

**POWER METALS CORP.**  
**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SIX MONTHS ENDED MAY 31, 2017**

This management discussion and analysis of financial position and results of operations (“MD&A”) is prepared as of July 31, 2017 and should be read in conjunction with the unaudited financial statements for the period ended May 31, 2017 of Power Metals Corp. (“Power Metals” or the “Company”) with the related notes thereto. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. Readers may also want to refer to the November 30, 2016 audited financial statements and the accompanying notes.

### **Forward looking statements**

Certain statements contained in this document constitute forward-looking information. These statements relate to future events or future performance. The use of any of the words “could”, “intend”, “expect”, “believe”, “will”, “projected”, “estimated” and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the Company's current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Description of Business**

The Company is an exploration company engaged in the acquisition and exploration of resource properties. The Company is a reporting issuer in British Columbia, Alberta and Ontario. The Company trades on the TSX Venture Exchange under the symbol "PWM".

### **Risks and Uncertainties**

The Company's principal activity is resource exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, fluctuating resource price, social, political, financial and economical. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practicable.

The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties below are not listed in order of importance nor are they inclusive of all the risks and uncertainties the Company may be subject to as other risks may apply.

- Any resource property interests of the Company are or will be, in the near term, in the exploration stage only and consequently, exploration of the Company's resource property interests may not result in any discoveries of commercial levels of resources. If the Company's efforts do not result in any discovery of commercial resource level, the Company will be forced to look for other exploration projects or cease operations.
- The Company's current assets and activities are subject to extensive Canadian federal, provincial, territorial and local laws and regulations. The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expenses, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the development of its properties.
- In the ordinary course of business, the Company is required to obtain and renew governmental permits for existing operations and any ultimate development, construction and commencement of new resource or mining operations. The Company may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Company believes it can recover from a given resource property once in production. Any unexpected delays or costs associated with the

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permitting process could delay the development or impede the operation of a resource or mine, which could adversely impact the Company's operations and profitability.

- The Company competes with many companies possessing greater financial resources and technical abilities than itself for the acquisition of resource properties including mineral concessions, claims, leases, other mineral interests, and equipment required to conduct its activities as well as for the recruitment and retention of qualified employees.
- Substantial expenditures are required to be made by the Company to establish mineral reserves and the Company may not either discover minerals in sufficient quantities or grade to be economically feasible, or may not have the necessary required funds. Estimates of mineral reserves and mineral resources can also be affected by environmental factors, unforeseen technical difficulties and unusual or unexpected geological formations. Material changes in mineral reserve or mineral resource estimates, grades, stripping ratio or recovery rates may affect the economic viability of any project.
- The lack of available infrastructure may adversely affect the Company's operations and profitability. If adequate infrastructure is not available in a timely manner, there can be no assurance that the development of the Company's projects will be commenced or completed on a timely basis, if at all; the Company's operations will achieve anticipated results; or the construction costs and ongoing operating costs associated with the development of the Company's advanced stage exploration projects will not be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and profitability.
- The Company currently has limited insurance covering its assets or operations and as a consequence, could incur considerable costs. As a result of having limited insurance, the Company could incur significant costs that could have a materially adverse effect upon its financial condition and even cause the Company to cease operations. To date, the Company has not experienced any material losses due to hazards arising from its operations.
- Although the Company has sought and received such representations as it has been able to achieve from vendors in connection with the acquisition of or options to acquire an interest in its mining or resource properties and has conducted limited investigations of legal title to each such property, the resource and /or mining properties in which the Company has an interest may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.
- The price of uranium or other metals may adversely affect the economic viability of any of the Company's resource and/or mineral properties. The price of uranium is affected by numerous factors beyond the control of the Company including producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, demand, political and economic conditions and production levels. In addition, the price of uranium has been volatile over short periods of time due to speculative activities. The price of other metals and mineral products that the Company may explore for have the same or similar price risk factors.
- The Company is authorized to issue an unlimited number of common shares without par value. It is the Company's intention to issue more common shares. Sales of substantial amounts of common shares (including shares issuable upon the exercise of stock options and the exercise of warrants), or the perception that such sales could occur, could materially adversely affect prevailing market prices for the common shares and the ability of the Company to raise equity capital in the future.
- The Company's future performance on the development of any mineral properties is dependent on key personnel. The loss of the services of any of the Company's executives or directors could have a material adverse effect on the Company's business.

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## Exploration Projects

### Case Lake

On September 21, 2016, the Company entered into an option agreement to earn a 100% interest in the 2,500-acre Case Lake project, which is located 130km NE of Timmins, a major mining town in northern Ontario, as well as 80km east of Cochrane, and adjacent to Batholithic & Sub-province Boundaries.

To earn 100% interest, the Company needs to make cash payments of \$325,000 (\$75,000 paid), and spend \$200,000 on exploration and development over 36 months, and issuing 11,000,000 shares of the Company (issued and valued at \$990,000). The property is subject to a 2% NSR. The Company also issued 913,235 common shares valued at \$82,191 as finders' fees.

The Company has completed the re-sampling and re-evaluation of Case Lake Drill Core from the 2001 and 2010 drilling seasons.

A total of 7 historic drill holes totaling 508.76 m from Platinova's 2001 drill program were relogged and resampled by Caracle Creek Jan. 19-23, 2017. These holes were drilled on 5 sections across Main and North Case Pegmatite Dykes on claim 1213780.

Drill Hole	Rock Type	Dyke	Composite from (m)	Composite to (m)	Weighted average (Li2O%)	Length (m)	Including
DDH-1	spod peg	Main Dyke	8.00	14.50	1.43	6.50	
DDH-1	spod peg	Main Dyke	10.27	11.45	2.34	1.18	including
DDH-1	spod peg	Main Dyke	22.70	33.00	1.98	10.30	
DDH-1	spod peg	Main Dyke	25.00	31.73	2.31	6.73	including
DDH-2	spod peg	Main Dyke	38.00	40.55	1.93	2.55	
DDH-2	spod peg	Main Dyke	44.00	47.30	1.20	3.30	
DDH-2	spod peg	Main Dyke	49.05	50.00	0.88	0.95	
DDH-2	qtz-mus peg	Main Dyke	55.90	57.00	0.73	1.10	
DDH-4	peg	North Dyke	14.80	15.44	0.67	0.64	
DDH-4	qtz-feld-mus peg	North Dyke	18.00	19.00	0.55	1.00	
DDH-4	spod peg	Main Dyke	41.86	47.00	1.28	5.14	
DDH-4	spod peg	Main Dyke	43.32	45.00	2.56	1.68	
DDH-5	spod peg	Main Dyke	44.00	45.95	2.73	1.95	
DDH-5	spod peg	Main Dyke	46.57	56.00	1.37	9.43	
DDH-5	spod peg	Main Dyke	46.57	47.40	2.23	0.83	including
DDH-5	spod peg	Main Dyke	53.05	56.00	2.36	2.95	including
DDH-6	spod peg	Main Dyke	47.00	47.55	1.57	0.55	
DDH-6	spod peg	peg dyke	61.92	62.22	0.77	0.30	

The drill core was resampled so that 1 m of the Case Batholith granodiorite host rock was sampled followed by 1 m long samples of the pegmatite dyke and 1 m of the Case Batholith. The sampling followed lithology boundaries so that only one lithology unit is within a sample. The core was cut in half to produce the samples. If whole core was in the box (3 samples), then 1/2 core sample was cut to put in the sample bag and the remaining half was left in the core box. If 1/2 was in the core box (86 samples), then 1/4 core sample was cut to put in the sample bag and the remaining half was left in the core box. If 1/4 core was in the core box (144 samples), then the entire 1/4 core was put in the sample bag and nothing is left in the core box. The coarse grain size of the spodumene means that 1/8 core would not be representative. In four intervals in the pegmatite, core was missing from the box and could not be resampled. Missing core resulted in short intervals for some of the samples in the relogging program.

*“We are very pleased with these results, but not surprised - we came into the Case Lake with an appreciation of the quality of the asset. That said, the validation and confirmation going into our upcoming drill program in addition to the recent on-site and regional data compilation program has re-inforced the team's confidence in the perceived dimension and grade of this anomalous body, which stands out as a potentially robust commercial pegmatite across*

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*a global spectrum. The project adds a strong fundamental profile to our current portfolio of projects with exciting upside potential through conventional and unconventional processing methods.”* stated Johnathan More, Chief Executive Officer of Power Metals Corp.

The drill core was originally sampled by Platinova in 2001, but it was resampled by Fieldex Exploration Inc in 2010 (Fieldex press release dated Sept. 13, 2010). Platinova's original sampling left 1/2 core in the box and Fieldex's resampling left 1/4 core in the box. Fieldex had an option on the property from Mantis Mineral Corp. Fieldex disclosed the assay highlights of their sampling program.

A total of 258 core samples including QC samples were submitted to Actlabs for analysis by Caracle Creek which includes 233 drill core samples, 13 blanks and 12 Li standards.

On April 24, 2017, the Company announced the upcoming drill and work programs.

Case Lake spodumene pegmatite swarm is located 80 km east of Cochrane, northeastern Ontario. Case pegmatite swarm consists of five dykes exposed on surface: North, Main, South, East and Northeast Dyke. North, Main and Northeast Dykes contain spodumene. North Dyke is has > 100 m strike length, Main Dyke has > 350 m strike length and the Northeast Dyke has > 75 m strike length.

Power Metals summer 2017 exploration program on the Case Lake Property will consist of ~5000 m of drilling of approximately 50 drill holes. The drilling will target the North and Main Dykes to define the pegmatite and lithium mineralization and to extend the dykes to the east and west along strike and down dip (Figure 1). There is 100 m of surface exposed strike length for the Main Dyke that has not yet been drill tested. The Company will also test the possibility that the Main Dyke is actually two parallel pegmatite dykes not just one dyke. Since the pegmatite dykes within the Case Lake pegmatite swarm are parallel to each other, there is potential to find additional buried dykes at depth.

Power Metals has an Exploration Plan on Case Lake Property approved by MNDM and has submitted an Exploration Permit application with MNDM for the Case Lake drill program.

In addition to the exploration targets of extension of the North and Main Dykes, there are other exploration targets to be investigated on the Case Lake Property (Figure 1):

- The fault offset dyke target is a 1 km long target which is assumed to be the down faulted continuation of the North and Main spodumene dykes. The East Dyke is the down faulted continuation of the South Dyke.
- The Far East Dyke is an underexplored pegmatite outcrop which is along the same strike as the North and Main Dykes.
- The Metasedimentary host rock Li anomaly target along strike to the east of North and Main Dykes
- Northeast Dyke with historical assay of > 2.15 % Li<sub>2</sub>O

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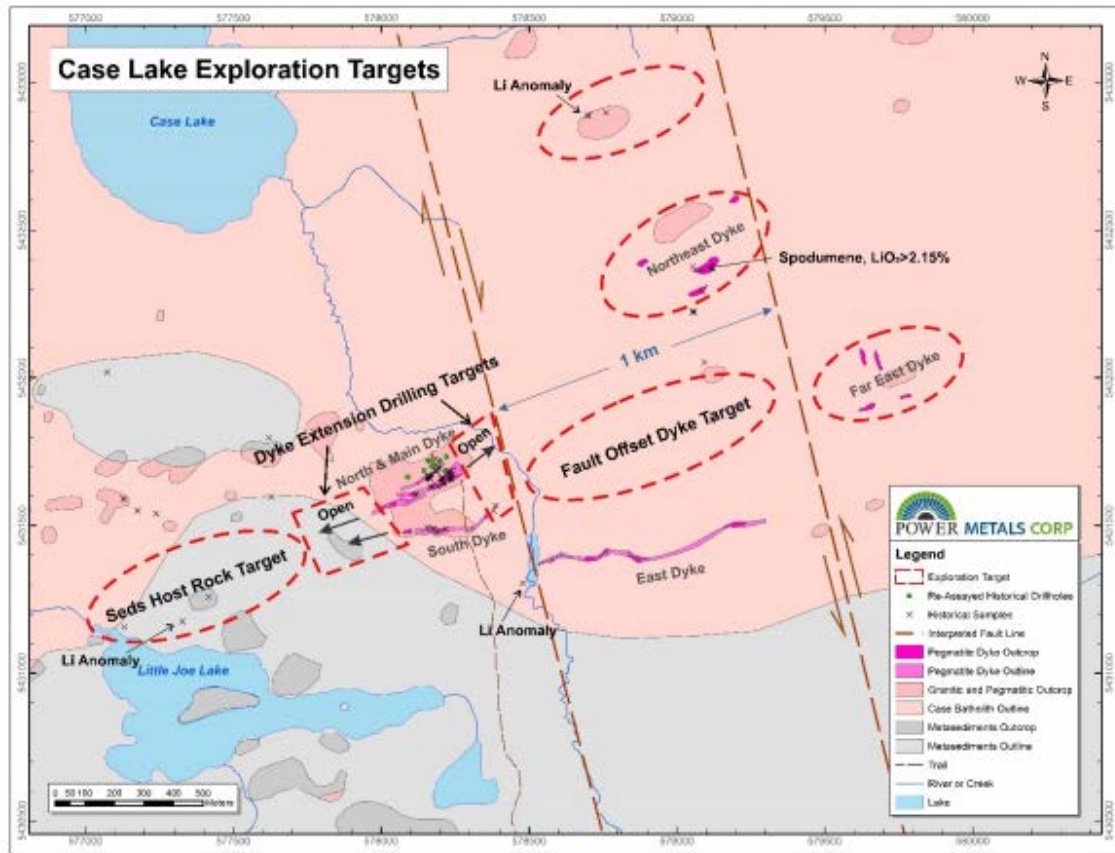


Figure 1 Case Lake Exploration Targets

On May 3, 2017, the Company entered into an Arrangement Agreement with its newly created, wholly owned subsidiary, Power Lithium Corp., to carry out a Plan of Arrangement (the "Arrangement"). The Arrangement Agreement is available on the Company's filings on SEDAR. Through the Arrangement, Power Metals intends to transfer all of its interests in its hard rock lithium properties (the "Properties") to Power Lithium and list that company on the Canadian Stock Exchange (CSE). In addition to the Properties, Power Metals will transfer an amount of cash to Power Lithium in the Arrangement so that it will meet CSE listing requirements for available funds and be in a position to carry out the first year of its work program.

Johnathan More, Chairman of Power Metals states, "There has been an incredible amount of work that has gone into planning this Arrangement as we move forward with the creation of two companies from one. We are committed to maximizing every ounce of value that we can give to shareholders as the creation of Power Lithium Corp. will host our exciting hard rock lithium assets where we intend to begin an aggressive drill program in the very near future. I would like to personally thank all parties that have helped us get to this exciting point in the growth of Power Metals."

Pursuant to the Plan of Arrangement, Power Metals Corp. shareholders as of the Record Date will receive 1 common share of Power Lithium for every 1 share of Power Metals he or she holds. The Record Date will be established in the Information Circular for the upcoming Power Metals AGM.

The Hard Rock Lithium Properties to be transferred to Power Lithium include the Case Lake, Larder River, Paterson Lake and Gullwing Lake and mineral property located on the Case Lake property.

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The completion of the Arrangement and the listing of Power Lithium on the CSE are subject to the approval of the Power Metals Corp. Shareholders, Supreme Court of British Columbia, TSXV and CSE. There is no guarantee that the Arrangement and listing of Power Lithium on the CSE will be completed.

On May 11, 2017, the Company announced the completion of a 3D exploration model for the Company's 100% owned Case Lake Property. The 3D model will aid Power Metals in targeting drill holes as well as aid in our understanding of the morphology of the pegmatite dykes. This will assist in understanding the known mineralization and aid in its expansion.

The Case Lake spodumene pegmatite swarm is located 80 km east of Cochrane, northeastern Ontario. Case Lake pegmatite swarm consists of five dykes exposed on surface: North, Main, South, East and Northeast Dyke. North, Main and Northeast Dykes contain spodumene. North Dyke is has greater than 100 m strike length, Main Dyke has greater than 350 m strike length and the Northeast Dyke has greater than 75 m strike length.

A 3D exploration model has been created for Case Lake pegmatite swarm based on 7 historic drill holes, channel sampling, detailed mapping and general mapping. The fault planes were identified from geophysics maps and satellite images. The pegmatite dykes are modelled to a depth of 100 m.

One purpose of the 3D model is to understand the morphology of the pegmatite dykes (Figure 1). The 3D model indicates that the North and Main Dykes have a strike of 60 degrees NE and a dip of 33-43 degrees N. South and East Dykes have a strike of 80-90 degrees E-W. The fault plan has a strike of 347 degrees NW.

Another purpose of the 3D model is drill targeting and predicting the extension of the spodumene pegmatite dykes. Power Metals summer 2017 drill program will consist of approx. 5000 m of drilling of approximately 50 drill holes. 3D modelling suggests that the Main Dyke is actually two parallel dykes not just one dyke. This will be tested during Power Metals' drill program, in addition to drilling the portion of the Main Dyke that has been exposed on surface but not yet drilled. The drilling will also target the extension of North, Main and South Dykes to the east and to the west with a goal to extend the Main Dyke from 350 m to 780 m long.

The extension of the spodumene North and Main Dykes has been faulted down and thus the offset dyke is an 800 m long exploration target (Figure 2). Both the Northeast and Far East Dykes need trenching and geological mapping to fully expose their strike lengths on surface. {00738189;1} Additionally, an initial bulk sample of lithium rock is being collected and forwarded to Thibault and Associates Inc. in Fredericton, New Brunswick (See press release dated April 10th, 2017). This sample will be used to evaluate technology that would best process the feed stock to meet end user requirements. This initial sample will be supplemented with core samples from the upcoming drill program on the property.

Johnathan More, Chairman of Power Metals states "This 3D model of Case Lake is a huge step in the planning of the upcoming drill program not only in terms of drill locations but also in realizing the potential size of this exciting structure. Additionally, we will be providing an update on our Petro-Lithium assets associated with our technology process in the very near future. Furthermore, we are running at full steam ahead on all of our projects while we wait for the recently filed share spin-out."

To view Figure 1: '3D model of Case Lake North, Main and South Dykes and exploration targets, looking north,' please visit the following link: <http://media3.marketwire.com/docs/1094352fig1.pdf>

To view Figure 2: '3D model of Case Lake pegmatite exploration targets, looking north,' please visit the following link: <http://media3.marketwire.com/docs/1094352fig2.pdf>

On June 7, 2017, the Company increased the size of its previously announced drill program at Case Lake (see press release dated April 24th, 2017). A recent site visit and encouraging data assessment has immediately prompted the Company to expand its program from its previously stated 5,000 meters to greater than 7,500 meters.

The drilling will target the North and Main Dykes to define the pegmatite and lithium mineralization and to extend the dykes to the east and west along strike and down dip. There is 100 meters of surface exposed strike length for the Main Dyke that has not yet been drill tested. The Company believes that the Main Dyke is actually two parallel

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pegmatite dykes not just one dyke. Since the pegmatite dykes within the Case Lake pegmatite swarm are parallel to each other, there is potential to find additional buried dykes at depth. Power Metals has an Exploration Plan on Case Lake Property approved by MNDM and has submitted an Exploration Permit application with MNDM for the Case Lake drill program.

In addition to the exploration targets of extension of the North and Main Dykes, there are other exploration targets to be investigated on the Case Lake Property (Figure 1):

- The fault offset dyke target is a 1 km long target which is assumed to be the down faulted continuation of the North and Main spodumene dykes. The East Dyke is the down faulted continuation of the South Dyke.
- The Far East Dyke is an underexplored pegmatite outcrop which is along the same strike as the North and Main Dykes.
- The Metasedimentary host rock Li anomaly target along strike to the east of North and Main Dykes
- Northeast Dyke with historical assay of  $> 2.15\%$  Li<sub>2</sub>O

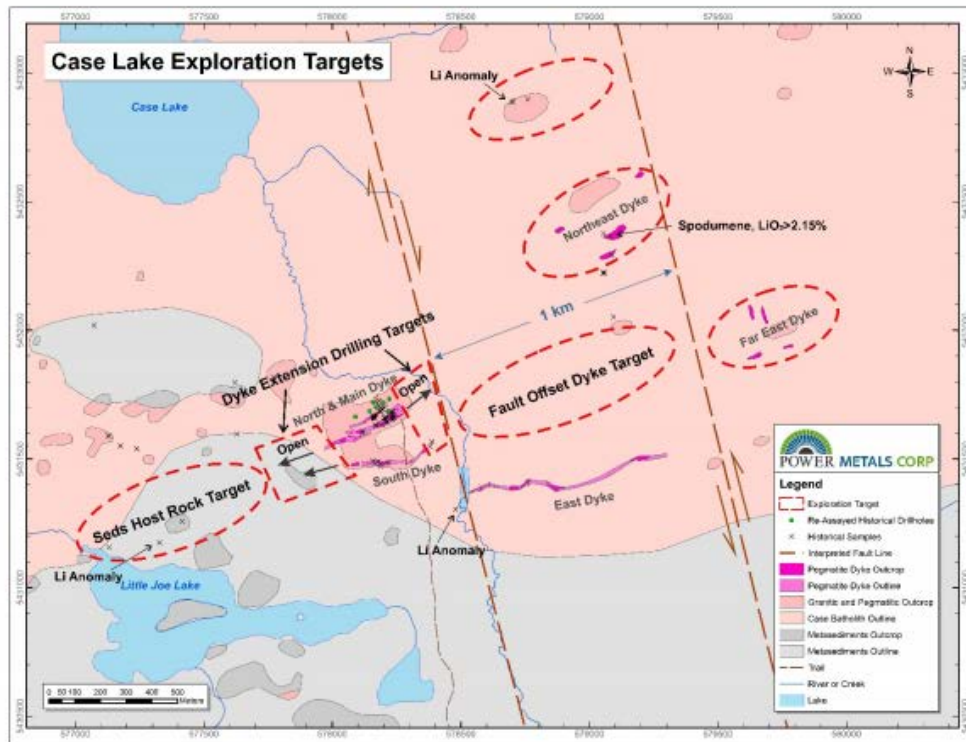


Figure 1 Case Lake Exploration Targets

On July 18, 2017, the Company filed a NI 43-101 Technical Report on its 100% owned Case Lake Property. The Case Lake Property is located in Steele and Case townships, near Cochrane, NE Ontario close to the Ontario-Quebec border.

The NI 43-101 Technical Report on the Case Lake Property summarizes the historic exploration on the Property starting with the mapping of the North, Main and South pegmatite dykes in 1962 by S.B. Lumbers, Ontario Department of Mines. This mapping was followed by the first drill hole on the Property by L. Darby in 1973 which intersected 25.3 m of spodumene-bearing pegmatite in the Main Dyke. Regional prospecting by Joseph Horne in 1999, lead to the discovery of the Northeast dyke which is 10 m wide by 75 m long with very coarse-grained spodumene. In 2001, Platinova A/S completed detailed geological mapping and channel sampling on the North, Main and South Dykes, and 7 drill holes totaling 508.76 m. These drill holes intersected spodumene mineralization

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in the North and Main Dykes. Assay highlights from DDH-2 include: from 39.0 to 40.0 m, interval 1.0 m with 1.52 % Li<sub>2</sub>O, 62 ppm Ta, > 100 ppm Be from the inner intermediate zone.

The NI 43-101 Technical Report also summarizes Power Metals' exploration activities on the Property including resampling and relogging of Platinova's 7 drill holes which successfully identified and verified lithium mineralization in Platinova's historic drill core. The assays from the resampling program were combined with the historic drill core logs to create a 3D model of the Case Lake pegmatite dykes. The 3D model was used to identify drill targets for Power Metals' upcoming 6000 m drill program which includes:

- 4000 m of resource drilling at 30 m spacing and depths of 100-150 m on the Main and North Dykes surface exposure (approximately 26 holes) to aid in future resource estimate.
- 2000 m of expansion drilling at depths of 100-150 m to extend the Main and North Dykes along strike to the east and west (approximately 15 holes).

Power Metals' exploration team also proposed and supervised the staking of 22 mining claims (4800 ha) and completed a 2D data compilation on the Property. This data compilation lead to the identification of multiple exploration targets:

- The fault offset dyke target is a 1 km long target which is assumed to be the down faulted continuation of the North and Main spodumene dykes. The East Dyke is the down faulted continuation of the South Dyke.
- The Far East Dyke is an underexplored pegmatite outcrop which is along the same strike as the North and Main Dykes.
- The metasedimentary host rock Li anomaly target is also along strike of the North and Main Dykes
- Northeast spodumene pegmatite dyke with historical assay of > 2.15 % Li<sub>2</sub>O.

### ***Larder River***

On September 21, 2016, the Company entered into an to option agreement to earn a 100% interest in the 3,200-acre Larder River project which is located three kilometers west of the village of New Ross, N.S., in the central portion of the South Mountain Batholith – 100km from Halifax, right off of the highway and proximal to port.

Pursuant to the agreement, the Company is required to complete the following:

- i) payment of \$1,335,000 (\$90,000 paid);
- ii) incurring an aggregate of \$2,425,000 on exploration expenditures over 36 months; and
- iii) issuance of 4,000,000 common shares of the Company (issued and valued at \$360,000).

The property is subject to a 2% NSR, 1% of which can be purchased for \$750,000 and 1% for \$1,250,000.

The Company also issued 388,235 common shares valued at \$34,941 as finder's fees.



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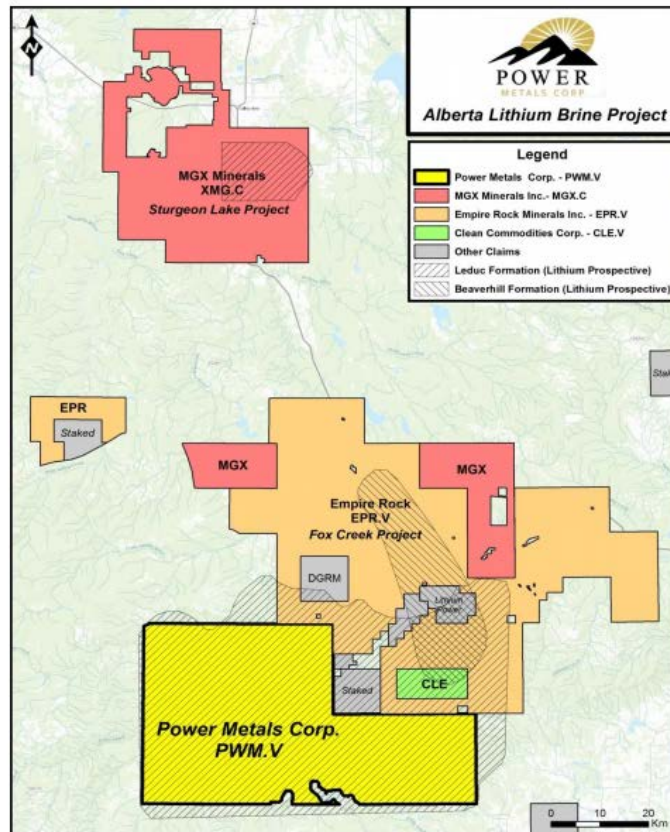
***Leduc Lithium Property***

The Company executed an agreement to acquire lithium brine permit portfolios in Alberta, Canada. Consideration for the property includes the issuance of 5,000,000 shares (issued) of the Company to arm's length parties, includes twenty-three (23) Metallic and Industrial Minerals Permits granted by the Mines and Minerals Act (Alberta), and granting of a 2% gross overriding royalty thereon. The project is one of the largest lithium brine portfolio in Alberta, Canada, as measured by actual coverage over relevant formations, in this case the Leduc Formation (see map attached).

**Portfolio Highlights:**

- Immediate Scale-Up to a 505,000+ Acre Oilfield Lithium Brine Project Base.
- Historic Lithium Sampling up to 135 mg/L.
- Significant Lithium Brine Exploration Opportunities in Infrastructure-Rich Region.
- Permits Contain Oil Field Wellheads Offering Potential for Well Sampling Programs and Oil Company Partnerships.
- Permit Control of the Leduc S, South Formation Water Lithium Target Area.

**Figure 1 – Alberta Lithium Brine Project Map (South Leduc Brine project area)**



As part of its broader Alberta Lithium Brine Project, the new South Leduc Brine project area, which independently exceeds 450,000 acres, offers significant and cohesive scale and operational efficiencies, particularly when compared to small, geographically-diffused approaches. The sheer district scope of the project area, approaching 70 kilometers on an east-west basis and up to 38 kilometers on a north-south basis may assist with eliminating and addressing multi-party drainage conflicts commonly associated with smaller geographical brine districts in other jurisdictions. In Alberta, extractive rights to lithium (and other minerals) accrue to the holder of a Metallic and Industrial Minerals Permit covering the location in question and not to the holder of any rights under oil or gas licenses of same location. As such, petroleum companies operating oil and gas activity in areas of lithium-rich

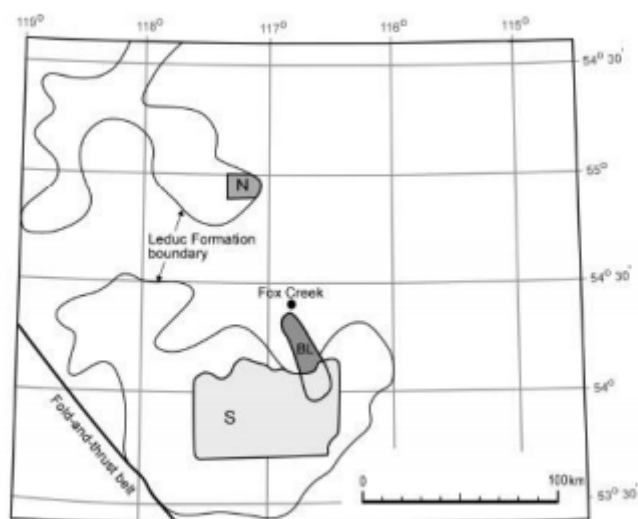
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formation water have no legal ownership of prospective lithium brines absent concurrently holding the Metallic and Industrial Minerals Permit. Therein, monopoly holders of lithium right permits have a unique partnership opportunity within Alberta which does not always correspond to other lithium oilfield brine prospects elsewhere. Increased lithium commodity pricing, renewed efforts to cost-recover expenses affiliated with brine water coincidental to maturing hydrocarbon production fields and increased environmental stewardship have brought lithium oilfield brines to the attention of the extractive industry.

The Company encourages investors to review a 2011 report published by the Alberta Geological Survey (AGS) entitled, Geological Introduction to Lithium-Rich Formation Water with Emphasis on the Fox Creek Area of West-Central Alberta (NTS 83F and 83K)(ERC/B/AGS Open File 2011- 10)(the “AGS Report”).

The AGS Report concluded that Devonian formation waters associated with producing oil and gas wells in the Fox Creek area of west-central Alberta offered mg/L lithium readings ranging from 5-14 times background levels in Alberta resulting in specific lithium in formation water target areas being of potential economic interest. In addition, elevated bromine, boron and potassium offered the possibility for multi-element by-product streams.

**Figure 2 – Estimated Areas of Producing Lithium Formation Water in the Leduc Formation and the Beaverhill Lake Group strata (Source Credit: AGS Report)**



Government data from the mid-1990s depicting the lithium potential of west-central Alberta: a) distribution of lithium in formation water associated with the Leduc and Swan Hills carbonate complexes (modified from Hitchon et al., 1993); b) estimated areas of producible lithium formation water in the Leduc Formation (N, North, S, South) and the Beaverhill Lake Group (BL) strata (Bachu et al., 1995).

Government data from the mid-1990's (see Figure 2) estimated areas of producible lithium formation water in the Leduc Formation (N, North and S, South) and the Beaverhill Lake Group (BL) strata (Bachu et. al., 1995). As it concerns recent industry efforts around oilfield lithium brine prospects in Alberta, this research is significant in so far as it vectors in on potential brine production areas that may have lithium extraction potential.

Importantly, both the South Leduc Brine project area and MGX Minerals Inc.'s Sturgeon Lake Lithium Brine Project target the same Leduc Formation, with the MGX Mineral Inc. project focusing on the N, North region identified in both Figure 1 and Figure 2 and the Power Metals Corp. project focusing on the S, South region, likewise identified.

The Company is particularly encouraged as the S (South) target identified by Bachu et. al. (see Figures 1 and 2) is spatially much larger than the N (North) target and thus, pending further exploration, may represent a larger in-situ lithium brine target that ultimately exceeds the scale of the geographically-smaller N, North target being pursued by MGX Minerals Inc.

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In addition to the South Leduc Brine project area referenced above and as part of the permit portfolio being acquired, the Company will also hold an additional lithium brine prospect {00672029;1} situated immediately northeast of the City of Red Deer, hereafter referred to as the Red Deer Lithium Brine project area.

***Coyote Project***

During the period ended May 31, 2017, the Company acquired 100% interest in the Coyote Project, located in the Lisbon Valley area in the Paradox Basin, Utah. Consideration for the property includes the issuance of 3,500,000 shares of the Company and a payment of US\$53,300.

The Project includes 150 placer mineral claims covering an area of 3,000 acres and inclusive of lithium brine mineral rights, on trend and adjoining to the north, the Lisbon Valley oil and gas field, where historic lithium brine content has been reported as high as 730 parts per million lithium (Superior Oil 88-21P).

Johnathan More, CEO of Power Metals noted, "We are extremely excited to have been able to position the Company in the Lisbon Valley, as a starting point. As we roll out our plan, we intend to deploy increased resources towards the building of a petro lithium portfolio in the United States including but not limited to the acquisition of oil field assets, lithium brine, oil wells and associated infrastructure."

To view the map accompanying this press release please click the following link:  
<http://media3.marketwire.com/docs/PowerMap221.pdf>

More continued, "Structurally, the Coyote Project is situated down dip from an existing oilfield and within a geosyncline basin feature which could represent a fluid trap for migrating brine fluids. The property lies entirely within a zone identified by the United States Geological Survey (USGS) to contain 40% plus TDS (total dissolved solids) within the Pennsylvanian brine aquifers (USGS Report 1962).

To date, the most concentrated brines have been found in Pennsylvanian rocks, especially in the thin clastic breaks which separate the salt beds in the Paradox Formation. The porous Mississippian dolomites and limestones appear to offer the potential of sustained brine flow from a large reservoir, especially where they have been faulted into contact with rich Paradox salt beds."

The Lisbon Valley oil and gas field is located approximately 40 miles southeast of Moab, Utah in the salt anticline belt on the southwest edge of the Paradox Basin in San Juan county. The oilfield was first discovered by Pure Oil Company in 1960. The Lisbon field produces oil and gas from the southwest flank of a faulted anticlinal trap in the Devonian sandstones and Mississippian limestones (Segal et al., 1986).

The Paradox Basin covers large parts of San Juan, Garfield, Wayne, Emery, and Grand Counties in southeastern Utah. The Basin was a structural and depositional trough associated with the Pennsylvanian-age Ancestral Rocky Mountains. The subsiding basin developed a shallow-water carbonate shelf that locally contained carbonate buildups along its south and southwest margins.

The region is home to the former Rio Algom uranium mill facility, an active copper mine operated by Lisbon Valley Mining Company, and a natural gas processing plant located in the city of Lisbon, Utah.

The Company has entered into a number of discussions with parties who have had extensive experience with, or whose main operating business includes the separation of metals and physical particulate from water, recycled water and oil and gas waste water. The company hopes to conclude an agreement to test these processes and methods for commercial scale application.

***Paradox Basin***

The Company has completed a LOI with American Potash Corp., ("AMP") regarding a joint venture agreement to explore and develop lithium brines totaling 13,520 acres of prime ground.

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According to the terms agreed to by both parties under the LOI, Power Metals can earn up to 65% of all AMP lithium holdings in Utah by completing the following:

1. Fund and complete two exploration wells targeting lithium brine occurrences beneath AMP's US Federal lithium claims and/or their Utah state lithium leases. The drill rig must be mobilized and be on-site for first well within 6-months of Definitive Agreement signing date and second well within 1 year of Definitive Agreement signing date.
2. Deliver to AMP a cash deposit of CDN\$250,000 within 90 days of the Definitive Agreement signing date.
3. Issue 1,000,000 common shares of PWM to AMP. Shares will be issued according to the following schedule; one-third 180 days after the Definitive Agreement date, one-third after 270 days of the Definitive Agreement date, one-third on the first anniversary of the Definitive Agreement date.

A Definitive Agreement based on the terms defined in the LOI will be signed within fourteen business days of the LOI date.

AMP's US Federal lithium claims and Utah state lithium leases cover known brine-hosting clastic stratigraphy in the Paradox Formation.

Significant lithium concentrations ranging up to 1700 ppm have been measured in brines produced 10 miles south of the AMP claim block. These occur from the same brine-hosting stratigraphy as the Federal 1-26 located on AMP's claim block.

Johnathan More, CEO of Power Metals noted "We are pleased to partner with American Potash on this exciting petro-lithium project in the Paradox basin. We benefit from their early mover advantage having been in the Paradox basin for nearly a decade.

We now have a commanding land position - one of the largest in the Basin - and believe that the key ground that our partner secured years before the recent staking rush puts Power in a prime position to target the potential highest concentration areas for lithium brines, given historical results within the land package and adjoining it.

Comparison of gamma and neutron logs from three historic oil and gas wells (Federal 1-26, Shell Quintana and Federal 1-27U) on American Potash's northern area of interest (AOI) with Southern Natural Gas Long Canyon No. 1 in the Big Flat-Long Canyon area, which produced a brine sample containing 500 ppm lithium, indicates identical stratigraphic sequences containing the same clastic units.

Further, well logs for Federal 1-26, located in the approximate center of American Potash's northern AOI, over pressured brine production from a 54-foot-(16.4-metre)-thick clastic break at a depth of approximately 5,892 feet to 5,946 feet below surface (1,785.5 metres to 1,801.8 metres).

American Potash geologists are confident that this brine is hosted in clastic break No. 17, which correlates with clastic break No. 17 in Pure Oil No. 1 in the Long Canyon area from which a brine sample returned 134 ppm lithium and 25,500 ppm potassium.

The two clastic break horizons that have produced the majority of the significantly lithium enriched brine samples in the Big Flat and Long Canyon areas are clastic break No. 31 and clastic break No. 43 (the Kane Creek Marker). They are reported as occurring at depths of approximately 6,750 feet (2,045.5 metres) and 7,800 feet (2,363.6 metres), respectively, in the American Potash AOI.

The Joint Venture enjoys a distinct advantage over competitors in the Paradox basin because of its exclusive holding of Utah state lithium leases and its large U.S. federal potash permit applications in the northwest part of the Paradox basin.

The state leases allow for exploration, development and production of both lithium and potassium from brines or via solution mining of potassium as potash and represent the shortest path to drill permit approval.

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Further, the federal potash AOI is one of only three defined for the Paradox basin according to the new, soon-to-be-implemented BLM-administered mineral leasing plan (MLP), and includes an officially defined area for building potassium and/or lithium recovery plants (for example, solar evaporation ponds and flotation plants).

***Drumheller and Peace River***

The Company entered an agreement to acquire new lithium brine claim areas totaling 42,000 acres of prime ground in the Drumheller and Peace River areas.

As consideration, the Company must issue 650,000 shares, following Exchange approval.

At Drumheller the surface bedrock geology of the Property is comprised entirely of the Horseshoe Canyon Formation.

The target for lithium brines on the Property are the Winterburn Carbonates (the "Target"). Lithium values for the Target were noted in three old wells. Of potential interest is an apparent thickening of the Target towards the southeast on the Property as per old well data.

To view the table and image, please visit: <http://media3.marketwire.com/docs/1087895a.pdf>

At Peace River, a total of three (3) old wells drilled on the Property have values for lithium brines (mg/L) according to data available from the Alberta Energy Regulator ("AER"). Also according to the AER two of these have been abandoned. These old wells show potential for Triassic and Carboniferous aged carbonate formations to host lithium brines. Two wells in particular have two distinct carbonate horizons bearing lithium in brines. Also of note is the Viking Formation, much younger in strata which is a clastic and exhibits a low amount of lithium.

To view the table and image, please visit: <http://media3.marketwire.com/docs/1087895b.pdf>

***Paterson Lake Property***

On April 20, 2017, the Company announced the acquisition of new prospective lithium asset in Canada.

The Paterson Lake Property is located 75 km north of Kenora, northwestern Ontario in Paterson Lake. The Property is composed of 64 mining claims totaling 1198 ha and is approximately 15 km by 5 km in size.

The project is proximal to Avalon's Big Whopper pegmatite which is located about 3 km west of the western claim block and has a resource of 11.6 million tonnes at 1.34% Li<sub>2</sub>O, 0.30% Rb<sub>2</sub>O and 0.007% Ta<sub>2</sub>O<sub>5</sub>. This resource has a strike length of 600m to a maximum vertical depth of 250m and the lithium grades are consistent with a petalite content averaging about 25%.

Highlights include:

- Over 50 exposures of pegmatite have been identified on the property.
- Twenty-nine drill holes intersected over 775m of pegmatite but only 12% was assayed for lithium.
- Both spodumene and petalite have been identified and are white in colour indicative of high quality lithium mineralization.
- The known petalite pegmatites on Exiro's property define three parallel 70 degree trends which have not been fully explored.
- The Draven's Pegmatite, located immediately outside Exiro's northern property boundary intersected 1.82% Li<sub>2</sub>O over 0.85m.
- Ten historical lithogeochemistry anomalies have been identified on the property where two anomalies were drill tested and pegmatite was intersected. The majority of these anomalies have not been drill tested.
- Six historical enzyme leach anomalies were identified that overlap with the lithogeochemistry anomalies providing further evidence of buried pegmatites. One of the enzyme leach anomalies was drill tested successfully

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intersecting the White Turtle Pegmatite Swarm and the J-Series Pegmatites at depth. The remaining five anomalies have not been drill tested.

On April 24, 2017, the Company announced the upcoming drill and work programs.

The Paterson Lake Property is located 75 km north of Kenora, northwestern Ontario. The Paterson Lake Property is located within the Separation Lake Greenstone Belt which hosts the Separation Rapids Pegmatite Field. The Separation Rapids Pegmatite Field is known to contain numerous petalite pegmatites including the Big Whopper, Big Mack and Marko's pegmatites.

Power Metals summer 2017 exploration program on the Paterson Lake Property will consist of geological mapping, trenching and channel sampling to investigate the approximately 50 pegmatite exposures on the Property and the westerly extension of the Marko's pegmatite onto Power Metals Property. The geological mapping will also follow the three parallel 70° trends of known petalite pegmatite dykes in search of additional dykes. The geological mapping will be followed by 800 m of drilling for approximately 8 drill holes on selected overlapping ten lithogeochemistry and six enzyme leach soil anomalies historically identified but barely explored.

### ***Gullwing - Tot Lake Property***

On April 20, 2017, the Company announced the acquisition of new prospective lithium asset in Canada.

The Gullwing - Tot Lake Property is located 30 km northeast of Dryden, northwestern Ontario in Webb township. The Property is composed of 76 mining claims totaling 1216 ha and is approximately 17 km by 1.5 km in size.

The Gullwing - Tot Lake pegmatites are located 13 km north east of International Lithium Corp's Mavis Lake - Fairservice pegmatites. International Lithium's partner Pioneer Resource Limited completed 12 drill holes totaling 1,305 m on March 2, 2017 on the Mavis Lake Property with drill highlights of 1.47 % Li<sub>2</sub>O over 17.9 m and 1.70 % Li<sub>2</sub>O over 26.3 m (International Lithium, press release dated April 11, 2017).

Highlights include:

- The Gullwing-Tot Pegmatite group, also known as the Lateral Lake Stock, has been identified as a east-northeast trending cluster of pegmatites extending 15km in length with a width ranging between 0.8 and 2.2 km. This pegmatite field remains largely unexplored for rare metals and practically unexplored for lithium.
- The Sleeping Giant pegmatite at Gullwing Lake contains rubidium and cesium with a drill hole intersection of 36.3m grading 0.135% Rb.
- The Tot Lake Pegmatite was drill tested intersecting up to 5.3m of pale yellow, green and pink spodumene but none of the spodumene bearing intersections were assayed for lithium.
- Dyke chip samples collected across two 9m long trenches on the Tot Lake Pegmatite contained an average grade of 1.0% Li<sub>2</sub>O.
- More recent grab sampling confirmed a high degree of fractionation of the Tot Lake pegmatite with the presence of large pink spodumene crystals, pollucite and manganotantalite.

The Company can earn from the vendor a 100% interest in the Separation Lake and Gullwing-Tot properties upon the completion of the following:

- i) pay an aggregate of \$200,000 all over a two year period;
- ii) issue \$300,000 worth of the Company's stock all over a two year period;
- iii) incur \$300,000 of work on the properties all over a two year period; and
- iv) pay \$450,000 (in cash or shares at the Company's election) upon a feasibility study being completed on a property.

In addition, Exiro will be entitled to a 0.5% NSR royalty on all production from the Properties.

On April 24, 2017, the Company announced the upcoming drill and work programs.

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The Gullwing – Tot Lake Property is located 30 km northeast of Dryden, northwestern Ontario. The Property consists of multiple pegmatite dykes including: Gullwing Lake spodumene pegmatite swarm, Tot Lake spodumene pegmatite, Coates beryl-molybdenite pegmatite hosted by the Wabigoon Greenstone Belt and about 15 Rb-Cs pegmatite exposures hosted by granite located in the Drope township area. The Gullwing Lake pegmatite swarm consists of a cluster of over 20 spodumene pegmatites identified in outcrop along the southeastern shore of Gullwing Lake. The largest pegmatite in the swarm is the Sleeping Giant Pegmatite is at least 415 m long. Tot Lake pegmatite is a spodumene-subtype pegmatite which is almost 50 m long. Tot Lake pegmatite is one of the few pollucite occurrences in Ontario indicating a very high degree of fractionation.

Power Metals summer 2017 exploration program on the Gullwing – Tot Lake Property will consist of geological mapping, trenching and channel sampling to investigate the multiple pegmatite dykes on the Property. The geological mapping will also explore the possibility of additional pegmatites being found over the 5 km between the Gullwing Lake pegmatite swarm and the highly-fractionated Tot Lake pegmatite. The geological mapping will be followed by 1,000 m of drilling for approximately 8 drill holes on selected exploration targets.

### **Liquidity and Going Concern**

The Company has financed its operations to date primarily through the issuance of common stock. The Company continues to seek capital through various means including the issuance of equity.

The financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As at May 31, 2017, the Company had an accumulated deficit of \$21,376,489 (November 30, 2016 - \$19,589,263). In addition, the Company has not generated revenues from operations. These circumstances lend substantial doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Although the financial statements have been prepared using IFRS applicable to a going concern, the above noted conditions raise significant doubt regarding the Company's ability to continue as a going concern.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The Company has a working capital deficiency of \$830,848 at May 31, 2017 compared to working capital deficiency of \$1,266,550 at November 30, 2016.

Net cash used in operating activities for the period ended May 31, 2017 was \$685,632 compared to \$148,715 for the period ended May 31, 2016 and consists primarily of the operating loss adjusted for changes in non-cash working capital items (see "Results of Operations" for information on operating loss differences for both periods).

Net cash used in investing activities for the period ended May 31, 2017 was \$578,133 compared to \$453,000 for the period ended May 31, 2016 due to acquisitions of exploration properties in the current period.

Net cash provided by financing activities for the period ended May 31, 2017 was \$1,690,620 compared to \$657,000 for the period ended May 31, 2016, as a result of proceeds of \$685,000 from a private placement less \$18,171 in share issuance cost, \$731,492 from warrants exercised and \$292,300 from options exercised.

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**Commitment**

In connection with the issuance of flow-through common shares in July 2015, the Company has a commitment to incur \$250,000 of qualifying flow-through expenditures. As at May 31, 2017, the Company has completed this flow-through commitment.

In connection with the issuance of flow-through common shares in December 2015, the Company has a commitment to incur \$225,000 of qualifying flow-through expenditures. As at May 31, 2017, the Company had a remaining flow-through commitment of \$27,179.

The following is a continuity schedule of the deferred premium on flow-through shares issuance:

Balance at November 30, 2015	\$ 26,042
Initial recognition of deferred premium on flow-through shares	37,500
Settlement of flow-through share liability on incurring expenditures	<u>(32,492)</u>
Balance at November 30, 2016	31,050
Settlement of flow-through share liability on incurring expenditures	<u>(26,126)</u>
Balance at May 31, 2017	<u>\$ 4,924</u>

**Capital Resources**

During the period from December 1, 2016 to July 31, 2017, the Company:

- i) closed a private placement financing of 13,333,333 units at a price of \$0.075 per unit raising total proceeds of \$1,000,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share at \$0.15 per share, for a period of two years. In connection with the private placement, the Company paid cash of \$18,172, granted 10,640 share purchase warrants, and issued 96,827 units as share issuance costs.
- ii) granted stock options of 4,000,000 to officers, directors, employees, and consultants of the Company. The options are exercisable at a price of \$0.23 per share, expiring on January 16, 2022.
- iii) granted stock options of 200,000 to officers, directors, employees, and consultants of the Company. The options are exercisable at a price of \$0.48 per share, expiring on February 20, 2022.
- iv) Issued 1,160,000 shares pursuant to the exercise of options for gross proceeds of \$266,800.
- v) issued 4,646,334 shares pursuant to the exercise of warrants for a gross proceeds of \$760,367.
- vi) issued 5,000,000 shares to acquire lithium brine permit portfolios in Alberta, Canada.
- vii) issued 3,500,000 shares with a total fair value of \$1,120,000 for the acquisition of the Coyote Project.
- viii) granted stock options of 100,000 to a consultant of the Company. The options are exercisable at a price of \$0.33 per share, expiring on March 12, 2022.
- ix) issued 1,000,000 shares with a total fair value of \$300,000 pursuant to the letter of intent with American Potash Corp. ("AMP") regarding a joint venture agreement to explore and develop lithium brines.
- x) issued 650,000 shares with a total fair value of \$195,000 for the acquisition of the Drumheller Property and Peace River Properties.



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- xi) issued 22,500 shares pursuant to exercise of warrants for proceeds of \$3,375.
- xii) completed a private placement financing of 1,166,666 units at a price of \$0.30 per unit raising total proceeds of \$350,000. Each unit is comprised of one flow-through common share and one-half warrant. Each whole warrant is exercisable into one common non flow-through share at \$0.40 per share, expiring on July 7, 2019. In connection with the private placement, the Company paid \$28,000 of share issuance cost.
- xiii) granted 3,000,000 stock options to officers, directors, and consultants at \$0.28 for a period of five years.

### **Results of Operations**

During the six month period ended May 31, 2017, the Company recorded a loss and comprehensive loss of \$1,787,226 (2016 - \$316,740). The increase in loss is primarily as a result of stock-based compensation and marketing, promotion, and communication of in the current period.

Other significant expenses during the six month period ended May 31, 2017 include the following:

- Investor relations of \$45,752 (2016 - \$Nil) increased due to higher marketing costs and activity in the current period.
- Management fee of \$Nil (2016 - \$90,000) decreased due to voluntary reduction in management fees by the CEO and CFO.
- Office expenses of \$51,653 (2016 - \$21,236) increased mainly due to an increase in general administrative costs and rent during the current period.
- Marketing, promotion and communication of \$522,862 (2016 - \$Nil) increased due to increased communication and marketing efforts to raise investor awareness during the current period.
- Stock-based compensation of \$920,828 (2016 - \$90,000) increased due to stock options granted in the current period.

During the three month period ended May 31, 2017, the Company recorded a loss and comprehensive loss of \$657,975 (2016 - \$244,961). The increase in loss is primarily as a result of stock-based compensation and marketing, promotion, and communication of \$435,241 in the current period.

Other significant expenses during the three month period ended May 31, 2017 include the following:

- Investor relations of \$10,509 (2016 - \$Nil) increased due to higher marketing costs and activity in the current period.
- Management fee of \$Nil (2016 - \$45,000) decreased due to voluntary reduction in management fees by the CEO and CFO.
- Marketing, promotion and communication of \$334,458 (2016 - \$Nil) increased due increased communication and marketing efforts to raise investor awareness during the current period.

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**Selected Quarterly Information**

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Company's audited financial statements. All dollar amounts are in Canadian dollars.

	Exploration and evaluations assets	Interest Income	Earnings/ (Loss)	Basic and Diluted Loss/Share
May 31, 2017	\$ 5,417,453	\$ -	\$ (657,975)	\$ (0.01)
February 28, 2017	\$ 3,639,521	\$ -	\$ (1,094,480)	\$ (0.02)
November 30, 2016	\$ 1,632,132	\$ -	\$ (5,890,657)	\$ (0.20)
August 31, 2016	\$ 5,695,398	\$ -	\$ (71,207)	\$ (0.00)
May 31, 2016	\$ 5,609,879	\$ -	\$ (244,961)	\$ (0.00)
February 29, 2016	\$ 4,756,879	\$ -	\$ (71,779)	\$ (0.00)
November 30, 2015	\$ 4,750,773	\$ -	\$ (705,997)	\$ (0.03)
August 31, 2015	\$ 5,165,763	\$ -	\$ (774,609)	\$ (0.03)
May 31, 2015	\$ 5,822,763	\$ -	\$ (104,054)	\$ (0.00)

During the three month period ended November 30, 2016, the Company incurred a loss of \$5,890,657 which was primarily attributable to the Company abandoning option agreements and writing down the following exploration and evaluation assets Upper Maybelle River Property of \$406,106 and Triple M Uranium Property of \$5,383,992.

During the three month period ended November 30, 2015, the Company incurred a loss of \$705,997 which was primarily attributable to the write-down of Key Lake Property of \$600,063, consulting fees of \$17,802, and professional fees of \$14,000.

**Financial Instruments and Risk**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly;  
and
- Level 3 – Inputs that are not based on observable market data.

The Company's primary financial instruments are classified as follows:

<u>Financial instruments</u>	<u>Classifications</u>
Cash	Loans and receivables
Receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Loans payable	Other financial liabilities

The fair value of these assets and liabilities approximates their respective carrying amounts due to their short term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

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*Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. As at May 31, 2017, the Company had GST receivable of \$28,184 (November 30, 2016 – \$12,480) from government authorities in Canada. The Company believes it has no significant credit risk.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2017, the Company had a cash balance of \$434,476 (November 30, 2016 – \$7,621) to settle current liabilities of \$1,293,508 (November 30, 2016 – \$1,286,651). The Company will require financing from lenders, shareholders and other investors to generate sufficient capital its meet its short term business requirements. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and interest-bearing debt. The Company is satisfied with the credit ratings of its banks. As of May 31, 2017, the Company did not hold any investments. The Company believes it has no significant interest rate risk.

(b) Foreign currency risk

As at May 31, 2017, the Company has a minimal balance of cash in US dollar and does not believe that the foreign currency risk related to the balance is significant.

(c) Price risk

The Company has no contractual commodity price risk. The recoverability of the Company's deferred exploration costs is indirectly related to the market price of precious and base metals. The Company's ability to continue with its exploration program is also indirectly subject to commodity prices. Commodity price risk is significant to the Company. Much of this is out of the control of management and will be dealt with based on circumstances at any given time.

**Related Party Balances and Transactions**

Transactions with related parties and key management personnel are as follows:

	Nature of transactions	Six Months Ended, May 31, 2017	Six Months Ended, May 31, 2016
<b>Key management personnel:</b>			
CEO and Director	Management	\$ -	\$ 60,000
A company controlled by CFO and Director	Management	-	30,000
A company controlled by VP Exploration and development	Geological and field costs <sup>i)</sup>	8,000	-
Total		\$ 8,000	\$ 90,000
<b>Other related parties:</b>			
A firm of which the CFO and Director is a partner	Professional	\$ 16,000	\$ 37,700

i) Capitalized in exploration and evaluation assets.

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The amounts due to other related parties and key management personnel included in accounts payable and accrued liabilities are as follows:

	May 31, 2017	November 30, 2016
Due to a firm of which the CFO and Director is a partner	\$ 93,663	\$ 182,663
Due to the CEO and Director	23,361	33,361
Due to a company controlled by the CFO and Director	51,276	55,423
Due to a company controlled by VP Exploration and Development	233,603	225,203
Due to a Director and Chairman	13,125	13,125
	\$ 415,028	\$ 509,775

During the year ended November 30, 2016, the Company entered into a purchase and sale agreement for the Upper Maybelle River Uranium Property with two vendors, one of which was the VP Exploration and Development. The Company issued 2,000,000 common shares with a market value of \$200,000, which represents 50% of the purchase price, to the VP Exploration and Development.

### **Off-Balance Sheet Arrangements**

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing or hedging services with the Company.

### **Capital Management**

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie. share capital, reserves and deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements.

No changes were made to capital management during the period ended May 31, 2017.

### **New Or Revised Standards And Amendments To Existing Standards Not Yet Effective**

Please refer to the unaudited financial statements for the period ended May 31, 2017 on [www.sedar.com](http://www.sedar.com).

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**Outstanding Share Data**

As at July 31, 2017, the Company had the following securities issued and outstanding:

	Number	Exercise Price	Expiry Date
Common Shares	<u>77,938,356</u>		
Warrants	7,103,334	\$0.15	December 20, 2018
	3,090,332	\$0.15	January 3, 2019
	104,967	\$0.15	January 3, 2019
	<u>583,333</u>	\$0.40	July 7, 2019
	<u>10,881,966</u>		
Options	556,663	\$0.60	July 21, 2018
	366,665	\$0.51	January 7, 2019
	165,023	\$0.51	March 12, 2019
	101,664	\$0.48	May 1, 2019
	50,000	\$0.36	October 28, 2019
	2,840,000	\$0.23	January 16, 2022
	200,000	\$0.48	February 20, 2022
	100,000	\$0.33	March 12, 2022
	<u>3,000,000</u>	\$0.28	July 17, 2022
	<u>7,380,015</u>		
<b>Total diluted at July 31, 2017</b>	<b><u>96,200,337</u></b>		

**Lithium Oilfield Brine Advisory Board**

On February 1, 2017, The Company announced the appointment of Dennis J. Martin to the Advisory Board of the Company.

Dennis J. Martin was employed by Gulf Canada for 18 years and in his most recent position was head of Strategic Planning for Gulf and its 72% owned subsidiary, Gulf Indonesia Resources. At Gulf Canada, Mr. Martin was involved in the planning and marketing of approximately \$6 Billion in public debt and equity offerings with the Company. He has extensive IPO experience and was directly involved in two highly visible and successful IPOs, Athabasca Oil Sands Trust (predecessor to Canadian Oil Sands Trust) and Gulf Indonesia Resources Ltd.

Mr. Martin also has extensive real estate experience, including Senior Vice President roles in Financial Planning and Analysis with two public REITs (Apartment Investment and Management Co, and HCP, Inc.). In his most recent leadership roles, Mr. Martin was CFO of two private, equity-sponsored companies that successfully liquidated in private market transactions (American Residential Communities and Carefree Communities).

Mr. Martin is currently an independent director TIER REIT, Inc., a self-managed, Dallas-based public office REIT (NYSE:TIER) and an Independent Director of Petro Motion, Inc., a private Canadian company engaged in the development of new materials and processes to improve the efficiency of companies working in the heavy oil production sector.

Mr. Martin is a citizen of both Canada and the USA and holds a B.A. in economics and an MBA from the University of British Columbia.

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Johnathan More, CEO of the Company noted "We are very pleased to welcome Mr. Martin as the first addition to our Advisory Board to which we intend to appoint experts in lithium brine production, extraction technologies, and conventional as well as unconventional oil and gas executives.

The Company believes that the magnitude of the opportunity at our South Leduc brine project area could have industry altering implications, if commercialized. We believe that the right team of experts across all relevant segments of lithium, technology and oil and gas will significantly aid us in moving that process forward along a condensed timeline and at a reduced cost, while markedly elevating the change of commercial success.

We also believe that the group of individuals that the Company is bringing together will help to form the basis for partnerships at all levels of this process that will inevitably lead us forward creating shareholder value."

### **Intention to Spin-Out its Hard-Rock Lithium Assets**

The market's attention to our attractive and exciting petrolithium brine asset portfolio, we feel has left our hard rock assets overshadowed and overlooked in terms of the value that they represent to the company.

With the creation of Hard Rock PWM, to include Case Lake, Larder River and an advanced stage asset currently in the final phase of negotiation, shareholders should benefit from each of our asset classes receiving full value from the market. Our stellar results to date at Case Lake have led us to expand the property package significantly to an area now representing dimensions of 9.5km by 9km. The Company will be embarking on an aggressive drill program at Case Lake this summer to follow up on previous high grade results and several kilometres in combined strike length across the identified pegmatites.

The Company is striving to ensure that each asset held by our shareholders is given the opportunity to be assigned maximum value by the market based on what they are worth today and given their near-term and long-term potential."

On April 20, 2017, the Company announced that it intended to Spin-Out its Hard Rock Lithium Assets and form a new public company. Power Metals intends to call the new company Power Lithium Corp. and has decided to list it on the Canadian Securities Exchange ("CSE"). The Company has begun the process of completing the Spin-Out through a Plan of Arrangement. This Spin-Out is intended to provide efficiencies in the new company by focusing on a targeted type of exploration which will maximize shareholder value of all the company's assets. Each shareholder of Power Metals Corp. will receive a new share of Power Lithium Corp. on a one for one basis. Power Lithium Corp. will hold the Case Lake and Larder River mineral property interests as well as the two newly optioned properties, Paterson Lake and Gullwing – Tot Lake. The Company will make further comments to the timing of the Spin-Out along with dates and specifics in the near future as all the filings are made. The Spin-Out and listing on the CSE will be subject to approval of the Power Metals shareholders, the B.C. Supreme Court, the TSX Venture Exchange and the CSE.

### **Addition of Project Manager**

The Company is pleased to appoint Mr. Ron Bourgeois as Project Manager covering its asset base in Alberta and Utah. Mr. Bourgeois has over thirty years of experience in executive management, particularly in the oil and gas industry. He has held numerous and varying management and public company positions with extensive experience in the development and financing of major oil and gas resources and infrastructure assets around the world. Specifically, Mr. Bourgeois has significant experience in developing commercial solutions in the extractive industries to liberate major resource bases, recently including the Palo Duro Basin, Texas, where Mr. Bourgeois worked closely on fracking and other solutions. Mr. Bourgeois holds a B. Comm. (Hons.) from the University of Manitoba and he has been a chartered accountant since 1976.

In connection with the appointment, the Company granted 100,000 options at \$0.48 per share.

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### **New CEO and Director**

The Company is pleased to appoint Mr. Brent Butler as CEO and Director of the Company. The Company's current CEO, Johnathan More will be moved to Chairman of the Board.

Brent Butler is a geologist who brings over 30 years of international industry experience in exploration, resource modeling and mining. He actively engages in property acquisitions, development and divestment and has been involved in several mine developments. Mr. Butler has served on several Boards of Directors of listed companies including roles at Kinross Gold Corporation for 8 years in Canada, USA, Brazil, Chile and Africa. He currently serves as a Director of TSXlisted Millennial Lithium Corp (ML). Mr. Butler holds a Bachelor of Science degree from Otago University in Dunedin, New Zealand (1983) and is registered as a Fellow of Australasian and Metallurgy (Auslmm), member of the Prospectors and Developers Association of Canada, Fellow Member of the Society of Economic Geology USA and member of the Geological Society of London (FGS) since 2011.

### **Strategic Partner for Optimal Lithium Recovery Technology**

On April 10, 2017, the Company announced the engagement of Thibault and Associates Inc (“Thibault”), of Fredericton, New Brunswick, whereby Thibault will provide an independent review of processing options for development of both the Case Lake Project and the Company’s various Petro-Lithium projects both in Canada and the USA. Once a technology is formulated which is of specific benefit to each project, this technology will be developed for Power Metals as “sole rights” to the Company. This approach provides Power Metals with the best available technology relative to the feedstock and production strategy to comply with end user requirements.

The Company is in discussion on a development concept that would be based on a Central Lithium Chemical Refinery (CLCR) capable of processing feedstock from hard rock operations (like Case Lake and Larder River projects), intermediate product from petro-lithium brine (from various sources) and battery recycle (battery guts from a recycler not involved in processing in order to obtain added revenue from 5N grade cobalt and or 4N grade manganese for battery use).

### **Power Metals to Commence Aggressive Drill Program**

On April 24, 2017, the Company announced upcoming drill and work programs for the Company’s hard rock lithium properties. The Company’s summer 2017 exploration program targets three of the Company’s properties; Case Lake Property, Paterson Lake Property, and the Gullwing-Tot Lake Property. The Case Lake Property will consist of ~5000m of drilling of approximately 50 drill holes. Case Lake spodumene pegmatite swarm is located 80 km east of Cochrane, northeastern Ontario. Case pegmatite swarm consists of five dykes exposed on surface: North, Main, South and Northeast Dyke. North, Main and Northeast Dykes contain spodumene. North Dyke has >100m strike length, Main Dyke has >350m strike length and the Northeast Dyke has >75m strike length. The summer 2017 exploration program will target the North and Main Dykes to define the pegmatite and lithium mineralization and to extend the dykes to the east and west along strike and down dip. The Company has an Exploration Plan on the Case Lake Property approved by MNDM and has submitted an Exploration Permit application with MNDM for the Case Lake drill program. The summer 2017 exploration program for Paterson Lake Property will consist of geological mapping, trenching and channel sampling to investigate the approximately 50 pegmatite exposures on the Property and the westerly extension of the Marko’s pegmatite onto Power Metals Property. The geological mapping will also follow the three parallel 70° trends of known petalite pegmatite dykes in search of additional dykes. The geological mapping will be followed by 800m of drilling for approximately 8 drill holes on selected overlapping ten litho geochemistry and six enzyme leach soil anomalies historically identified, but barely explored. The Paterson Lake Property is located 75 km north of Kenora, northwestern Ontario. The Paterson Lake Property is located within the Separation Lake Greenstone Belt which hosts the Separation Rapids Pegmatite Field. The Separation Rapids Pegmatite Field is known to contain numerous petalite pegmatites including the Big Whopper, Big Mack and Marko’s pegmatites. Lastly, the summer 2017 exploration program on the Gullwing-Tot Property will consist of

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geological mapping, trenching and channel sampling to investigate the multiple pegmatite dykes on the Property. The geological mapping will also explore the possibility of additional pegmatites being found over the 5 km between the Gullwing Lake pegmatite swarm and the highly-fractionated Tot Lake pegmatite. The geological mapping will be followed by 1,000 m of drilling for approximately 8 drill holes on selected exploration targets. The Gullwing – Tot Lake Property is located 30 km northeast of Dryden, northwestern Ontario. The Property consists of multiple pegmatite dykes including: Gullwing Lake spodumene pegmatite swarm, Tot Lake spodumene pegmatite, Coates beryl-molybdenite pegmatite hosted by the Wabigoon Greenstone Belt and about 15 Rb-Cs pegmatite exposures hosted by granite located in the Drope township area. The Gullwing Lake pegmatite swarm consists of a cluster of over 20 spodumene pegmatites identified in outcrop along the southeastern shore of Gullwing Lake. The largest pegmatite in the swarm is the Sleeping Giant Pegmatite is at least 415 m long. Tot Lake pegmatite is a spodumene-subtype pegmatite which is almost 50 m long. Tot Lake pegmatite is one of the few pollucite occurrences in Ontario indicating a very high degree of fractionation.