

On January 5, 2015, Pure Energy announced the engagement of Tenova Bateman Technologies, now known as Tenova Advanced Technologies (“TAT”), to test brine samples from the Clayton Valley Project, using their proprietary lithium processing and recovery technology. The Company subsequently reported, on April 20, 2015,

successful laboratory testing of the TAT process on CV Project brines, with production of a greater than 99.9% pure lithium chloride solution with virtually no lost lithium in the raffinate.

On February 5, 2015, the Company filed on SEDAR a Technical Report Update on the CV/DB Claims located in Clayton Valley, Nevada.

On February 9, 2015, the Company's operator, GeoXplor Corp. ("GeoXplor") began further exploratory drilling work on the CV Project. The drilling work commenced with widening of the existing borehole CV-1, drilled in September and October 2014. The downhole geophysical work completed in CV-1 refined the understanding of the brine-bearing horizons intersected in CV-1, and allows the optimum well installation to be designed. Following widening of CV-1, an 8" diameter well was installed that allowed for pumping tests to be completed that would provide important hydrogeological parameters. These parameters will be helpful in determining future possible lithium-brine pumping rates.

On February 10, 2015, the Company removed the forced warrant acceleration conversion provision with respect to the Company's non-brokered private placements that were completed on May 30, 2014, July 14, 2014, and September 5, 2014. The Company did not provide Warrant holders with an acceleration notice and did not exercise its right to accelerate the Expiry Date of the Warrants pursuant to the Acceleration Provision. Holders of the warrants would now have three years from the respective closing date of the respective Private Placement to convert the Warrants.

On March 11, 2015, Mary L. Little was appointed to the Board of Directors. Ms. Little's industry experience includes fifteen years in Latin America with major mining companies like Newmont, Cyprus Amax and WMC Ltd., where she held management positions including Business Development Manager and Country Manager. More recently, as a founder and the CEO of Mirasol Resources Ltd., Ms. Little led that company's growth as a successful prospect generator, and spearheaded corporate development activities, including the negotiation of joint ventures and the sale of a principal asset. Ms. Little has extensive experience in the exploration and evaluation of epithermal precious metals deposits, as well as porphyry and sediment-hosted mineral environments. She holds a M.Sc. degree in Earth Sciences from the University of California, and a MBA degree from the University of Colorado.

On March 16, 2015, the Company announced that it had successfully drilled and completed the installation for a test-production well in CV-1 at the CV Project. The existing exploration borehole CV-1 was drilled in September and October 2014 and demonstrated lithium-bearing brines from approximately 140 m depth to the final depth of the borehole at 274 m. Samples of the brine taken from the borehole showed lithium concentrations of 264 ppm, and downhole geophysical work refined the understanding of the brine-bearing horizons in the CV-1 borehole. Subsequent to this, the Company's Operator, GeoXplor, mobilized Harris Exploration Drilling to the Clayton Valley site to ream and widen this borehole so that it could be used as a test-production well. This work was successfully completed, and consisted of re-drilling the borehole to 275 m depth and widening the borehole to 36 cm (14"). A 21 cm (8") diameter steel test-production well was installed into the borehole with the screened zones aligned with the known lithium brine-bearing horizons. A high-capacity electric submersible pump was to be installed to perform pumping tests to measure key aquifer parameters at flow rates similar to likely production rates. This important piece of information would be used to help determine the size and viability of the lithium-brine resources beneath Pure's claim area.

On April 22, 2015, the Company reported that the lithium extraction processing work conducted by Tenova Bateman Technologies demonstrated that the Bateman LiP™ (pre-treatment stage) and LiSX™ (main Li-removal) processes for extraction of Lithium from brine was successfully applied to the raw brine collected from the Company's Clayton Valley Project. To date, lithium has been removed from brines around the world using capital-intensive, slow and inefficient evaporation techniques, and this successful application of cutting edge TBT technology could be a game-changer to unlock the value of the Company's CV Project.

On May 6, 2015, the Company, through its wholly owned US subsidiary, Esmeralda Minerals, LLC, acquired 963 acres of placer mineral claims contiguous to and to the south of the Company's CV and DB Claims. As the claims are 100% owned by a wholly owned subsidiary of the Company, there are no lease fees, royalties, work commitments or other encumbrances owing to third parties in relation to the claims, other than annual payment of BLM and County maintenance fees. The additional claims increased Pure Energy's total project footprint to approximately 8,037 hectares.

On May 14, 2015, the Company issued 176,912 common shares with a fair value of \$49,535, pursuant to the acquisition of CV and DB claims.

On May 19, 2015, the Company announced the signing of an enhanced MOU with POSCO, extending the scope of the existing MOU to include development of potential customer relationships, consolidation of other lithium properties and/or producers and potential financial participation opportunities.

On May 31, 2015 (the "Effective Date"), the Company entered into an option and lease agreement with Nevada Alaska Mining Co. Inc. ("NAM") whereby NAM granted the Company an indefinite, exclusive lease and exploration license

(the “Lease”) to conduct mineral exploration and development testing on the CE and CD unpatented placer mining claims on a property located in Esmeralda County, Nevada (the “CE and CD Claims”). NAM also granted the Company the option to acquire a 100% interest in the CE and CD Claims. Under the terms of the Lease, the Company was required to make the following cash payments and common share issuances to NAM: On the Effective Date CDN\$35,000 cash payment and 226,620 common shares of the Company; On the first, second, third and fourth anniversaries of the Effective Date, CDN\$35,000 cash plus such number of common shares of the Company (if any) as needed to bring the value of the total payment (cash plus shares) to US\$35,000 based on the most recent closing price of the shares at the respective times; On each anniversary of the Effective Date past the fourth anniversary date, US\$75,000 until the Option Payment is made and title to the CE and CD Claims is transferred to the Company or the NAM agreement is terminated. Under the terms of the option, the Company is entitled to acquire a 100% interest in the CE and CD Claims, subject to the 3% NSR, by providing NAM either a one-time payment of US\$500,000 (the “Option Payment”) or such number of common shares of the Company as is equal to the Option Payment divided by the then-most recent closing price of the Company’s common shares. The Company may terminate the NAM agreement at any time on 30 days written notice to NAM.

On July 10, 2015, the Company closed its warrant exercise incentive offer (the “Incentive Program”), by the issuance of 3,128,233 warrants (the “Incentive Warrants”) under an Incentive Program, following the exercise of 6,256,466 previously outstanding warrants for a total net proceeds of \$938,470. Each whole Incentive Warrant was exercisable on or before December 31, 2016 at a price per Incentive Warrant of \$0.24. On July 28, 2015, Pure Energy filed a NI 43-101 compliant technical report detailing a maiden inferred resource for the Clayton Valley Project of 816,000 metric tonnes of lithium carbonate equivalent (LCE) in two aquifers under the Company’s claims.

On August 4, 2015, the Company entered into a Strategic Advisory Agreement with Haywood Securities Inc. (“Haywood”), whereby Haywood will provide strategic advisory services to the Company for a period of 18 months. Haywood was paid by the issuance of 800,000 units, with a fair value of \$224,000 (\$0.28 per unit). Each unit consists of one common share and one share purchase warrant entitling them to purchase one common share at a price of \$0.35 per share for each warrant held. The Units have vesting provisions and expire on February 19, 2017. Of the 800,000 units, 300,000 were issued to Haywood, and 500,000 units were placed in escrow, to be released, provided the agreement had not been terminated, as to 250,000 within 6 months and 250,000 within 12 months of the agreement.

On September 15, 2015, the Company entered into an agreement with Tesla Motors Inc. (“Tesla”) for the potential supply of lithium hydroxide monohydrate to Tesla from the CV Project. Provided that Pure Energy meets certain terms and conditions related to project execution, product quality and timing of delivery, the agreement establishes a commitment for an annual purchase volume of product over a period of five years by Tesla and/or its authorized purchasers. The Agreement sets a predetermined price that is below current market rates and is aligned with Tesla’s goal to continuously reduce the cost of its lithium-ion batteries. For greater detail please refer to the Company’s issuer profile page at SEDAR.com where copies of the Production Pricing Agreement and General Terms and Conditions are filed. Certain information relating to future pricing formula and forecasted deliveries has been omitted on the basis of confidentiality and on the basis that the Agreement is subject to various conditions in relation to project execution, product quality, pricing and timing of delivery.

The ability of the Company to satisfy the terms of the conditional Supply Agreement is dependent upon proving out the economically recoverable reserves, the ability of the Company to obtain necessary financing to complete development, obtaining all necessary approvals and constructing a mine and processing facilities at the CV Project and achieving commercial production of Lithium Hydroxide. There can be no assurance that the conditions to supply product under the Agreement will be met and that the Agreement will result in an actual producing lithium mine.

On September 23, 2015, Mr. Grant Hall resigned as a director of the Company.

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, 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.

On November 9, 2015, the Company announced that it had received, through its project operator, GeoXplor, a Notice of Intent work permit from the Bureau of Land Management for the upcoming Phase Two exploration drilling program at its CV Project. The Company was permitted to drill three wells that targeted potential lithium brine bearing

formations identified from the 2015 seismic reflection survey. The Company planned to drill these wells to depths of up to 500 meters.

On November 16, 2015, the Company's announced that GeoXplor had mobilized drilling equipment to site and had begun the second phase of resource assessment drilling work at CV Project. The purpose of the exploration phase was to increase the understanding of lithium grades in brines located beneath the largest southern resource zone of the recently expanded property. This phase of work consisted of initial mud-rotary drilling and installation of temporary surface casing to isolate the underlying lithium brine targets from near-surface alluvial deposits and shallow groundwater.

On November 19, 2015, the Company announced that it was rapidly advancing toward a mini-pilot plant test with Bateman Advanced Technologies ("BAT") to follow-up the earlier successful lab-scale test work on lithium brine processing and recovery. The tests were scheduled for early 2016 at BAT's Research and Development Center in Katzrin, Israel.

2016 Developments

On January 25, 2016, the Company provided an update on its winter drill program at the CV Project. The Company successfully drilled well CV-6 from surface to the targeted depth (TD) of 1,500 feet (456 m) below ground level ("bgl"). CV-6 is located approximately 6 km southwest of CV-2, very close to the geographic centre of the Company's large claim block. Drilling commenced at the location in late November 2015 using rotary-mud techniques for the installation of temporary surface casing to a depth of 500 ft (152 m) bgl. The surface casing isolates upper gravel layers, which are widespread in the upper reaches of the basin as evidenced by previous drilling and the Company's seismic reflection survey. The rotary core drill rig commenced to advance the well from 500' to the targeted depth of 1,500' bgl.

On February 4, 2016, Messrs. Alex Rothwell and Paul Reinhart were appointed to the strategic advisory board for the Company.

On February 16, 2016, the Company announced that it had successfully completed well CV-4 from surface to a depth of 1,340 feet (408 metres) below ground level ("bgl"). After installing steel casing to approximately 400 feet (122 metres) below surface, the drillers employed MR methods to complete the well. The drilling encountered several zones of very high permeability, including some intervals of flowing sands. High fluid inflows necessitated termination of the well before the targeted depth of 1,500 feet (457 metres). The drillers completed the well by installing a 3" (76mm) PVC casing with screened sections open from 260 feet (79 metres) to 1,200 feet (365 metres) bgl.

On February 18, 2016, the Company announced that it had successfully completed well CV-5 from surface to a depth of 1,620 feet (494 metres) bgl. The drillers installed steel casing to a depth of 60 feet (18 metres) in order to isolate the upper sequences of gravels from the targeted aquifers below. MR drilling proceeded very smoothly to the total depth ("TD") of 1,600 feet (488 metres) and beyond. As drilling terminated, some sand flowed into the hole, so the well was completed with 3" (76 mm) PVC casing down to 1,580 feet (482 metres). In order to facilitate fluid inflow from prospective aquifers, the drillers set screened casing from 580 feet (177 metres) to the bottom of the well.

On March 3, 2016, the Company appointed Patrick Highsmith as Chief Executive Officer replacing Robert Mintak, who 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 CV Project and that it had resampled the CV-1 borehole to determine representative chemistry for the mini-pilot plant. The new well (CV-3) was collared approximately 200 metres (660 ft) southeast of CV-1. Drilled in the first phase of Pure Energy drilling at Clayton Valley, CV-1 was completed to only 275 metres (900 ft).

On May 10, 2016, the Company announced results of well sampling from the phase 2 drill program at its CV Project. The phase 2 drill program consisted of three wells: CV-4, CV-5, and CV-6, which were major step outs to the south, extending up to 6 kilometres (3.7 miles) beyond the previous limit of drilling. The technical team designed these wells to target lower grade brines of the southern resource area from approximately 150 to 500 metres (500 to 1600 feet) below surface. The results from wells CV-4, 5, and 6 included no significant lithium values, but the data indicate the presence of an active geothermal system that may have a significant impact on fluid compositions in portions of the southern resource area.

On May 11, 2016, the Company announced the commencement of its Mini-Pilot Plant work with Tenova Bateman Technologies at their research and development centre in Katzrin, Israel and at other off-site locations. The proposed lithium recovery process that was to be tested in the Mini-Pilot Plant consisted of three distinct phases:

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

- LiSX™ - Recovery of lithium into concentrated high-purity lithium sulphate solution utilizing 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.

The Mini-Pilot Plant work expanded upon bench-scale work conducted by TBT for Pure Energy in 2015 and culminated in a report with preliminary estimates of capital (CAPEX) and operating (OPEX) expenditures for a potential commercial processing plant in Clayton Valley, Nevada for the production of high-purity battery grade lithium hydroxide. The work product from the Mini-Pilot Plant was also to include scale up data for the continuous pilot stage and other recommendations to support preliminary process design work.

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

On June 29, 2016, the Company announced that exploration borehole CV-3 had been successfully drilled to a total depth of 2,000 feet below ground level (610 metres) at its CV Project. The original target depth for this well was 1,600 feet (490 metres), but favourable drilling conditions and positive return of cuttings and formation fluids supported extending the depth of investigation down to the final depth. The well has been completed to a diameter of 12.5 inches (32 centimetres), and field crews are currently installing temporary well casing. The well was to serve the dual purpose of deep exploration and monitoring for pumping tests.

On July 20, 2016, Pure Energy completed an over-subscribed brokered private placement, issuing 11,201,902 Units at \$0.55 per unit for gross proceeds of \$6.161 million consisting of one common share and one share purchase warrant exercisable to acquire an additional common share at \$0.80 per share for a three year period. The financing was offered through a syndicate led by Dundee Securities Ltd., including Echelon Wealth Partners Inc. and Haywood Securities Inc. Proceeds of the offering were applied towards exploration and engineering work on the CV Project, working capital and general corporate purposes.

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 in 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 CV Project while its application for water rights is being considered.

On August 9, 2016, the Company provided an update regarding its Mini-Pilot Plant work with Tenova Bateman Technologies at their research and development centre in Katzrin, Israel and at other off-site locations. Several intermediate milestones were achieved on the preliminary process engineering work for the CV Project:

- Brine pre-treatment (LiPT™) testing exceeded expectations for lithium recovery and rejection of magnesium and calcium. Two membranes were short-listed and were to undergo additional testing;
- Confirmed initial favorable results from the solvent extraction lithium recovery circuit (LiSX™) – highly efficient lithium recoveries into solvent and very low levels of lithium in residual brine;
- Successfully converted lithium sulphate into lithium hydroxide by electrolysis (LiEL™) – achieving higher current efficiencies than anticipated.

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 they had executed a definitive agreement granting Pure Energy an option to acquire up to a 70% interest in Cypress’ 1,520-acre Clayton Valley property (the “Cypress Claims”), which is immediately adjacent to the CV Project. The Cypress Claims encompass a large area of lithium-enriched rocks on the eastern side of the Clayton Valley and had federal permits in place to allow immediate exploration drilling. Consideration for the option included staged payments to Cypress over four years of US\$175,000 cash, the issuance of 2,100,000 common shares and total exploration

expenditures of US\$1,800,000. At the first anniversary of the Cypress option agreement, the Company elected not to pursue the project and dropped its option on the Cypress Claims.

As of September 1, 2016, Messrs. Gerhard Jacob and Jeremy Poirier ceased to be directors of the Company, as they did not stand for re-election at the annual general meeting of shareholders.

In September 2016, Pure Energy applied to the 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.

On September 14, 2016, the Company reported positive initial brine sampling results from the CV-3 borehole. Sampling in CV-3 encountered continuously elevated lithium compositions from a depth near the top of the perforated interval of the well at approximately 244 m (800 ft), to the deepest sample collected near the bottom of the perforated interval at 564 m (1,850 ft) below surface. The lithium content over this 320 m (1,050 ft) interval ranged from 150 to 200 mg/L, averaging approximately 175 mg/L.

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. The program culminated with the successful demonstration of crystallization of high-purity, battery-grade lithium hydroxide monohydrate from a synthetic electrolysis product liquor.

On October 12, 2016, Pure Energy announced the completion of a constant-rate pumping test on the CV-3 well. Sampling in CV-3 encountered continuously elevated lithium compositions from a depth near the top of the perforated interval of the well at approximately 244 m (800 ft) to the deepest sample collected near the bottom of the perforated interval at 564 m (1,850 ft) below surface. The lithium content over this 320 m (1,050 ft) interval ranged from 150 to 200 mg/L, averaging approximately 175 mg/L.

In November 2016, the Company reported the continuation of the phase 3 drill program with the commencement of drilling operations on the CV-7 exploration borehole and its newest exploration borehole, CV-8, on the CV Project. CV-8 is located approximately 1.8 km (1.1 miles) west-southwest of the CV-3 well. The Company received mineral exploration waivers in 2016 for the drilling of CV-7 and CV-8. After completing these wells in early 2017 (see below), the Company received another temporary discharge permit from the NDEP for pumping tests on these new wells.

Some of the waivers issued by the NDWR for the Company's earlier exploration wells have been appealed by an allegedly aggrieved party. A hearing date on those appeals has been set for November 2017. In the meantime, the Company has also voluntarily plugged and reclaimed one of its older wells, CV-2.

On December 13, 2016, the Company announced the successful results of its mini-pilot plant test work to recover high-purity lithium hydroxide from brine using TAT's proprietary process. The test work was performed by TAT and SGS Canada and efficiently recovered at least 85% of the lithium from the tested brine and produced battery-grade lithium hydroxide monohydrate. The test work provided important proof-of-concept for efficient, environmentally sustainable lithium recovery from brine without the use of evaporation ponds.

2017 Developments

On January 10, 2017, Pure Energy announced that it had acquired an option to purchase a 100% interest in more than 13,000 hectares of prospective lithium brine concessions on the Pocitos Salar in the Salta Province of Argentina. (See "Significant Acquisitions" and "Terra Cotta Project").

On February 7, 2017, the Company announced that exploration borehole CV-8 has been successfully drilled to a total depth of 3,194 ft (974 m) below ground level at its CV Project. Boart Longyear completed the initial borehole using a variety of techniques, but employed HQ diamond core drilling from approximately 528 ft (161 m) to final depth at 3,194 ft (974 m). Core recovery was generally excellent (averaging more than 90%) down to a depth of approximately 2,630 ft (802 m), where core recovery decreased when the lithology changed to a much coarser grained unit. The drillers are currently reaming the borehole to a larger diameter of 9.75 in (25 cm) to allow for installation of temporary well casing.

On March 6, 2017, the Company announced that it had completed a constant-rate pumping test at its CV-7 exploration well. The test ran continuously for two days and included collection of brine samples along with extensive hydrogeological data on the brine aquifer system. The pumping test was designed and supervised by Pure Energy's hydrogeological consulting specialists, Montgomery & Associates ("Montgomery"). This successful test of CV-7 provided valuable additional data for Pure Energy's technical team to advance and refine its understanding of the CV Project's lithium resource.

On March 27, 2017, the Company announced that it had completed a constant-rate pumping test at its newest exploration well, CV-8, at the Clayton Valley South Project. The test ran continuously for three days and included a

collection of brine samples along with extensive hydrogeological data on the brine aquifer system. CV-8 is believed to be the deepest well drilled in Clayton Valley, having reached a total depth of 3,194 ft (974 m) below ground level. The drillers completed the well with casing and filter pack to a depth of 2,874 ft (876 m), installing perforated casing and seals around two separate intervals. This type of well construction allows for isolation and separate testing of shallow and deeper zones of the aquifer system.

On March 28, 2017, Pure Energy announced a non-brokered private placement of up to 4,000,000 Units at \$0.50 per Unit, consisting of one common share and one-half share purchase warrant. Each whole warrant is exercisable to acquire an additional common share at \$0.75 per share for a two-year period, subject to acceleration. If at any time between the date that is four months and one day from the closing of the Private Placement and the Expiry Date, the closing price of the Shares on the TSX Venture Exchange (the “Exchange”) is equal to or greater than \$1.25 for 20 consecutive trading days, then the Company may, at its sole option, elect to provide notice (the “Acceleration Notice”) to the holders of the Warrants by news release that the Warrants will expire at 4:00 p.m. (Vancouver time) on the date that is 30 days from the date of the Acceleration Notice (the “Accelerated Expiry Date”). In such instance, all Warrants that are not exercised prior to the Accelerated Expiry Date will expire on the Accelerated Expiry Date.

On March 31, 2017, Dr. Andy Robinson resigned his position as Chief Operating Officer.

On April 1, 2017, the Company appointed Walter Weinig as Vice President of Projects and Permitting. Mr. Weinig is a registered Professional Geologist, a certified Project Management Professional, and is a QP as defined in NI 43-101.

On April 19, 2017, the Company announced that Mr. S. Scott Shellhaas, Esq. has been appointed to its board of directors. Mr. Shellhaas has more than 30 years of diverse experience in the mining industry including a long tenure with various divisions of Cyprus Amax Minerals Company (“Cyprus Amax”) spanning the lithium, gold, copper, iron ore, and coal divisions. After working as Managing Attorney at the head office of Cyprus Amax he ascended to roles as president of gold and iron ore operating units until taking over as president of Cyprus Foote Mineral Company, Cyprus Amax’ lithium chemical and manufacturing division, in 1993.

On April 21, 2017, the Company received notice that its application 85990 for the appropriation of groundwater was denied by the Nevada 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 and milling are temporary uses of water, and therefore the right 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 8, 2017, the Company completed the non-brokered private placement announced March 28, 2017, issuing 2,144,000 Units at \$0.50 per Unit for gross proceeds of \$1,072,000. Net proceeds from the private placement were used for general working capital and exploration and development activities on the Clayton Valley South and Terra Cotta Projects.

On May 9, 2017, the Company announced the results from depth-specific brine samples from exploratory wells CV-7 and CV-8 on the CV Project. Positive indications of lithium enriched brine occurred throughout the screened intervals of the wells, with increased concentrations in deeper samples. The average lithium concentration over the screened interval in CV-7 was 70 milligrams per liter (mg/L) lithium, ranging between 56 and 109 mg/L lithium. The CV-8 samples averaged 134 mg/L, including a range of lithium values from 58 to 229 mg/L. The interval from 640 meters (2,100 ft) to the bottom of the screening at 867 m (2,845 ft) in CV-8 contained average lithium concentrations of 210 mg/L. The deeper part of the aquifer system in CV-8 thus contains considerable thickness of some of the highest grade lithium brine yet encountered on the CV Project.

On May 11, 2017, the Company announced a series of agreements to acquire Lithium X Energy Corp.’s (“Lithium X”) interest in 756 unpatented mineral claims covering approximately 15,000 acres in Clayton Valley, Nevada. (See “Significant Acquisitions” and “CV Project”). At the same time, the Company announced a new option agreement that superseded pre-existing agreements that Pure Energy and Lithium X each had with optionors in Clayton Valley. As purchase consideration for the acquisition, the Company issued 20,038,182 common shares and 2,022,290 share purchase warrants, which give Lithium X a three-year right to purchase the same number of additional shares of the Company at \$0.75 per share. Lithium X also agreed to make a \$2 million strategic investment into Pure Energy by acquiring 3,571,428 Units at a price of \$0.56 per unit, which was a 9.8% premium to the May 10, 2017 closing price of

the Company's shares on the TSX Venture Exchange. Each Unit consists of one common share and one-half share purchase warrant. Each whole warrant is exercisable to acquire an additional share at \$0.75 per share for a three-year period. The acquisition and new option agreement added new exploration targets with demonstrated lithium brine, significantly decreased royalties on many Project claims, and reduced costs of exploration by consolidating Pure Energy's operatorship over the entire expanded Clayton Valley Project. The Company announced the closing of the transaction on May 31, 2017 as well as the appointment of Bassam Moubarak, CFO of Lithium X, to the Company's Board of Directors.

On May 19, 2017, the Company filed a Petition for Judicial Review and Notice of Appeal in regards to the decision of the Nevada State Engineer to deny the Company's application for appropriation of groundwater. 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.

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

On June 26, 2017, Pure Energy announced the results of its Preliminary Economic Assessment ("PEA") of the CV Project in Nevada and plans for a future pilot plant at the Project. The PEA was prepared jointly by a group of independent experts comprised of Tenova USA, Montgomery & Associates, SRK Consulting, and Andeburg Consulting Services Inc. The PEA incorporated TAT's proprietary lithium recovery flow sheet that was tested in the mini-pilot plant in 2016. Forecast average production in the PEA was approximately 10,300 t/y of lithium hydroxide (9,100 tonnes LCE) using more efficient and sustainable technologies that do not require evaporation ponds. Over an expected 20-year life, the proposed project has an estimated NPV of US\$264 million (after tax at an 8% discount rate) and an estimated IRR of 21% after tax. The study projects an average "steady-state" operating cost of US\$3,217 per tonne of lithium hydroxide monohydrate and product sale pricing ranging between US\$9,000 and US\$16,500 per tonne. With the implied margins and an estimated initial capital cost of US\$297 million, the project could achieve pay-back of capital in a little over 4 years, even allowing for a ramp-up to full production of more than one year.

Acquisitions

On March 9, 2017, Pure Energy announced that it had acquired an option to purchase a 100% interest in more than 13,000 hectares of prospective lithium brine concessions on the Pocitos Salar in the Salta Province of Argentina (the "Terra Cotta Property"). The Properties are located in the heart of Argentina's lithium-rich Puna Region. Significant deposits of lithium in brine occur approximately 32 km (20 miles) north at Rincon Salar and approximately 90km (56 miles) south at Salar del Hombre Muerto. (See "Terra Cotta Project").

The full execution of the Option over the course of two years from the initial closing will entail payment of US\$4 million and issuance of up to 6,000,000 common shares in the capital of the Company, upon which 100% interest in the Properties will be conveyed to Pure Energy. The Company has made cash payments to date of US\$350,000 and issued 1,500,000 shares to the optionors; another US\$450,000 in cash is expected to be paid to the optionors on or before December 2, 2017.

On May 11, 2017 the Company entered into a series of agreements with Lithium X Energy Corp. ("Lithium X"), GeoXplor and Clayton Valley Lithium Inc. ("CVL", together with GeoXplor, the "CV Optionors") to acquire Lithium X's interest in 756 unpatented mineral claims covering approximately 15,000 acres (the "LIX Claims") in Clayton Valley, Nevada. With the addition of the LIX Claims, Pure Energy expanded its interest in the Clayton Valley to 1,104 unpatented mineral claims covering approximately 26,300 acres. A map accompanying this announcement is available at: <http://www.globenewswire.com/NewsRoom/AttachmentNg/06e219cd-41bb-44e2-b269-fcdd974b2725>.

The LIX Claims were held by three wholly owned subsidiaries of Lithium X. Pure Energy acquired the three subsidiaries by issuing to Lithium X 20,038,182 common shares (the "Consideration Shares") and 2,022,290 common share purchase warrants (the "Consideration Warrants"), under terms and subject to certain conditions that are detailed below. Lithium X also acquired 3,571,428 units of the Company ("Units") at a price of \$0.56 per Unit (being a 9.8% premium to the Company's closing price on May 10, 2017, the "Investment"). Each Unit is comprised of one common share (an "Investment Share") and one-half of one common share purchase warrant (each whole warrant, an "Investment Warrant"). Each Consideration Warrant and each Investment Warrant is exercisable to acquire one common share at an exercise price of \$0.75 per common share for a period of three years, provided that, subject to certain restrictions, Pure Energy may accelerate the expiry date of the Consideration Warrants and Investment Warrants, as applicable, by providing Lithium X 30 days' notice upon the occurrence of the 20th consecutive trading day on which the closing price of the Company's common shares on the TSX Venture Exchange is equal to or greater than \$1.25. In addition, Lithium X has agreed that it will not, directly or indirectly, sell or transfer: (i) any of the Consideration Warrants for a period of 12 months; and (ii) any of the Consideration Shares except in accordance with

a release schedule whereby 50% of the Consideration Shares may be sold after 12 months, and a further 25% each 3 months thereafter, provided that the release schedule shall be accelerated if the closing price of the common shares on the TSXV is equal to or greater than \$1.12 for a period of 20 consecutive trading days.

Based on its shareholding at the closing of the transaction and the Company's common shares outstanding as of June 30, 2017, Lithium X held a 19.70% ownership interest in the Company, with warrants that, if exercised, would allow it to acquire another 3.08% equity interest.

Pure Energy also entered into a new option agreement (the "Option Agreement") with the CV Optionors that superseded and terminated pre-existing option agreements with Pure Energy and Lithium X. Pursuant to the Option Agreement, Pure Energy assumed operatorship on the properties and has the option to acquire a 100% interest in 359 unpatented mineral claims covering approximately 10,000 acres. The initial payments included the issuance to GeoXplor of 1,250,000 common shares of the Company and a cash payment of US\$375,000. In connection with the Investment, the Company and Lithium X entered into an investor rights agreement (the "Investor Rights Agreement") which provides that, for so long as Lithium X maintains a 5% partially diluted interest, it shall have: (i) a right to maintain its pro rata interest ownership in the Company; and (ii) a right to nominate one director to the Company's board. The Investor Rights Agreement also provides that Lithium X will vote in favour of all matters proposed by management of the Company for a period of 24 months. Lithium X also agreed to certain provisions to facilitate the orderly sale of any common shares held by it.

THE BUSINESS

Background

Pure Energy Minerals Ltd. (the "Company", "Pure Energy" and "our") was incorporated under the *Company Act* (British Columbia) on June 7, 1999 under the name 586713 B.C. Ltd. On August 8, 1999, the Company's name was changed to My Venture Inc. and subsequently to Avantec Technologies Inc. on July 18, 2003. On August 17, 2009, the Company's name was changed to Harmony Gold Corp., and on October 18, 2012, the name was changed to Pure Energy Minerals Limited.

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". The Company also trades on the OTCQB trading platform in the United States under the trading symbol "PEMIF" and on the Börse Frankfurt (Stock Exchange) under the trading symbol "AHG1".

The Company's head office, as well as its registered and records office, are located at Suite 1400 – 1111 West Georgia Street, Vancouver, B.C. V6E 4M3.

Overview

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 most advanced project is the CV Project, located in Esmeralda County, Nevada. (See "CV Project" below.) However, in March 2017, the Company acquired an option to purchase lithium brine mining concessions covering more than 13,000 hectares, which it has designated the Terra Cotta Project, on the Pocitos Salar in Salta Province, Argentina. The Company has focused its business plan on producing high value lithium compounds such as Lithium Hydroxide Monohydrate (LiOH-H₂O), which is primarily used in the growing lithium-ion battery market.

CV PROJECT

The Company's primary objective is to advance the CV Project toward production. A Preliminary Economic Assessment ("PEA") technical report on the Project was filed on SEDAR on August 10, 2017. The next critical step of project development is to work with the Company's key engineering partners to permit, construct and operate a pilot plant to scale up previous mini-pilot plant test work, confirm the innovative lithium extraction process (the "Tenova Process") in continuous operation and at a larger scale, develop design and engineering criteria for a future feasibility study, and produce samples of high purity lithium hydroxide for testing by potential customers. The pilot plant is expected to cost up to US\$15 million to build and operate, and this step will be a major focus of Company management for the next 15-18 months. Further details on the Project and the recently filed PEA technical report are discussed below.

The Company is in the process of exploring and developing its principal mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration costs is dependent upon (1) the discovery of economically

recoverable reserves, (2) confirmation of the Company's interest in the underlying mineral claims, (3) receipt of all applicable operating permits in the relevant jurisdictions, (4) the ability of the Company to obtain necessary financing to complete development, and (5) future profitable production or proceeds from the disposition thereof.

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

Unless otherwise stated, the information that follows relating to the CV Project is derived from, and in some instances is an extract from, the Technical Report titled “Clayton Valley Lithium Project Preliminary Economic Assessment, Esmeralda County, Nevada” dated August 8, 2017 (the “Technical Report”) prepared by Michael D.S. Blois, Pr.Eng, QP, FIMMM of Tenova; Daniel S. Weber, P.G. of Montgomery & Associates; Ernie Burga, P.Eng. of Andeburg Consulting Services; and Valerie Sawyer, P.E. of SRK Consulting. The authors of the Technical Report are “Qualified Persons” as such term is defined in NI 43-101 and are independent of the Company within the meaning of NI 43-101. Certain information below is based on assumptions, qualifications and procedures that are set out only in the Technical Report and reference should be made to the full text of the Technical Report. We have filed the Technical Report under our profile at www.sedar.com and on the Company’s website.

Property Description, Location and Access

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



Clayton Valley Project Location Map

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

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

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

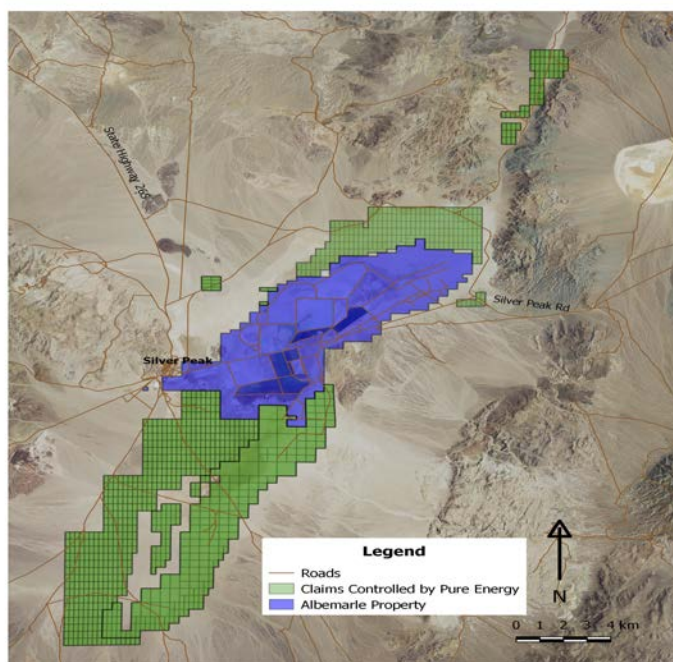
Clayton Valley has a generally arid to semi-arid climate, characterised by hot dry summers and cold winters. Precipitation is scattered throughout the year, with slightly more precipitation in late winter/early spring. The average potential evaporation rate for Esmeralda County exceeds the average annual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

Mineral Tenure and Surface Rights

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

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

Clayton Valley Project Map



Taxation and Royalties

When it goes into commercial production, the CV Project would be subject to Federal income tax at a statutory rate of 35 percent and Nevada Net Proceeds Tax. The effective Federal income tax is expected to be 20 percent. Federal taxable income is calculated based on gross revenues less operating expenses, royalties, depreciation, and depletion. The depletion deduction is the greater of 22 percent of Gross Revenue or Cost Depletion, and is the primary reason that the effective rate of 20 percent is less than the statutory rate of 35 percent.

Net Proceeds for the Nevada Net Proceeds tax are equal to Gross Revenue less Operating Costs, Royalties, and Depreciation. Net Proceeds are taxed at a sliding rate from 2 percent to a maximum of 5 percent. Clayton Valley's effective rate is 4.9 percent.

The CV Project would be assessed an annual property tax once private land is purchased for the processing facility.

Based on current agreements, annual production royalties are estimated at 3 percent of gross revenue.

Environment, Permitting, Compliance Activities and Social License

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

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

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

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

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

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

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

Permits that may be required for the Clayton Valley Project

Permit/Approval	Issuing Authority	Permit Purpose	Status
Federal Permits Approvals and Registrations			
Plan of Operations / National Environmental Policy Act (NEPA) Analysis and Record of Decision	BLM	Prevent unnecessary or undue degradation of public lands, Initiate NEPA analysis to disclose and evaluate environmental impacts and project alternatives.	REQUIRED. Pure Energy unpatented mineral claims are located on public land. Exploration and operations would require a plan of operations and NEPA analysis.
Rights-of-Way / NEPA Analysis	BLM	ROW grant authorizes rights and privileges for a specific use of the land for a specific period of time.	REQUIRED. Linear infrastructure (e.g., pipelines, utilities, roads, etc.) crossing federal public lands require SF-299 and POD. Action analyzed under a NEPA document.
Explosives Permit	U.S. Bureau of Alcohol, Tobacco, Firearms, and Explosives	Storage and use of explosives	MAYBE, if explosives are required for development of the process area site.
EPA Hazardous Waste ID No.	U.S. Environmental Protection Agency (USEPA)	Registration as a small-quantity generator of wastes regulated as hazardous	REQUIRED of all mining operations in Nevada that include chemical processing.
Notification of Commencement of Operations	Mine Safety and Health Administration	Mine safety issues, training plan, mine registration	REQUIRED of all mining operations in Nevada.
Biological Opinion and Consultation	FWS	Only if project Threatened or Endangered Species are determined present during the NEPA analysis of the project.	NOT REQUIRED. There are no current federal T&E species in the Project area.
Incidental Take Permit	FWS	Required when non-Federal activities would result in take of T&E species. A habitat conservation plan must be developed to ensure that the effects of the take are minimized and mitigated	MAYBE, if Pure Energy intends to operate large process water ponds or infiltration basins.
Waters of the U.S. Jurisdictional Determination	U.S. Army Corps of Engineers (USACE)	Implementation of Section 404 of the Clean Water Act (CWA) and Sections 9 and 10 of the Rivers and Harbors Act of 1899	REQUIRED, although this closed hydrographic basin would be non-jurisdictional – need formal agency concurrence.
Federal Communications Commission Permit	Federal Communications Commission	Frequency registrations for radio/microwave communication facilities	MAYBE, if Pure Energy intends to use business radios to transmit on their own frequency

Permit/Approval	Issuing Authority	Permit Purpose	Status
State Permits, Authorizations and Registrations			
Nevada Mine Registry	Nevada Division of Minerals	Required operations registration	REQUIRED of all mining operations in Nevada.
Surface Area Disturbance Permit	NDEP/Bureau of Air Pollution Control (BAPC)	Regulates airborne emissions from surface disturbance activities	REQUIRED of all industrial operations disturbing 5 acres or more of surface area not related to agriculture.
Air Quality Operating Permit	NDEP/BAPC	Regulates project air emissions from stationary sources	REQUIRED for proposed lithium processing operation.
Mercury Operating Permit to Construct	NDEP/Bureau of Air Quality Planning	Requires use of Nevada Maximum Achievable Control Technology (MACT) for all thermal units that have the potential to emit mercury	NOT REQUIRED. Only applicable to precious metal mining in Nevada.
Mining Reclamation Permit	NDEP/Bureau of Mining Regulation and Reclamation (BMRR)	Reclamation of surface disturbance due to mining and mineral processing; includes financial assurance requirements	REQUIRED of all mining operations in Nevada.
Mineral Exploration Hole Plugging Permit or Waiver	Nevada Division of Water Resources (NDWR)	Temporary use of water for exploration and groundwater characterization.	REQUIRED of all drilling operations in Nevada.
Groundwater Permit	NDEP/ Bureau of Water Pollution Control (BWPC)	Prevents degradation of waters of the state from surface disposal, septic systems, mound septic systems, unlined ponds and overland flow	REQUIRED for post-process infiltration and septic systems.
Water Pollution Control Permit	NDEP/BMRR	Prevent degradation of waters of the state from mining, establishes minimum facility design and containment requirements	REQUIRED of all metal mining operations in Nevada.
Underground Injection Control Permit	NDEP/BWPC	Prevent degradation of all potential and current underground sources of drinking water due to underground injection practices.	REQUIRED for post-process re-injection if proposed
Approval to operate a Solid Waste System	NDEP/Bureau of Waste Management (BWM)	Authorization to operate an on-site landfill	MAYBE , if Pure Energy proposes to utilize on-site landfill
Hazardous Waste Management Permit	NDEP/BWM	Management and recycling of hazardous wastes	REQUIRED for mineral processing operations that generate hazardous wastes
National Pollutant Discharge Elimination System (NPDES) Permit	NDEP/BWPC	Management of site discharges	MAYBE , required for proposed Waste Water Treatment Plant.

Permit/Approval	Issuing Authority	Permit Purpose	Status
General Industrial Stormwater Discharge Permit	NDEP/BWPC	Management of site stormwater discharges in compliance with federal CWA	NOT REQUIRED , but is advised as precautionary; NVR050000, even though no waters of the U.S. at the mine site.
Permit to Appropriate Water/Change Point of Diversion	Nevada Division of Water Resources (NDWR)	Water rights appropriation	REQUIRED . Pure Energy is in the process of applying for water rights.
Permit to Construct a Dam	NDWR	Regulate any impoundment higher than 20 feet or impounding more than 20 acre-feet	NOT REQUIRED . No impoundments meeting the 20/20 rule are currently proposed.
Potable Water System Permit	Nevada Bureau of Safe Drinking Water	Water system for drinking water and other domestic uses (e.g., lavatories)	NOT REQUIRED . Pure Energy to obtain municipal water.
Septic Treatment / Sewage Disposal System Permit	NDEP/Bureau of Water Pollution Control	Design, operation, and monitoring of septic and sewage disposal systems	LIKELY , if Pure Energy proposes to utilize septic system(s)
Dredging Permit	Nevada Department of Wildlife (NDOW)	Protection of Nevada waterways	NOT REQUIRED . No dredging proposed for operation.
Industrial Artificial Pond Permit	NDOW	Regulate artificial bodies of water containing chemicals that threaten wildlife	REQUIRED for all process water ponds.
Wildlife Protection Permit	NDOW	Stream and watershed wildlife habitat protection	NOT REQUIRED . No stream or watershed modification anticipated.
Hazardous Materials Permit	Nevada Fire Marshal	Store a hazardous material in excess of the amount set forth in the International Fire Code, 2006	MAYBE required for LPG tanks larger than 10 gallons if used on site.
License for Radioactive Material	Nevada State Health Division, Radiological Health Section	Radioactive material licensing	REQUIRED . If Pure Energy intends to use a densitometer or similar device at site.
Encroachment Permit	Nevada Department of Transportation	Permits for permanent installations within State rights-of-way and in areas maintained by the State	REQUIRED . Pure Energy would need due to proposed improvements, signal installations, and/or commercial off-site use and road crossings
Temporary Permit to Work in Waterways	NDEP/BWPC	Covers temporary working or routine maintenance in surface waters of the State, such as channel clearing and minor repairs to intake structures.	NOT REQUIRED . Activity not proposed.

Permit/Approval	Issuing Authority	Permit Purpose	Status
Fire and Life Safety Permit	Nevada Fire Marshal	Review of non-structural features of fire and life safety and flammable reagent storage	REQUIRED for buildings in counties with populations fewer than 50,000. Esmeralda Co. only has 926 as of 2014.
Liquefied Petroleum Gas License	Nevada Board of the Regulation of Liquefied Petroleum Gas	Tank specification and installation, handling, and safety requirements	MAYBE required for LPG tanks larger than 10 gallons if used on site.
State Business License	Nevada Secretary of State	License to operate in the state of Nevada	REQUIRED.
Retail Sales Permit or Exemption Certificate	Nevada State Department of Taxation	Permit to buy wholesale or sell retail	MAYBE , if Pure Energy is direct selling product to other processors or selling product directly to the market.
Local Permits for Esmeralda County			
Building Permits	Esmeralda County	Ensure compliance with local building standards/requirements	NOT REQUIRED. Encourage adoption of Uniform Building Codes for the State.
Conditional Special Use Permit	Esmeralda County	Provided as necessary under applicable zoning ordinances	NOT REQUIRED. Encourage coordination with County Board of Commissioners.
County Road Use and Maintenance Permit/Agreement	Esmeralda County Road Department	Use and maintenance of county roads	MAYBE , if Pure Energy intends to maintain, damage, or encroach on any of the area county roads.
Business License	Esmeralda County Sheriff	License for the engagement of business activities	REQUIRED.

History

Clayton Valley is the location of the only operating lithium mine in North America. Albemarle is the present owner of the brine processing evaporation pond and plant complex, known as the Silver Peak Operations, which has been in production since 1967. Previous owners include Cyprus Minerals, Newmont (Foote Mineral Company), Chemetall-Foote Corporation and Rockwood Holdings, Inc. (“Rockwood”). Albemarle purchased Rockwood in 2014 for US\$ 6,200 million, which included the Salar de Atacama brine operation in Chile, a hard-rock lithium resource and lithium chemical processing plant in North Carolina and the Silver Peak Operations in Nevada.

Production data from the Silver Peak Operations is proprietary and unpublished. However, the 2014 Rockwood Annual Report cites production in 2013 at 870 tonnes (960 tons) lithium metal equivalent. Previous production was reported intermittently and discontinuously by others at 25,600 tonnes (28,220 tons) Li through 1991 and 5,700 tonnes (6,283 tons) of LCE, which is equivalent to 1,072 tonnes (1,182 tons) of Li, in 1997. It has been reported that Albemarle believes that the Silver Peak Operations are likely to continue for the next 20 years.

Rodinia Lithium Inc. (“Rodinia”), under its wholly owned Wyoming subsidiary Donnybrook Platinum Resources, Inc., and GeoXplor Corp. acquired 1,012 lode and placer claims, a total of 29,275 hectares (72,340 acres), on BLM land in Clayton Valley in 2009. The claims surrounded, and were adjacent to, the existing Silver Peak Operations to the north, east and south. The preponderance of the claims covered the south valley and included portions of Pure Energy’s current CV Project.

In 2010, Rodinia completed several segments of an Exploration Plan of Operation, a document required for further exploration and land disturbance beyond the initial five-acre BLM permit. Cultural and environmental surveys were

completed by independent contractors on acreage proposed for an extensive drilling program in the south portion of Clayton Valley. Rodinia eventually dropped all claims in order to concentrate resources on its Salar de Diablillos lithium project in the Puna region of Argentina.

Geological Setting, Mineralization and Deposit Types

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

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

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

Drilling

Historical Drilling

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

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

Drilling by Pure Energy

Pure Energy commenced exploration drilling at the CV Project in 2014 and 2015 at exploration wells CV-1 and CV-2. Drilling continued at exploration wells CV-3 through CV-8 in 2016 and 2017. Drilling methods included DWRC, conventional MR, and diamond-drill coring. Downhole geophysics and depth-specific sampling activities were conducted at all wells. Pure Energy staff and its consultants performed pumping tests to evaluate aquifer properties at CV-3, CV-7, and CV-8. Locations of exploration wells CV-1 through CV-8 are also shown in the figure below.

Exploration

Rodinia completed its exploration activities in the vicinity of the CV Project during 2009 and 2010. Pure Energy has conducted exploration activities from late 2014 through mid-2017. The total work program completed at the CV Project to date has included:

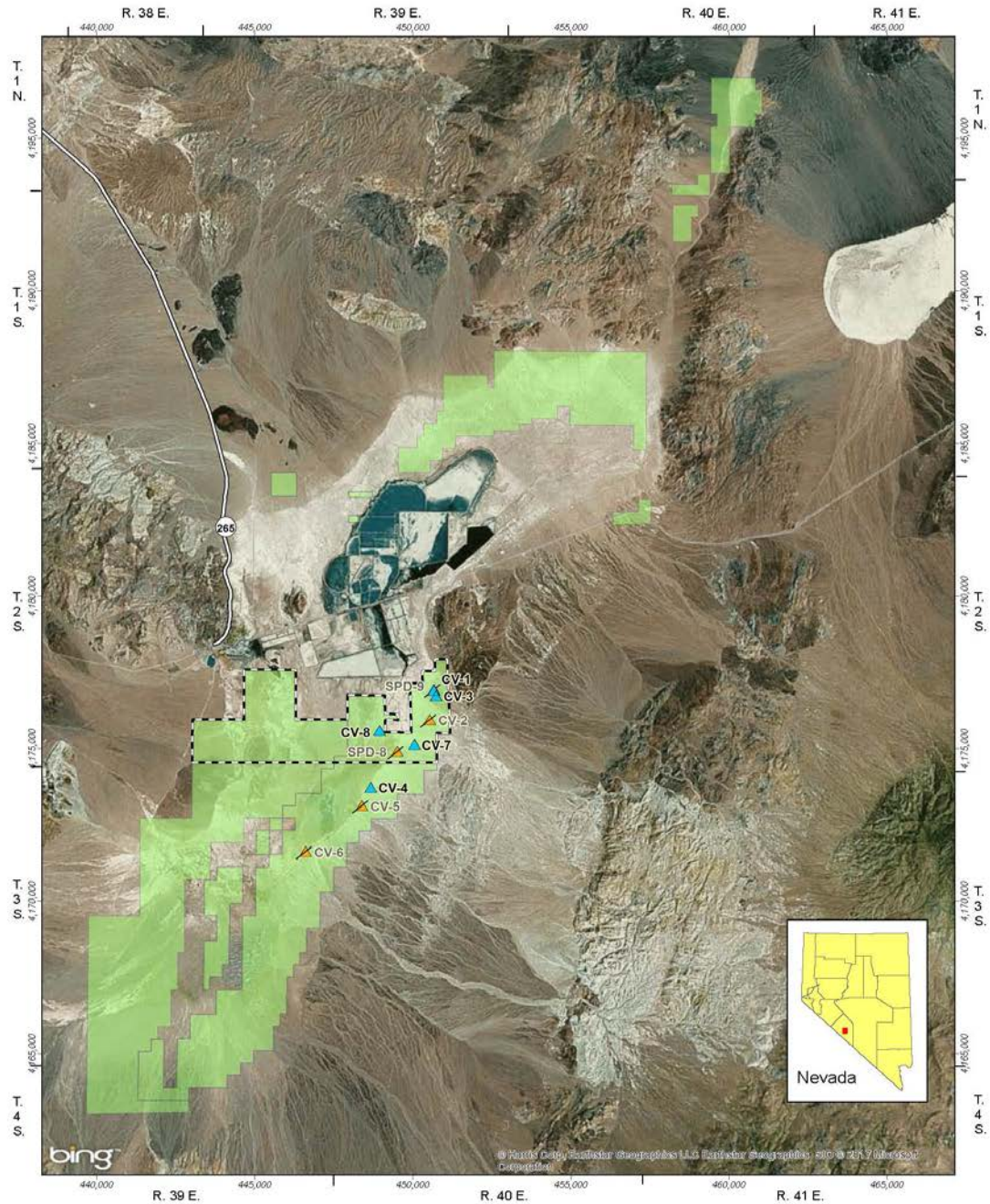
- surface geophysics (gravity, seismic, and HSAMT) for bedrock control, stratigraphic information, basin boundary conditions, and fluid salinity;
- drilling and sampling exploration boreholes (SPD-8 and SPD-9) for lithology and hydrochemistry;

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

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

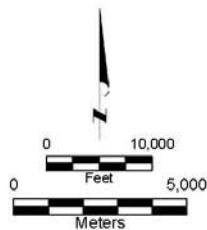
Typically, at brine well locations, a shallow, fresher groundwater zone is first encountered, which is underlain by a transitional interface with increasing salt concentrations leading to consistent brine concentrations at depth. Historical results from SPD-8 and SPD-9 yielded the highest lithium content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


Well and Borehole Location Map



EXPLANATION


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





**PURE ENERGY
MINERALS**

LOCATION MAP
ESMERALDA COUNTY, NEVADA



2017

Water Resource Consultants

Concentrations of lithium are highest at CV-1, CV-3, and at depth in CV-8. Lower values occur in CV-7, but grades do increase with depth in that area. Some variation in brine concentration was evident in borehole SPD-8 and well CV-2, where lithium concentrations appeared to show dilution in some of the deeper intervals sampled. This is interpreted to be the result of basin-bounding faulting on the east, which may be allowing less saline groundwater to penetrate and dilute the brine aquifer near the basin margin. Similarly, deeper structural anomalies to the south of SPD-8 are believed to allow for brine dilution at CV-4, CV-5, and CV-6.

Water level data combined with barometric pressure response analysis indicate the aquifer conditions are hydraulically unconfined, displaying essentially water table conditions where the system is open to the atmosphere through permeable and unconsolidated sediments. It is likely that deeper, fine-grained units may act locally to cause hydraulically “semi-confined” aquifer conditions; however, due to large intervals of well screen installed in the wells, these conditions have not been evident during testing and monitoring. Measurements to determine water level elevations show the direction of groundwater movement is from the southeast to the northwest, toward the lowest elevations of the playa basin floor and active lithium brine mining operations operated by Albemarle.

Sample Preparation, Analyses and Data Verification

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

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

Mining Methods

Economic extraction of lithium brine requires favorable hydrogeological conditions within the deposit, including: (1) sufficient saturated thickness of the brine aquifer; (2) sufficient hydraulic conductivity and drainable porosity within the brine aquifer; and (3) sufficient concentrations of lithium in the brine during the mine life to offset eventual dilution of the deposit. Studies at this stage of the Project are insufficient to address all of these parameters. Additional site characterization efforts as part of the feasibility study will focus on gathering data to better assess these hydrogeological conditions. A numerical groundwater model is a likely outcome of the feasibility study. The groundwater model will be used to optimize future brine production and predict the long-term groundwater conditions during and after the mine’s operations.

Mine planning includes construction and operation of a wellfield to extract brine from the aquifer. The extraction wells would be drilled and constructed, based in part on the groundwater model, in order to optimize brine production rates and lithium concentrations. The feasibility study will include assessment of the mining method for extracting lithium brine from the aquifer using numerical modeling methods and optimizing lithium concentrations and extraction pumping from a potential wellfield in order to support estimates for Extractable Mineral Resources and Mineral Reserves.

Mineral Processing

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

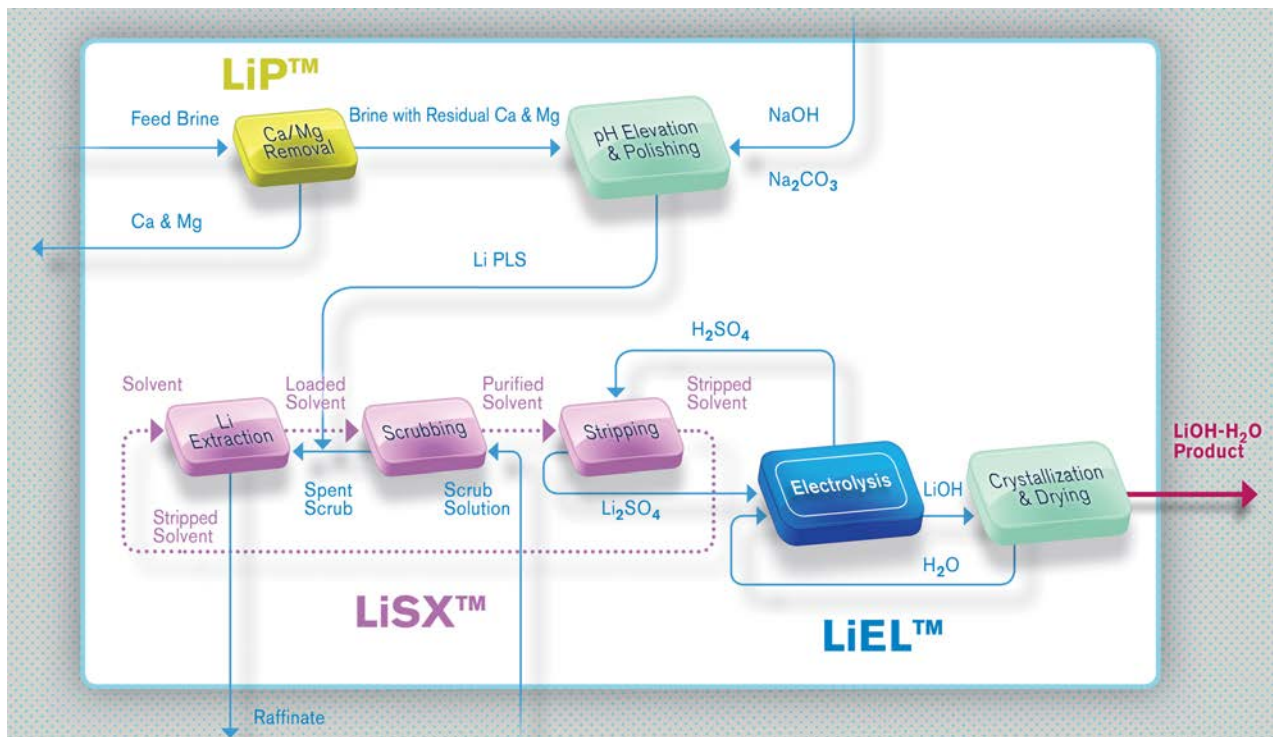
The relatively low concentrations of calcium and magnesium (and other potentially deleterious elements) in the Clayton Valley brine are additional favorable indicators of its processing characteristics. Since the deleterious elements are lower in the CV brine than many other lithium brines, the costs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

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

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

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

Tenova Process Block Diagram



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

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

Mineral Resource and Reserve Estimates

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

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

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

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

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

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

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

Drainable Inferred Resource Estimate for Lithium

	Average Lithium Concentration in Brine Volume (mg/L)	Leapfrog Model Brine Volume (m ³) x 10 ³	Average Specific Yield	Drainable Brine Volume (m ³) x 10 ³	Lithium ^b (kTonnes)	LiOH·H ₂ O (kTonnes)	LCE (kTonnes)
Resource Volumes by Average Lithium Concentration	22	550,600	0.06	33,040	0.7	4.39	3.87
	65	2,424,000	0.06	145,400	9.5	57.16	50.32
	132	579,200	0.06	34,750	4.6	27.73	24.41
	221	1,971,000	0.06	118,200	26.1	158.00	139.09
Total	123	5,524,000	0.06	331,500	40.9	247.3	217.7

Notes:

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

Market Studies and Contracts

At its steady-state production rate, the CV Project conceived in the PEA is designed to produce approximately 11,500 t/y (12,650 tons per year) of LiOH·H₂O primarily for use in lithium-ion batteries for EVs. Analysts' consensus forecasts indicate that the increase in worldwide EV sales is expected to drive annual growth in lithium demand for these applications to more than 20 percent per annum through 2025.

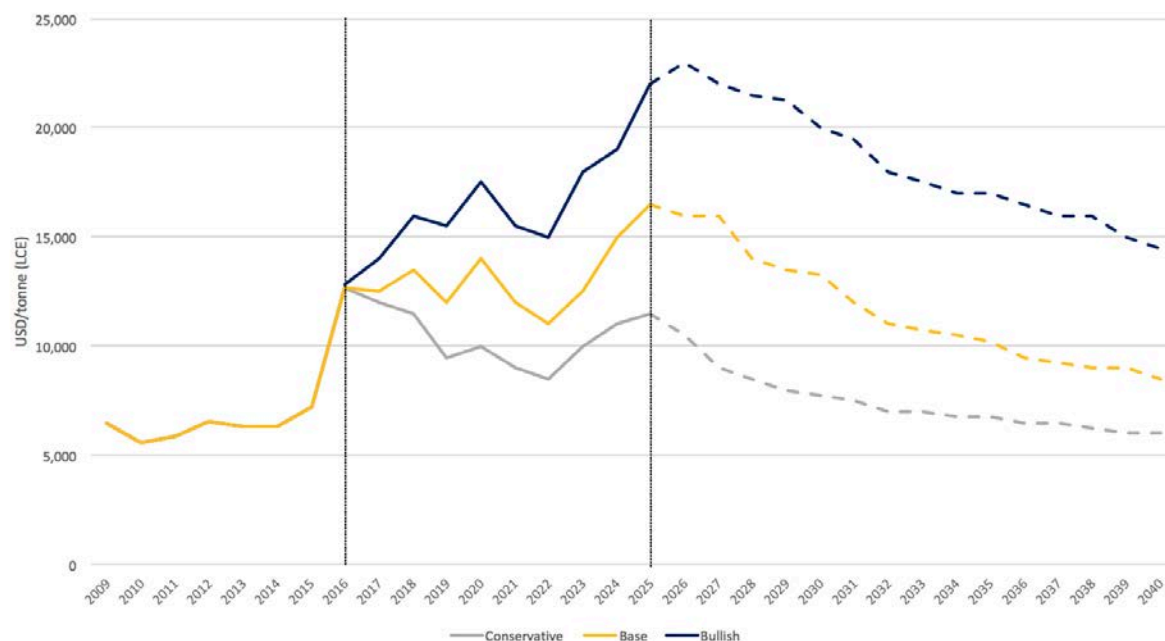
Pure Energy's independent lithium market consultant, Benchmark, anticipates that lithium hydroxide demand will grow considerably in the next five years, as EVs increasingly use nickel-cobalt-aluminum ("NCA") cathode chemistries to achieve higher energy density and extend range between charges. Benchmark forecasts that annual demand for lithium hydroxide will grow at a compound average rate of more than 23 percent from 2016 through 2025.

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

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

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

Outlook for Lithium Hydroxide Prices, 2017-2040



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

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

Estimated Capital Costs

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

Estimated Capital Costs

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

Estimated Operating Costs

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

Estimated Operating Costs

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

Economic Analysis

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

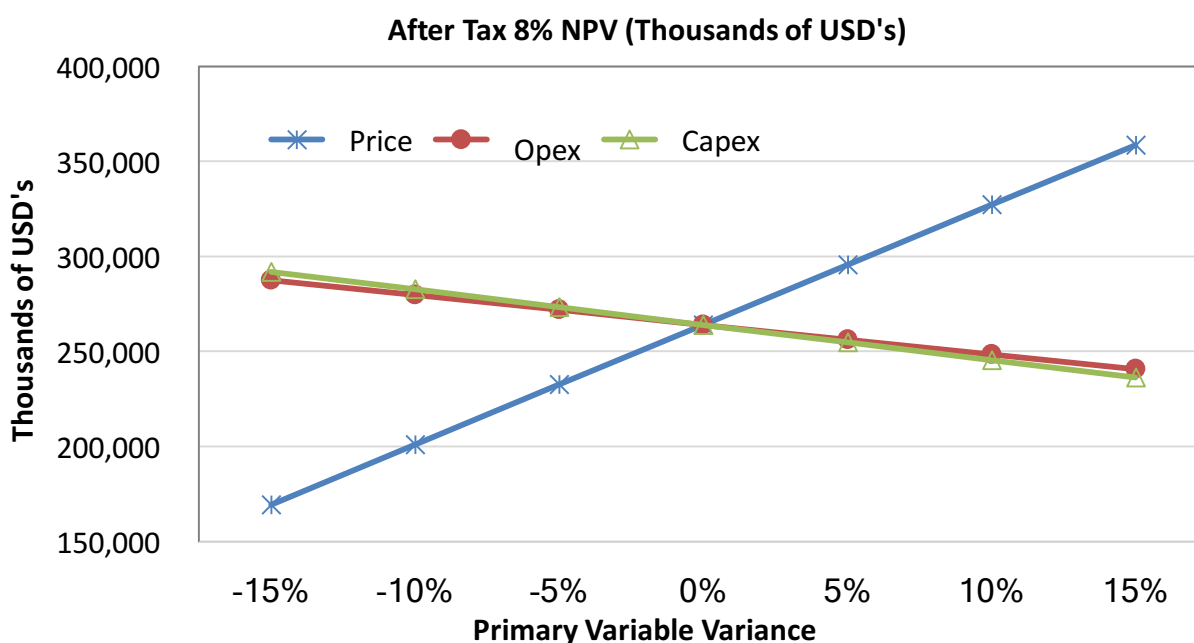
Economic Analysis Results

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

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

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

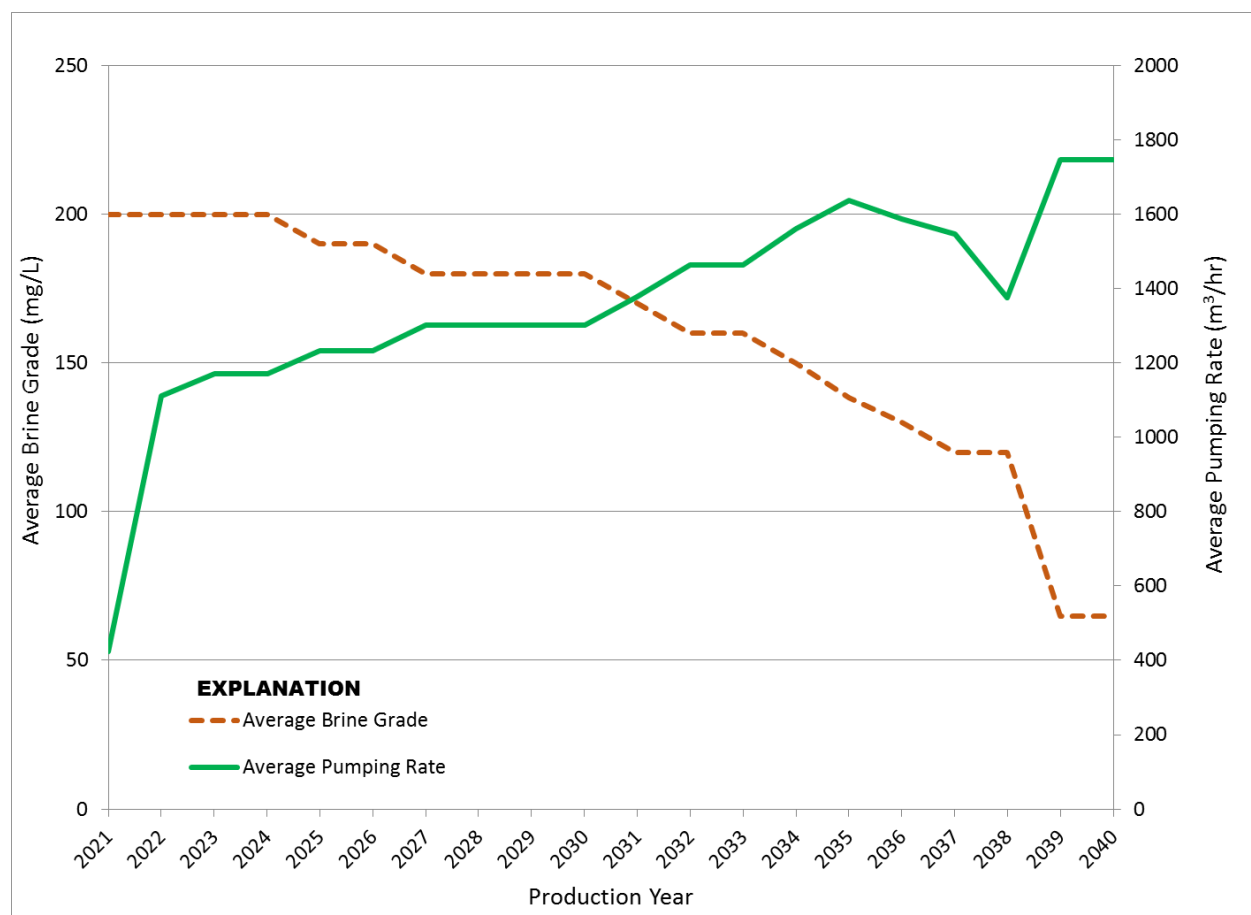
After-Tax Sensitivity Chart



Development and Production

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

Preliminary Production Schedule and Results of Phasing Extraction Wellfield Operations



Exploration Potential

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

Conclusions

The Clayton Valley Lithium Project is a lithium-enriched brine aquifer deposit in Clayton Valley, Nevada, USA that is amenable to mining using wells to extract brine for processing to a saleable lithium hydroxide monohydrate ($\text{LiOH}\cdot\text{H}_2\text{O}$) product. The process plant design has been based on the TAT proprietary process to produce $\text{LiOH}\cdot\text{H}_2\text{O}$ from the brine input as received from Pure Energy for the mini-pilot testwork. The annual capacity of the plant has been selected on the basis of 10,000 tonnes (11,000 tons) of lithium carbonate equivalent (LCE), which correlates to about 11,500 tonnes (12,650 tons) of $\text{LiOH}\cdot\text{H}_2\text{O}$.

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

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

TERRA COTTA PROJECT

Unless otherwise stated, the information that follows relating to the Terra Cotta Project is derived from, and in some instances is an extract from, the Technical Report titled “NI 43-101 Technical Report Property of Merit Report, Terra Cotta Project, Salar de Pocitos, Northwestern Argentina dated August 9, 2017 (the “Technical Report”) and prepared by Rodrigo Calles-Montijo, CPG of Servicios Geologicos IMEx. S.C and Dawn H. Garcia, P.G., CPG. Mr. Calles-Montijo and Ms. Garcia are “Qualified Persons” as such term is defined in NI 43-101 and are independent of the Company within the meaning of NI 43-101. Certain information below is based on assumptions, qualifications and procedures that are set out only in the Technical Report and reference should be made to the full text of the Technical Report. We have filed the issued report under our profile at www.sedar.com and on the Company’s website.

Property Description and Ownership

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

Terra Cotta Project Location, Salar de Pocitos Argentina

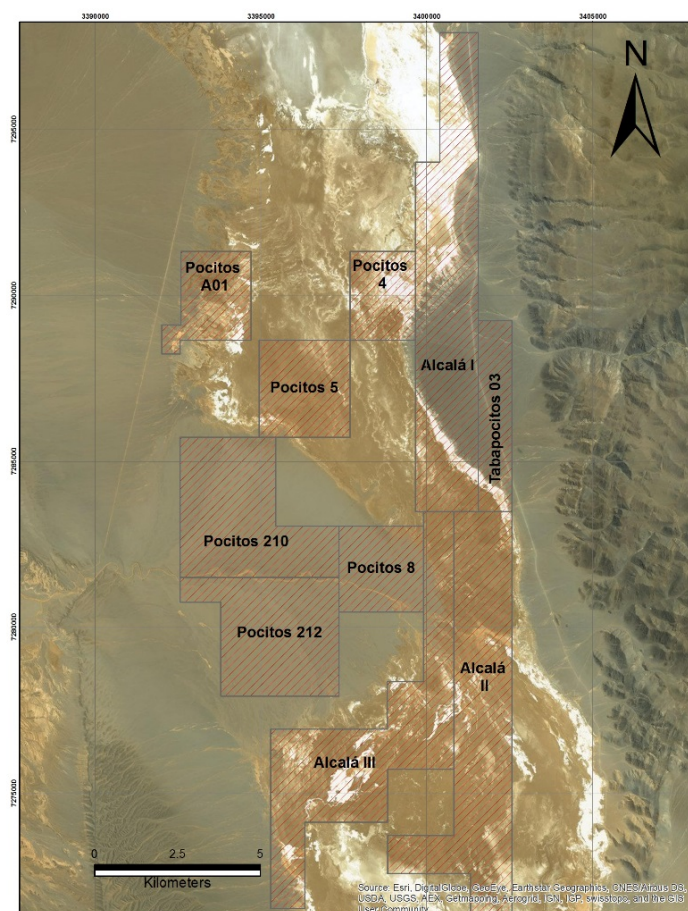


The 10 claims cover a total of 13,075 ha in the southern portion of the Salar de Pocitos. All of the claims currently have the status of exploitation claims, or “minas”. This type of claim includes all the exploration work in the total area covered by the claim. A map of the mining claims is shown in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

The mining claims, originally claimed by two companies, are currently under the control of four individuals, each of whom has equal participation in the mining, supported by a Transfer Agreement that is registered in the Mining Court and in process of final approval. Nine out of ten claims were officially granted by the Mining Court to the applicants’

companies and/or individuals on July 31, 2017. One of the claims, which was originally requested as a new claim, is still in the process of final approval by the mining authorities.

Location map for the Terra Cotta Project mining claims



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

Summary of Payments According to the Terra Cotta Project LOI

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

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

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

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

Geology and Mineralization

The Terra Cotta Project is located in the Salar de Pocitos, which lies within Argentina's lithium-rich Puna region. The Argentine Puna (also known as "La Puna") is the southern extension of the discrete and much larger Altiplano plateau of southern Peru, Bolivia and northern Chile.

The Salar de Pocitos is a tectonic depression, delineated to the north by stratovolcanoes with andesitic composition. To the east, the salar is bordered by extensive alluvial fans and alluvial deposits that compose the western flank of the volcanic complex of the Quevar, Mamaturi and Azufrero volcanoes. To the west, the salar is bordered by granitic intrusions. The southern and southeastern edges of the Salar de Pocitos are composed of Ordovician sediments, which are unconformably overlain by Miocene sediments.

The Salar de Pocitos, like several other salars in the region of La Puna, is an endorheic basin. Two features are well defined in the basin. The first one corresponds to a saline crust mostly composed of sodium chloride, which is in the central portion of the basin. The second feature is the presence of deposits of fine-grained materials around the edge of the saline crust that correspond to beach deposits bordering the former lake. The surface of the salar is composed primarily of silts and clays, with a saline coating (known as "efflorescence"). It is common to observe small gypsum crystals scattered along the surface of the salar and, in some areas, forming a crust of evaporitic minerals and small accumulations of crystals that outcrop in the silt-clay sediments.

Clastic sediment deposits occur over the basin fill sediments and form coalescing alluvial fans. The alluvial fans essentially divide the basin into two zones with similar surface features.

The Terra Cotta Project area is in the current surface portion of the salar. Reddish-brown silts and clays occur at the surface of the project area, with abundant small crystals of gypsum scattered almost to the border of the salar. To the north of the project area, and near the edge of the salar, surficial green-gray clays were observed, and it is believed that the clays are associated with shallow groundwater and a geochemically reducing environment.

The conceptual geologic model for the Salar de Pocitos mineral deposits is similar to other known deposits located in similar continental basins identified in Bolivia, Chile and Argentina. The mineral deposit type is related to brine hosted in aquifers associated with a closed, endorheic basin, located in zones where evaporation rates exceed precipitation. This results in the precipitation of diverse types of salts on the surface of the salars and their beaches. Lithium, as well as other elements of economic interest, occurs as dissolved elements in the brine. The occurrence of underground brine close to the ground surface of the project area was confirmed during the site visit for the technical report.

Exploration Status

The Terra Cotta Project is in an early exploration stage, with no drilling or other exploration completed by the current owners or Pure Energy. Another lithium explorer reported results from surface pit sampling at the property in 2010. Pure Energy is not treating the historical sample results as its own, but is describing them in this document for purposes of providing historical context.

Historical exploration works reported in the immediate area are limited to a near surface brine sampling campaign and a geophysical survey completed by Li3 Energy, Inc. in 2010 and 2012, respectively. Available information was limited to the press releases published by the company, and data were not verified by Pure Energy or the authors of the technical report.

Although no drilling campaigns have been reported, the technical report identified a borehole near the northern edge of the Terra Cotta project, outside the mining claims currently under control of Pure Energy. Neither the type of drilling method employed to create the hole, nor the total depth could be determined. The borehole is cased with PVC, capped and locked.

A geophysical study using vertical electrical soundings was completed as part of a publicly available environmental impact study for an unrelated project in the area. While this study only covered the northern portion of the claims in question, it indicated the potential location of brines and salts beneath the northern edge of the properties. The study also indicated the interface of fresh water and brine.

During a site visit by one of the authors of the technical report, seven trenches or test pits were excavated in the claimed area. The seven trenches encountered brine at shallow depths below ground surface. Only five of the seven trenches were sampled, due to complications of weather conditions (rain) that prohibited safe access in parts of the salar. The five brine samples were collected on two different days with the second day's samples being collected after rain fell in the area. The differences observed in the density measurements suggest a potential problem of dilution of the brine with fresh water, which may affect the assay results.

The assay results from the five sampled trenches could be considered as geochemically anomalous for lithium and potassium, but did not confirm the results reported in 2010; the results showed significantly lower values for the elements of interest. The adverse weather conditions during the sampling days may have affected the concentrations of dissolved solids in the brine samples.

Development and Operations

There are no significant developments or operations in the project area.

Mineral Resource Estimate

At this time, there has been no attempt to produce a resource estimate for the Terra Cotta Project.

Mineral Reserve Estimate

At this time, there has been no attempt to produce a reserve estimate for the Terra Cotta Project.

Quality Assurance

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

Principal Market

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

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

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

- In December 2016, BMW announced that every BMW model would offer a battery-powered variant in 2020.

- In March, 2017, Volkswagen announced a major shift in production to electric cars with significant volume targets for 2025. They expect to announce 10 different battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs) in 2018.
- Also in March 2017, Daimler announced that it was accelerating its plan to introduce 10 new all-electric vehicles by three years, now targeting production in 2022 rather than 2025. Daimler then announced in May 2017 that it would build its own 500 million Euro gigafactory to assemble battery packs in Kamenz, Germany and in July 2017 that it would build another US\$740 million gigafactory in China to assemble battery packs for its vehicles.
- In April 2017, Ford Motor Company outlined plans to offer by 2025 hybrid or fully electric versions of all vehicle models built in China with its Chinese domestic joint venture partner, Chongqing Changan Automobile Co Ltd.
- In June, 2017, CNNtech reported that, while the United States is walking away from the Paris Climate Agreement, India is making a vow to start selling only electric cars by 2030.
- In July, 2017, Volvo announced that, starting in 2019, all of the new model vehicles it produces would be hybrid or electric vehicles and that it would launch 5 fully electric cars between 2019 and 2021.
- France announced in early July 2017 that it would end the sales of gasoline and diesel-powered cars by 2040.
- England announced in late July 2017 that it would ban all new gasoline and diesel-powered cars and vans from 2040 on.
- On August 4, 2017, Toyota and Mazda announced that they would build a US\$1.6 billion manufacturing plant together in the USA and would work together to develop electric cars.
- On August 21, 2017, the world's 5th largest carmaker, Hyundai, announced that it will now make all-electric vehicles the center of its product strategy.
- On August 22, 2017, Ford Motor Company announced the signing of a memorandum of understanding to form a 50-50 joint venture with China's Anhui Zotye Automobile Co., Ltd. to develop, produce, market and service a new brand of all-electric passenger vehicles for the Chinese market.
- On August 29, 2017, the Renault-Nissan Alliance announced plans to develop and produce an electric mini-sport utility vehicle in China, partnering with Chinese automaker Dongfeng Motor Group Co., Ltd. The strategic partnership plans to go into production in 2019 and sell the vehicles under the partners' own brands.
- On September 10, 2017, Bloomberg reported that China's vice minister of industry and information technology Xin Guobin told an auto forum in Tianjin that the Chinese government and regulators are working on a timetable to end production and sales of fossil-fuel-powered vehicles.
- On October 2, 2017, General Motors' chief of global product development announced GM's commitment "to driving increased usage and acceptance of electric vehicles." The world's 3rd largest automaker will release two new electric models next year and 18 more by 2023.

Portable electronics and EV's are not the only drivers of lithium demand. Large format grid storage batteries are under consideration by utilities and their customers around the world. These batteries can be used to store energy from intermittent power sources, such as wind and solar plants, and stabilize the distribution of that power into the grid. Grid storage batteries are also seeing increased use by businesses and residential customers. It was recently reported that Tesla will build the largest storage battery in the world in South Australia within 100 days of contract signing or it will be free to the customer. The 129 MWh lithium-ion battery will be paired with Neoen's Horndale windfarm to provide stability for renewable power being fed into the grid³. It is expected to be in place by December 2017.

Green Tech Media estimates that annual energy storage capacity in the US will reach almost 330 megawatts in 2017, and it forecasts that number will exceed 2.5 gigawatts in 2022⁴. These energy storage batteries are another potentially

large consumer of lithium that is not factored into most of the projected demand curves seen in the literature and at industry conferences.

The lithium supply side of the market continues to have an oligopolistic structure in which four companies control more than 80% of global production. Despite a rapid rise in lithium prices over the past few years, these lithium producers have not been quick to add significant new production. Although all of the major lithium producers have announced significant expansions or new project developments to be built over the next several years, it has been reported that existing lithium producers are struggling somewhat to keep up with rising demand.

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

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

Specialized Skills and Knowledge

Successful exploration, development and operation of the Company’s lithium projects will require access to personnel in a wide variety of disciplines, including geologists, geophysicists, engineers, chemists, hydrogeologists, drillers, managers, sales and marketing staff, operating technicians, project managers, accounting, financial and administrative staff, and others. During fiscal year 2017, the Company added key management personnel (VP of Projects & Permitting and CFO) in Denver, Colorado, a major US mining center. Since the project locations are also in jurisdictions familiar with and friendly to resource extraction, like Nevada and Salta, Argentina, management believes that the Company’s access to the skills and experience needed for success is sufficient. In Nevada, the CV Project’s proximity to a mining center like Tonopah is also favorable.

Competitive Conditions

The current global supply of lithium is dominated by four large producers: Albemarle, SQM, FMC Corp., and Tianqi Lithium. In 2016, the four companies produced approximately 152,000 tonnes of LCE, or 81% of total estimated world production. These companies are all considerably larger than Pure Energy, have established customer bases and have access to significantly greater capital and operating resources than the Company. All of the four companies currently produce Pure Energy’s main product, which is expected to be lithium hydroxide monohydrate. Lithium hydroxide is currently produced in five plants outside of China as shown below. Benchmark estimates that lithium hydroxide production in 2016 was 39,000 tonnes LCE, or approximately 20% of total global lithium production¹⁰. Though its chosen production process is yet to be fully tested at commercial scale, the Company expects to be able to compete with these existing producers of lithium hydroxide, based on lower operating costs from a more efficient operation and with a lesser environmental impact.

Lithium Hydroxide Plants Outside of China

Country	Facility	Ownership	Capacity (Mtpa)
Chile	Salar de Carmen	SQM	6,000
Russia	Krasnoyarsk	JSC Chemical	3,000
U.S.A. (NC)	Kings Mountain	Albemarle Corp.	5,000
U.S.A. (NV)	Silver Peak	Albemarle Corp.	5,400
U.S.A. (NC)	Bessemer City	FMC Corp.	8,000

Source: Benchmark Mineral Intelligence, Lithium Hydroxide Market Forecast, April, 2017

Business Cycle

Since 2004, historical lithium demand showed some cyclical weakness in downturns in 2006-07 and 2009, but with those exceptions, demand grew steadily through 2016. The business cycle for lithium seems to be much more dependent on factors specific to the lithium industry than on the broader general economy. Consensus forecasts for lithium demand growth do not exhibit any expected year-over-year declines between now and 2025, and supply is also expected to continue to grow steadily. Whether or not cyclical price behavior will be seen will depend on how quickly new lithium production can be brought to market to meet growing demand. According to Benchmark, from 2006-2017, the average lithium carbonate price, ex-China, only declined in one year (2010), and many analysts expect a strong pricing environment for lithium to continue¹¹.

Although seasonal rains can affect lithium operations dependent on solar evaporation to achieve the initial concentration of brines before processing, most lithium producers from brine manage their operations in such a way as to limit this seasonal impact. With Pure Energy's plans to use the Tenova Process for its production, seasonal factors should not have a significant impact on its business.

Relations with Local Communities and Security

The Company is sensitive to the importance of the so-called "social license" needed by mineral companies to operate in today's environment and works to develop and maintain strong relationships with its various stakeholders, including employees, directors, consultants, advisors, suppliers, local communities, regulators, potential customers, shareholders and others. Management has made significant efforts to be open and transparent in its activities in the respective communities that host its projects and believes that its relationships with the local communities are amicable.

Employees

As of June 30, 2017, the Company had four employees.

Foreign Operations

On January 10, 2017, Pure Energy announced that it had acquired an option to purchase a 100% interest in more than 13,000 hectares of prospective lithium brine concessions on the Pocitos Salar in the Salta Province of Argentina. (See "Significant Acquisitions" and "Terra Cotta Project").

RISK FACTORS

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company and could cause the Company's operating and financial performance to differ materially from the estimates described in forward-looking statements relating to the Company. These include widespread risks associated with any form of business and specific risks associated with the Company's business and its involvement in the lithium exploration and development industry.

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

by the Company. In addition, other risks and uncertainties not discussed to date or not known to management could have material and adverse effects on the valuation of our securities, existing business activities, financial condition, results of operations, plans and prospects.

Process Testing

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

Reliance on Key Personnel

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

Substantial Capital Requirements and Liquidity

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

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

Property Commitments

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

Exploration and Development

Exploring and developing natural resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted, such that it is neither feasible nor practical to proceed. Natural resource exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has

a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of natural resources, any of which could result in work stoppages, damage to property, and possible environmental damage. If any of the Company's exploration programs are successful, there is a degree of uncertainty attributable to the calculation of resources and corresponding grades being extracted or dedicated to future production. Until actually extracted and processed, the quantity of lithium brine reserves and grade must be considered as estimates only. In addition, the quantity of reserves may vary depending on commodity prices. Any material change in quantity of reserves, grade or recovery ratio, may affect the economic viability of the Company's properties. In addition, there can be no assurance that results obtained in small-scale laboratory tests or pilot plants will be duplicated in larger scale tests under on-site conditions or during production. The Company closely monitors its activities and those factors which could impact them, and employs experienced consulting, engineering, and legal advisors to assist in its risk management reviews where it is deemed necessary.

Operational Risks

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

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

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

Environmental Risks

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

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

Commodity Price Fluctuations

The prices of commodities vary on a daily basis. Price volatility could have dramatic effects on the results of operations and the ability of the Company to execute its business plan. Lithium is a specialty chemical and is not a commonly traded commodity like copper, zinc, gold or iron ore. The price of lithium tends to be set through a limited long-term offtake market, contracted between the very few suppliers and purchasers.

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

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

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

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

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

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

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

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

Economic and Financial Market Instability

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

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

Issuance of Debt

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

ability to service any future debt obligations will depend on the Company's future operations, which are subject to prevailing industry conditions and other factors, many of which are beyond the control of the Company.

Industry Competition and International Trade Restrictions

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

Governmental Regulation and Policy

Mining operations and exploration activities are subject to extensive laws and regulations. Such regulations relate to production, development, exploration, exports, imports, taxes and royalties, labor standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic and radioactive substances, transportation safety and emergency response, and other matters. Compliance with such laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and refining and other facilities. It is possible that, in the future, the costs, delays and other effects associated with such laws and regulations may impact decisions of the Company with respect to the exploration and development of properties such as the CV Project, or any other properties in which the Company has an interest. The Company will be required to expend significant financial and managerial resources to comply with such laws and regulations. Since legal requirements change frequently, are subject to interpretation and may be enforced in varying degrees in practice, the Company is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, future changes in governments, regulations and policies and practices, such as those affecting exploration and development of the Company's properties could materially and adversely affect the results of operations and financial condition of the Company in a particular year or in its long-term business prospects.

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

Changes to Government Laws and Regulations

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

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

The Company expects Nevada state statutes and regulations to evolve with respect to water rights and their implications for lithium mineral rights. Such evolution has already been observed in the rapid introduction and passage of AB 52, a statute that governs exploration for dissolved minerals species. Nevada has a long history in mining, and there are indications that the overall state government environment is facilitative and supportive for lithium exploration and mining, but there can be no assurance as to the direction of change in the regulatory environment. For these reasons, the Company has retained specialist water rights consultants and legal counsel in order to proactively pursue its various administrative and legal matters and to develop and evaluate alternatives in the event that water rights for the CV Project are not granted or are not granted on the terms anticipated.

Risk Related to the Cyclical Nature of the Mining Business

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

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

Properties May be Subject to Defects in Title

The Company has investigated its rights to explore and exploit its projects and, to the best of its knowledge, its rights in relation to lands covering the projects 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 its projects, there is no assurance that such uncertainties will not result in future losses or additional expenditures, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

No Revenue and Negative Cash Flow

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

Legal and Litigation

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

Insurance

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

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

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

Currency

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

Conflicts of Interest

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

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

Decommissioning and Reclamation

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

Dividends

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

Hedging

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

Time and Cost Estimates

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

Consumables Availability and Costs

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

Mineral Resource Uncertainties

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

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

Taxation

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

DIVIDENDS AND DISTRIBUTIONS

Other than as set out herein, the Company has not, for any of the three most recently completed financial years or its current financial year, declared or paid any dividends on our Common Shares, and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, we anticipate that we will not pay dividends but will retain future earnings and other cash resources for the operation and development of our business. The payment of dividends in the future will depend on our earnings, if any, our financial condition and such other factors as our directors consider appropriate.

CAPITAL STRUCTURE

Common Shares

The Company's authorized share capital consists of an unlimited number of Common Shares without par value. As of June 30, 2017, 119,838,056 common shares were issued and outstanding. As of the date hereof, 124,414,336 common shares were issued and outstanding.

The holders of the Common Shares shall be entitled to receive notice of and to vote at every meeting of the shareholders of the Company and shall have one vote thereat for each Common Share so held. The Board of Directors may from time-to-time declare a dividend, and the Company shall pay thereon out of the monies of the Company

properly applicable to the payment of the dividends to the holders of Common Shares. In the event of liquidation, dissolution or winding-up of the Company or upon any distribution of the assets of the Company among shareholders being made (other than by way of dividend out of the monies properly applicable to the payment of dividends), the holders of Common Shares shall be entitled to share equally.

Based on Lithium X's shareholding at the closing of the transaction in which Pure Energy acquired Lithium X's Clayton Valley, Nevada properties and the Company's common shares outstanding as of June 30, 2017, Lithium X held a 19.70% ownership interest in the Company, with warrants that, if exercised, would allow it to acquire another 3.08% equity interest.

Shareholder Rights Plan

The Company does not have a shareholder rights plan.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed for trading on the TSX Venture Exchange (the "Exchange") under the trading symbol "PE". The Company's shares are also traded from time to time on various Alternative Trading Systems.

The following table sets forth the high and low prices and total monthly volume of the Common Shares as traded on the Exchange for the periods indicated. All share prices are shown in Canadian dollars.

Period	High	Low	Total Volume
June 2017	0.64	0.495	3,320,783
May 2017	0.65	0.495	4,302,852
April 2017	0.53	0.495	2,461,648
March 2017	0.62	0.50	3,535,538
February, 2017	0.65	0.59	2,949,217
January, 2017	0.70	0.57	6,006,808
December 2016	0.75	0.57	6,200,301
November 2016	0.75	0.50	8,035,199
October 2016	0.78	0.59	5,162,413
September 2016	0.87	0.73	4,426,479
August 2016	0.74	0.93	7,726,565
July 2016	0.97	0.65	12,464,966

Prior Sales

The Company issued the following securities during the most recently completed financial year and the current financial year:

- (i) On July 20, 2016, the Company issued 11,201,902 units pursuant to a brokered private placement at \$0.55 per unit. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire one additional share at a cost of \$0.80 per share to July 19, 2019. Agents

were paid a cash commission of \$322,915 and were issued an aggregate of 575,910 Agents' warrants with a fair value of \$238,605. Each Agent warrant entitles the holder to acquire one common share at a cost of \$0.55 for a period of 36 months. There was additional issue cost of \$191,051.

- (ii) On August 3, 2016, the Company issued 14,277 common shares at a fair value of \$0.58 pursuant to a property option agreement.
- (iii) On September 2, 2016, the Company issued 350,000 common shares at a fair value of \$0.83 pursuant to a property option agreement.
- (iv) On October 28, 2016, the Company issued 43,616 common shares in exchange for services valued at \$27,857.
- (v) On May 8, 2017, the Company issued 2,144,000 units pursuant to a brokered private placement at \$0.50 per unit. Each unit consists of one common share and one half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at a price of \$0.75 per share for a period of 2 years. There are acceleration provisions attached to the warrants. The Company paid cash commissions of \$33,075 and issued 66,150 agent's warrants with a fair value of \$12,779. Each agent warrant entitles the holder to acquire one common share at a cost of \$0.75 for a period of 24 months. There was additional issue cost of \$52,890.
- (vi) On May 30, 2017, the Company issued 20,038,182 common shares at a fair value of \$0.60 per common share and 2,022,290 share purchase warrants pursuant to a property acquisition agreement. Each warrant entitles the holder to acquire one additional share at a cost of \$0.75 for 3 years. The warrants were measured at a fair value of \$724,223.
- (vii) On May 30, 2017, the Company issued 3,571,429 Units of the Company at a cash purchase price of \$0.56 per unit. Each Unit consists of one common share and one half of a share purchase warrant. Each warrant entitles the holder to purchase one additional share at a price of \$0.75 per share for a period of 3 years. There are acceleration provisions attached to the warrants.
- (viii) On May 30, 2017, the Company issued 1,250,000 common shares at a fair value of \$0.60 pursuant to a property option agreement.
- (ix) During the period from July 1, 2016 to June 30, 2017, the Company issued:
 - 682,089 common shares pursuant to the exercise of warrants at \$0.15 per share; and
 - 645,000 common shares pursuant to the exercise of warrants at \$0.24 per share.
- (x) During the period from July 1, 2016 to June 30, 2017, the Company issued:
 - 400,000 common shares pursuant to the exercise of stock options at \$0.235 per share;
 - 857,000 common shares pursuant to the exercise of stock options at \$0.245 per share;
 - 20,000 common shares pursuant to the exercise of stock options at \$0.27 per share;
 - 410,000 common shares pursuant to the exercise of stock options at \$0.40 per share;
 - 75,000 common shares pursuant to the exercise of stock options at \$0.54 per share; and
 - 125,000 common shares pursuant to the exercise of stock options at \$0.67 per share.

Subsequent to June 30, 2017, the Company:

- issued 112,089 common shares pursuant to the exercise of warrants at \$0.15 per share.
- issued 320,000 common shares pursuant to the exercise of warrants at \$0.24 per share.

- issued 400,000 common shares pursuant to the exercise of stock options at \$0.235 per share.
- issued 290,000 common shares pursuant to the exercise of stock options at \$0.245 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 35,000 common shares pursuant to the exercise of stock options at \$0.40 per share.
- issued 11,201,902 Units pursuant to a brokered private placement at \$0.55 per Unit. Each Unit consisted of one common share and one share purchase warrant entitling the holder to acquire one additional share at a price of \$0.80 until July 19, 2019. Agents were paid a cash commission of \$322,915 and were issued an aggregate of 575,910 Agents' Warrants. Each Agents' Warrant entitles the holder to acquire one common share at a price of \$0.55 for a period of 24 months.
- issued 14,277 common shares at a fair value of \$0.86 per share 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.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

On May 31, 2017 the Company completed the acquisition of Lithium X's interest in 756 unpatented mineral claims in Clayton Valley, Nevada (See "General Development of the Business, 2017 Developments" for further details). Lithium X has agreed that it will not, directly or indirectly, sell or transfer: (i) any of its Consideration Warrants for a period of 12 months; and (ii) any of the Consideration Shares except in accordance with a release schedule whereby 50% of the Consideration Shares may be sold after 12 months, and a further 25% each three months thereafter, provided that the release schedule shall be accelerated if the closing price of the common shares on the TSXV is equal to or greater than \$1.12 for a period of 20 consecutive trading days.

Other than as disclosed herein, as of June 30, 2017 no Common Shares were subject to contractual restrictions on transfer. As of the date of this AIF, the Common Shares that are subject to contractual restrictions on transfer and the percentage of the outstanding Common Shares are set out below.

DIRECTORS AND OFFICERS

Name, Province or State, Country of Residence and Offices Held

The following table sets forth the name of each of our directors and executive officers, their province or state and country of residence, their position(s) with the Company, their principal occupation during the preceding five years and the date they first became a director of the Company. Each director's term will expire immediately prior to the following annual meeting of shareholders.

Name and Residence	Position(s) with the Company	Principal Occupation During Past Five Years	Director or Executive Officer Since	Common Shares of the Company Owned, Controlled or Directed, Directly or Indirectly as of June 30
Patrick Highsmith, Colorado, USA	Director, President & Chief Executive Officer	BSc/MSc Geological Engineering and Economic Geology (Geochemistry) with experience in exploration, operations, business development and executive roles for various public companies.	Director since November, 2015; CEO since March, 2016	55,000

Name and Residence	Position(s) with the Company	Principal Occupation During Past Five Years	Director or Executive Officer Since	Common Shares of the Company Owned, Controlled or Directed, Directly or Indirectly as of June 30
Michael Dake British Columbia, Canada	Independent Director	Since 1999 Mr. Dake has provided financing, investor relations and corporate communication services for a number of publicly traded early stage companies.	Director since March 2012	51,000
Mary Little Colorado, USA	Independent Director	Independent geological consultant since 2014. Ms. Little holds a MSc. degree in Earth Sciences from the University of California and an MBA from the University of Colorado	Director since March 2015.	350,000
Scott Shellhaas Ohio, USA	Independent Director	President and Chief Operating Officer, Thompson Creek Metals Company 2009 – 2014. Independent consultant since 2014	Director since April 19, 2017.	Nil
Bassam Moubarak British Columbia, Canada	Director	Chartered Professional Accountant. Chief Financial Officer of Lithium X Energy Corp (TSXV) since 2017 and director of Highway 50 Gold Corp (TSXV) since 2016. Former Chief Financial Officer of Goldrock Mines Corp from 2013 to 2016. Former Chief Financial Officer of various mining companies since 2008.	Director since May 30, 2017	Nil
Walter Weinig, Colorado, USA	Vice President, Projects and Permitting	Laboratory Director at the Sanford Underground Research Facility and consulting hydrogeologist/project manager.	Vice President, Projects & Permitting since March 31, 2017	10,000
Paul Zink Colorado, USA	Chief Financial Officer	Chief Financial Officer of Rare Element Resources Ltd. and mining financial consultant.	Chief Financial Officer since June 2017	Nil

The following table details the different Committees of the Board and the directors belonging to each Committee.

Name	Board of Directors	Audit Committee	Compensation & Nominating Committee
Patrick Highsmith	X	X	X
Michael Dake	X	X	X
Mary Little	X	X	X
Scott Shellhaas	X		
Bassam Moubarak	X		

Shareholdings of Directors and Officers

As of June 30, 2017, and the date of this AIF, our directors and executive officers beneficially own, control or direct, directly or indirectly, 466,000 Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of our directors or executive officers is, as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation, that was in effect for a period or more than 30 consecutive days (a “Cease Trade Order”) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such issuer, or (b) was subject to a Cease Trade Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as set out below, none of our directors or executive officers, nor, to our knowledge, any shareholder holding a sufficient number of our securities to affect materially the control of the Company (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including ours) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder.

Paul Zink, our chief financial officer, was a director of Atna Resources Ltd. (“Atna”) from 2011 to May 2016. Atna filed a voluntary petition for bankruptcy in November 2015, and the final order winding up the bankruptcy went effective December 31, 2016.

None of our directors or executive officers, nor, to our knowledge, any shareholder holding a sufficient number of our securities to affect materially the control of the Company, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Unless otherwise noted in this AIF, to the best of our knowledge, there are no known existing or potential material conflicts of interest between the Company or its subsidiaries and any of our directors or officers or a director or officer of our subsidiaries. However, certain of our directors and officers are, or may become, directors or officers of other companies, with businesses that may conflict with our business. Accordingly, conflicts of interest may arise which could influence these individuals in evaluating possible acquisitions or in generally acting on behalf of the Company. Pursuant to the *Business Corporations Act* (British Columbia) (the “BCBCA”), directors are required to act honestly and in good faith with a view to the best interests of the Company. As required under the BCBCA and our Articles:

- A director or executive officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual’s duty or interest as a director or executive officer of the Company, must promptly disclose the nature and extent of that conflict.
- A director who holds a disclosable interest (as that term is used in the BCBCA) in a contract or transaction into which the Company has entered or proposes to enter may generally not vote on any directors’ resolution to approve the contract or transaction.

Generally, as a matter of practice, directors or executive officers who have disclosed a material interest in any transaction or agreement that our Board is considering will not take part in any Board discussion respecting that contract or transaction. If on occasion such directors do participate in the discussions, they will abstain from voting on any matters relating to matters in which they have disclosed a material interest. In appropriate cases, we will establish a special committee of independent directors to review a matter in which directors, or management, may have a conflict.

Management

Patrick Highsmith

Patrick Highsmith, CEO and Director, is a 25-year veteran of the mining industry. During his tenure as COO and CEO at Lithium One Inc. (“Lithium One”), he led the discovery teams on the Sal de Vida and James Bay lithium projects. He negotiated Lithium One’s strategic joint venture with LG, GS Caltex and KORES on the Sal de Vida lithium brine and potash project in Argentina before co-engineering the 2012 sale of the company for over \$100 million.

Mr. Highsmith is an experienced manager and director of public and private companies having worked in mine operations, exploration, and business development for Rio Tinto, BHP Billiton, and Newmont Mining. Since 2008, he has been involved in the founding, management, financing, and sale of junior mining companies. He has been associated with more than \$60 million of investments and financings since 2005. Mr. Highsmith has evaluated and worked on more than 250 projects in 26 countries.

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.

Paul Zink

Paul Zink is the Company’s CFO and has more than 35 years’ experience in project finance, financial analysis, strategic planning, royalties, mergers and acquisitions, and business development. He has held senior management positions at International Royalty Corp., Rare Element Resources Ltd., Eurasian Minerals Inc., Pegasus Gold Inc. and Koch Industries, Inc. Early in his career, Mr. Zink spent more than 15 years with J.P. Morgan & Co., Incorporated in corporate and investment banking roles covering the minerals and energy sectors. He graduated Phi Beta Kappa from Lehigh University with a Bachelor of Arts degree in Economics and International Relations.

Walter Weinig

Walter Weinig, Vice President of Projects & Permitting, has nearly 30 years of experience in hydrogeology, project management, and operations at sites around the globe including contributions to the resource quantification for a lithium-brine project in Argentina unrelated to Pure Energy. He has managed multi-disciplinary engineering and scientific teams performing investigation, design, and permitting projects in surface and underground mining, industrial, and environmental arenas.

Mr. Weinig has a BSc degree in geology from the University of Wisconsin and an MSc degree in hydrology and water resources from the University of Arizona. He is a registered Professional Geologist and a certified Project Management Professional.

Non-Executive Directors

Mary Little

Mary Little has more than 25 years’ mining industry experience, including senior technical and business development positions at Newmont, Cyprus Amax, and WMC Ltd., as well as fifteen years in Latin America. As the founding CEO of Mirasol Resources, Ms. Little led multiple joint ventures and a major asset transaction, valuing the project at more than \$60 million. She currently serves on the board of Sandstorm Gold Ltd. and Tinka Resources. Ms. Little has an MSc Earth Science from the University of California and an MBA from the University of Colorado.

Scott Shellhaas

Scott Shellhaas has more than 30 years of diverse experience in the mining industry including a long tenure with various divisions of Cyprus Amax Minerals Company spanning the lithium, gold, copper, iron ore, and coal divisions. Mr. Shellhaas also has experience in junior mining companies that have transitioned into mid-tier producers. He was the

President and COO of Thompson Creek Metals Company, where he led the \$650 million mill expansion and modernization at the Endako Mine and the \$1.6 billion start-up of the Mt. Milligan copper-gold mine, both in British Columbia. In 2015, Mr. Shellhaas was the co-recipient with Rob Pease of the E.A. Scholz Award for Mine Development from AME BC for the Mt. Milligan Project. Mr. Shellhaas has a BA in Economics from the University of North Carolina and a Juris Doctor from the University of Wyoming.

Michael Dake

Michael Dake has 18+ years' experience providing Investor Relations and advisory services for a number of public companies. Mr. Dake serves on the Board of Directors for several TSX-V companies and has led several financial capital funding successes during his career.

Bassam Moubarak

Bassam Moubarak is a Chartered Professional Accountant who has held senior executive positions for various mining companies for over 10 years including most recently Goldrock Mines Corp. where he played a key role in its sale to Fortuna Silver Mines Inc. for \$180 million. He was Chief Financial Officer of Petaquilla Minerals Ltd. where he was instrumental in raising in excess of \$120 million to develop and bring into production the Molejon Gold Mine. He also played a key role in the sale of Petaquilla Copper Ltd. to Inmet Mining Corporation for \$400 million and negotiated the sale of Golden Arrow Resources Corporation's 1% net smelter royalty on Gualcamayo Gold Mine to Premier Royalty Inc. for \$17.75 million. Mr. Moubarak also previously held the position of senior manager with Deloitte & Touche LLP., where he led audits of public companies and oversaw SOX 404 implementations with specific emphasis on the mining industry.

AUDIT COMMITTEE

Composition of the Audit Committee

The current members of the Audit Committee are Patrick Highsmith, Michael Dake and Mary Little. All of the members are financially literate. Michael Dake and Mary Little are independent. Patrick Highsmith is not considered independent, as he holds the positions of President and CEO. "Independent" and "financially literate" have the meaning used in National Instrument 52-110 ("NI 52-110") of the Canadian Securities Administrators. The charter of the Company's Audit Committee is attached to this AIF as Schedule "A".

Relevant Education and Experience

Every member in the Audit Committee has sufficient education and experience to perform his or her responsibilities in relation to the Audit Committee, including:

- Understanding the accounting principles used by the Company to prepare its financial statements;
- Having the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;
- Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and
- An understanding of internal controls and procedures for financial reporting.

The relevant education and/or experience of each member of the Audit Committee is as follows:

Patrick Highsmith is a seasoned resource company professional with over 25 years' experience in exploration, operations, business development, and executive roles for various companies, including: Rio Tinto, BHP Billiton, Newmont, and Lithium One. He has worked as chief executive and/or director of several publicly traded resource companies. Mr. Highsmith has evaluated and worked on more than 250 projects around the world. His project management experience includes leading diverse teams through major engineering and development milestones, including delineating several mineral resources, a successful PEA on the Sal de Vida lithium brine project, and the

successful start-up of a gold processing plant. Mr. Highsmith also brings with him a wealth of financial and business development skills, in particular his considerable experience in project valuations and negotiations involving various financings, joint ventures, supply agreements, and corporate transactions.

Mary Little has been an independent geological consultant since 2014. Formerly, she was a director, Chief Executive Officer, President and founder (from October 2003 to May 2014) of Mirasol Resources Ltd., a precious metals company focused on exploration in Latin America. Her industry experience includes 15 years in Latin America with major mining companies like Newmont Chile, Cyprus Amax and WMC Ltd., where she held management positions including Business Development Manager and Country Manager. Ms. Little has also served as trustee for the Society of Economic Geologists Foundation from 2010 to 2014. She holds a M.Sc. degree in Earth Sciences from the University of California and an MBA from the University of Colorado.

Michael Dake has over 18 years' experience providing financing, investor relations and corporate communication services to public companies. Since 1999, Mr. Dake has provided investor relations services for a number of publicly traded early stage companies. Mr. Dake also serves as a director of several TSX Venture listed companies.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

Since the commencement of the most recently completed financial year, the Company has not relied on the exemptions contained in sections 2.4, 3.2, 3.4, 3.5 or 8 of NI 52-110. In respect of the most recently completed financial year, the Company relied on the exemption set out in section 6.1 of NI 52-110 with respect to compliance with the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

Pre-approval Policies and Procedures

Formal policies and procedures for the engagement of non-audit services have yet to be formulated and adopted. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Company's Board of Directors, and where applicable by the Audit Committee, on a case-by-case basis.

External Auditor Service Fees (by Category)

In the following table, "Audit Fees" are fees billed by the Company's external auditors for services provided in the auditing of the Company's annual financial statements for the subject year. "Audit-Related Fees" are fees not included in the Audit Fees that are billed by the auditors for assurance and related services that are reasonably related to the performance of the audit review of the Company's financial statements. "Tax Fees" are fees billed by the auditors for professional services rendered for tax compliance, tax advice and tax planning. "All Other Fees" are fees billed by the auditors for products and services not included in the foregoing categories.

Financial Year Ended June 30th	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
2017	\$25,000	0	\$3,600	0
2016	\$15,500	0	\$3,250	0
2015	\$14,500	0	\$1,500	0

Notes:

- (a) "Audit Fees" are the aggregate fees billed by our external auditor in each of the last three fiscal years for audit services.
- (b) "Audit-Related Fees" are the aggregate fees billed in each of the last three fiscal years for assurance and related services our external auditor that were reasonably related to the performance of the audit or review of our financial statements and were not reported under clause (a) above. There were no such fees.
- (c) "Tax Fees" are the aggregate fees billed in each of the last three fiscal years for professional services rendered by our external auditor for tax compliance, tax advice, and tax planning.
- (d) "All Other Fees" are the aggregate fees billed in each of the last two fiscal years for products and services provided by our external auditor, other than the services reported under clauses (a), (b) and (c), above. There were no such fees.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

With the exception of the water related matters discussed previously under “CV PROJECT – Environment, Permitting Compliance Activities and Social License” and “RISK FACTORS – Changes to Government Laws and Regulations”, there are no legal proceedings or regulatory actions material to us to which we are a party, or to which we have been a party since our incorporation, or of which any property of the Company is or has been the subject matter of, since the beginning of the financial year ended June 30, 2017, and no such proceedings are known by us to be contemplated. There have been no penalties or sanctions imposed against us by a court relating to provincial or territorial securities legislation or by any securities regulatory authority, there have been no penalties or sanctions imposed by a court or regulatory body against us, and we have not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with any securities regulatory authority since our incorporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than disclosed elsewhere in this AIF, no director, senior officer or principal shareholder of the Company and no associate or affiliate of the foregoing have had a material interest, direct or indirect, in any transaction in which the Company has participated within the three-year period prior to the date of this AIF, or will have any material interest in any proposed transaction, which has materially affected or will materially affect the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

Our auditors are Wolrige Mahon LLP, having an address at Ninth Floor, 400 Burrard Street, Vancouver, British Columbia V6C 3B7.

Transfer Agents, Registrars or Other Agents

The transfer agent and registrar for the Common Shares in Canada is Computershare Investor Services Inc., at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company within the most recently completed financial year or before the most recently completed financial year and still in effect:

1. Share Purchase Agreement dated May 10, 2017 between the Company and Lithium X Energy Corp. (See “The Business – CV Project”);
2. Share Subscription between the Company and Lithium X Energy Corp. (See “The Business – CV Project”);
3. Investor Rights Agreement between Lithium X Energy Corp. and the Company dated May 30, 2017 (See “The Business – CV Project”)
4. Real Estate Purchase Contract dated March 8, 2017 between the Company and Minera Cerro Juncal SA and Solaris SRL (See “The Business - Terra Cotta Project”).

INTEREST OF EXPERTS

Experts who have prepared reports for Pure Energy in the financial year ending June 30, 2017 include the following:

- (a) Michael D.S. Blois, Pr.Eng, QP, FIMMM of Tenova
- (b) Daniel S. Weber, P.G. of Montgomery & Associates
- (c) Ernie Burga, P.Eng. of Andeburg Consulting Services
- (d) Valerie Sawyer, P.E. of SRK Consulting

- (e) Rodrigo Calles-Montijo, CPG of Servicios Geologicos IMEx. S.C.
- (f) Dawn H. Garcia, P.G., CPG
- (g) James C. Hasbrouck, Hasbrouck Geophysics, Inc.
- (h) Jeffrey A. Jaacks, Ph.D., Geochemical Applications International Inc.
- (i) Raymond P. Spanjers, Consulting Geologist
- (j) Tenova Advanced Technologies, formerly known as Tenova Bateman Technologies

None of the experts whom are named in this AIF as having prepared reports or having been responsible for reporting exploration results relating to our mineral properties and whose profession or business gives authority to such reports, or any director, officer, partner, or employee thereof, as applicable, received or has received a direct or indirect interest in our property or of any of our associates or affiliates. As at the date hereof, such persons, and the directors, officers, partners and employees, as applicable, of each of the experts beneficially own, directly or indirectly, in the aggregate, less than one percent of the securities of the Company and they did not receive any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such report.

None of such persons, or any director, officer or employee, as applicable, of any such companies or partnerships, is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

Wolrige Mahon, who prepared the auditors' report accompanying the audited financial statements of the Company for the most recent year end, report that they are independent in accordance with the Chartered Professional Accountants of British Columbia as at the date of such audit report.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information including directors' and officers' remuneration and indebtedness, principal holders of our securities, securities authorized for issuance under equity compensation plans and a statement as to the interest of insiders in material transactions, was contained in the management proxy circular for the annual meeting of shareholders to be held on October 20, 2017. Additional financial information is provided in the audited financial statements and management discussion and analysis for the most recent year-end. The foregoing additional information is available on SEDAR at www.sedar.com the Company's profile.

REFERENCES CITED

- (1) Lithium processors prepare to meet demand in era of electric car", Reuters, August 7, 2017.
- (2) Auto Revolution: Rise of the lithium ion battery megafactories", Benchmark Mineral Intelligence Ltd., April 26, 2017
- (3) Tesla to build world's biggest lithium ion battery in South Australia", theguardian.com, July 6, 2017
- (4) "U.S. Energy Storage Monitor: Q3 2017 Executive Summary", GTM Research, September 2017, www.greentechmedia.com
- (5) Neometals press release, "Mt Marion Lithium Operation Update", June 19, 2017
- (6) Private report prepared for Pure Energy Minerals Ltd. by Benchmark Mineral Intelligence, April 1, 2017
- (7) Auto Revolution: Rise of the lithium ion battery megafactories", Benchmark Mineral Intelligence Ltd., April 26, 2017
- (8) Lithium", Mineral Commodity Summaries 2017", U.S. Geological Survey, January 2017
- (9) Private report prepared for Pure Energy Minerals Ltd. by Benchmark Mineral Intelligence, April 1, 2017
- (10) Ibid.
- (11) Auto Revolution: Rise of the lithium ion battery megafactories", Benchmark Mineral Intelligence Ltd., April 26, 2017

THE AUDIT COMMITTEE CHARTER

Article 1 – Mandate and Responsibilities

The Audit Committee is appointed by the board of directors of the Company (the “**Board**”) to oversee the accounting and financial reporting process of the Company and audits of the financial statements of the Company. The Audit Committee’s primary duties and responsibilities are to:

- (a) recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company;
- (b) recommend to the Board the compensation of the external auditor;
- (c) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (d) pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Company’s external auditor;
- (e) review the Company’s financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information;
- (f) be satisfied that adequate procedures are in place for the review of all other public disclosure of financial information extracted or derived from the Company’s financial statements, and to periodically assess the adequacy of those procedures;
- (g) establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
 - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
- (h) review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

The Board and management will ensure that the Audit Committee has adequate funding to fulfill its duties and responsibilities.

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