POTASH DRAGON INC.

THE GOLDWATER PROJECT

BRINGING A SIGNIFICANT NEW GROUNDWATER DISCOVERY IN N CHILE TO FRUITION

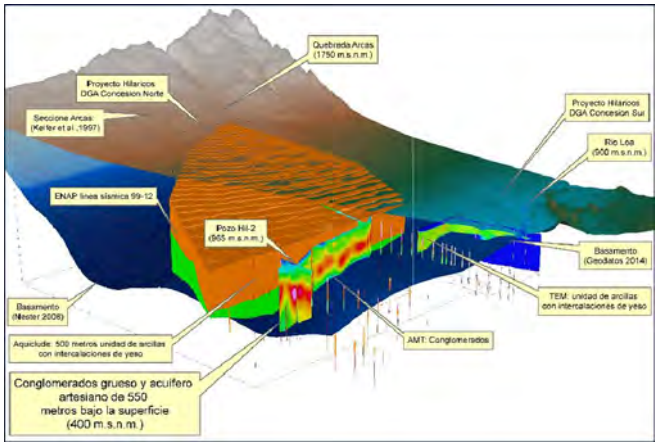
November 2016

PROJECT UPDATE, JUNE 2016

INVESTMENT HIGHLIGHTS

- ✓ New update on February 2016 Information Memorandum and April 2016 Presentation as available at www.golddragonresources.ca
- ✓ Water buffering tests and supply study suggests that the GoldWater project could boost regional incremental copper production significantly
- ✓ Technical report completed for the successful in-house flow test conducted during March 2016
- ✓ 36 km of detailed TEM and AMT geophysics completed with results expanding the footprint of the untapped artesian aquifer within PDI's exclusive exploration concession
- ✓ Geophysics extends the limits of 200-300 meter thick ubiquitous layer of electrically conductive siltstones and clays, that act as an aquiclude
- ✓ Assumptions of the aquiclude abutment with the impermeable basement now confirmed by the continuity between geophysics and drill holes
- ✓ 3D Block Model of aquifer host formation completed
- ✓ Based on geophysics results and borehole porosity estimates, the reservoir volume is estimated to contain 282 km³ of exploitable water with a useful life of 358 years at 1000 L/s, or over 100 years at 3000 L/s
- ✓ Water rights permitting process continues to advance after 26 months of progress
- ✓ Aquifer volume extraction estimates exclude the likely higher altitude recharge rates per area for the Altos de Pica formations which equate to 1000 L/s in this sub basin
- ✓ Economic model results improved substantially and staged risk management investment strategy proposed

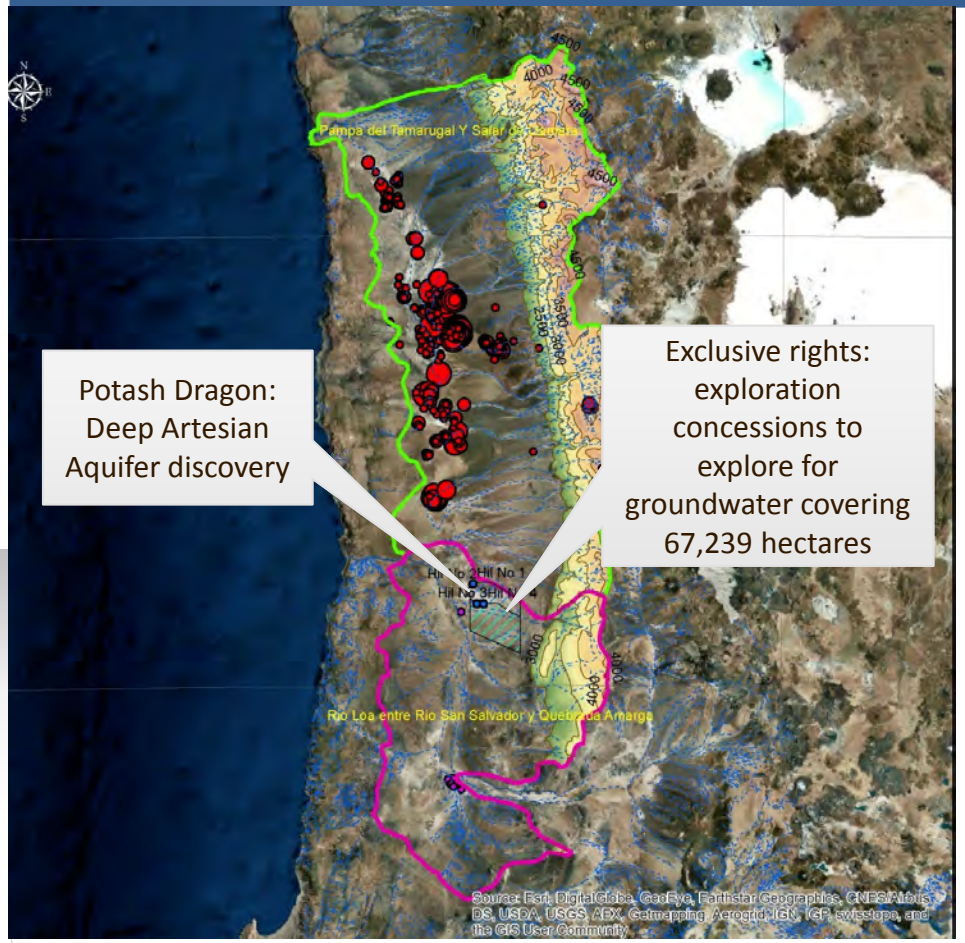
MAIDEN DEEP AMT GEOPHYSICS SURVEYS



FLOW TESTS AND REPORTS COMPLETED

OPPORTUNITY: EXCLUSIVE RIGHTS TO A NEW DISCOVERY OF GROUNDWATER

LARGE RECHARGE POTENTIAL FOR NEW UNTAPPED AQUIFER



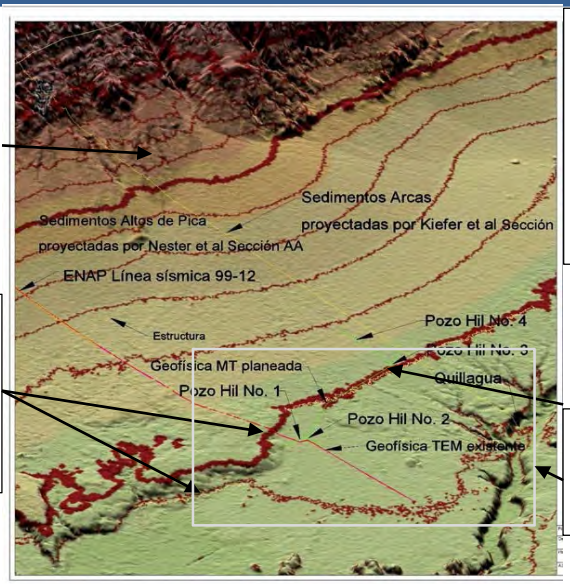
- The green outline in the map shows the extents of the Pampa del Tamarugal and Salar de Llamara basins of N Chile
- The purple outline shows the extent of the Rio Loa Sub Basin between the Rio San Salvador and Quebrada Amarga (RLSB)
- The catchment precipitation area is the colour shading shown on the map representing the relief above 2,500 m.a.s.l.
- This area of the pre-cordillera receives precipitation that feeds all the major aquifers in the Pampa de Tamarugal and Salar de Llamara
- None of this recharge precipitation is exploited in the RLSB
- Compared to the Tamarugal and Llamara basins the RLSB potential recharge of 0.47 L/s/km^2 or 960 L/s, which is not utilised at all, let alone the exploitation of the vast deep level reservoir potential as well
- Based on geophysics results, and borehole porosity estimates, the reservoir volume is estimated to contain 282 km^3 of exploitable water with a useful life of 358 years at 1000 L/s, or over 100 years at 3000 L/s.

2016 GEOPHYSICS RESULTS CONFIRM A VAST, DEEP, WELL-SEALED AQUIFER

ISOMETRIC VIEW OF PROJECT VIEWED FROM THE NW

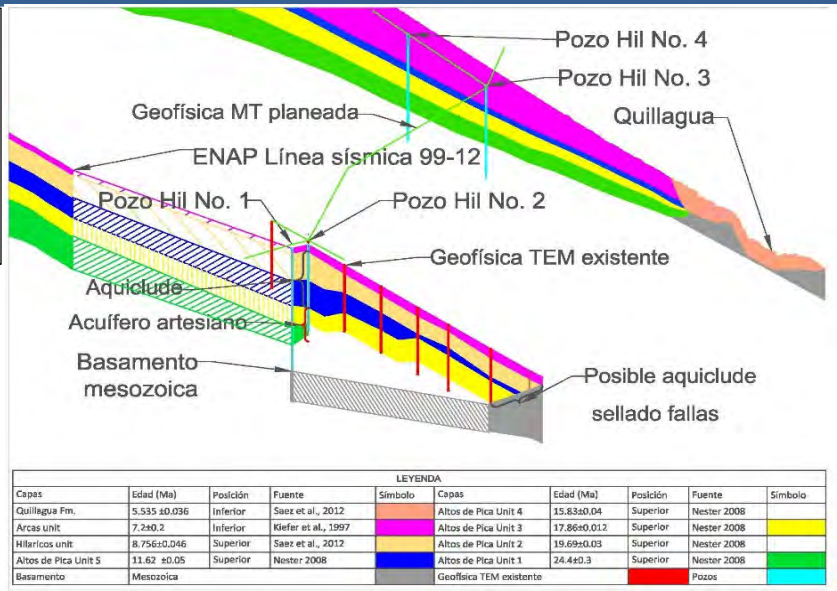
Sierra de Moreno: source of aquifer feeders into Altos de Pica conglomerates up-lifted to 2700m a.s.l.

Subsurface structural disturbances are evident in the surface geology and contours



Both drill holes and the TEM geophysics confirm a thick layer of plastic clays acting as an aquiclude for the high pressure aquifer

Window of the section view shown to the right



LEYENDA

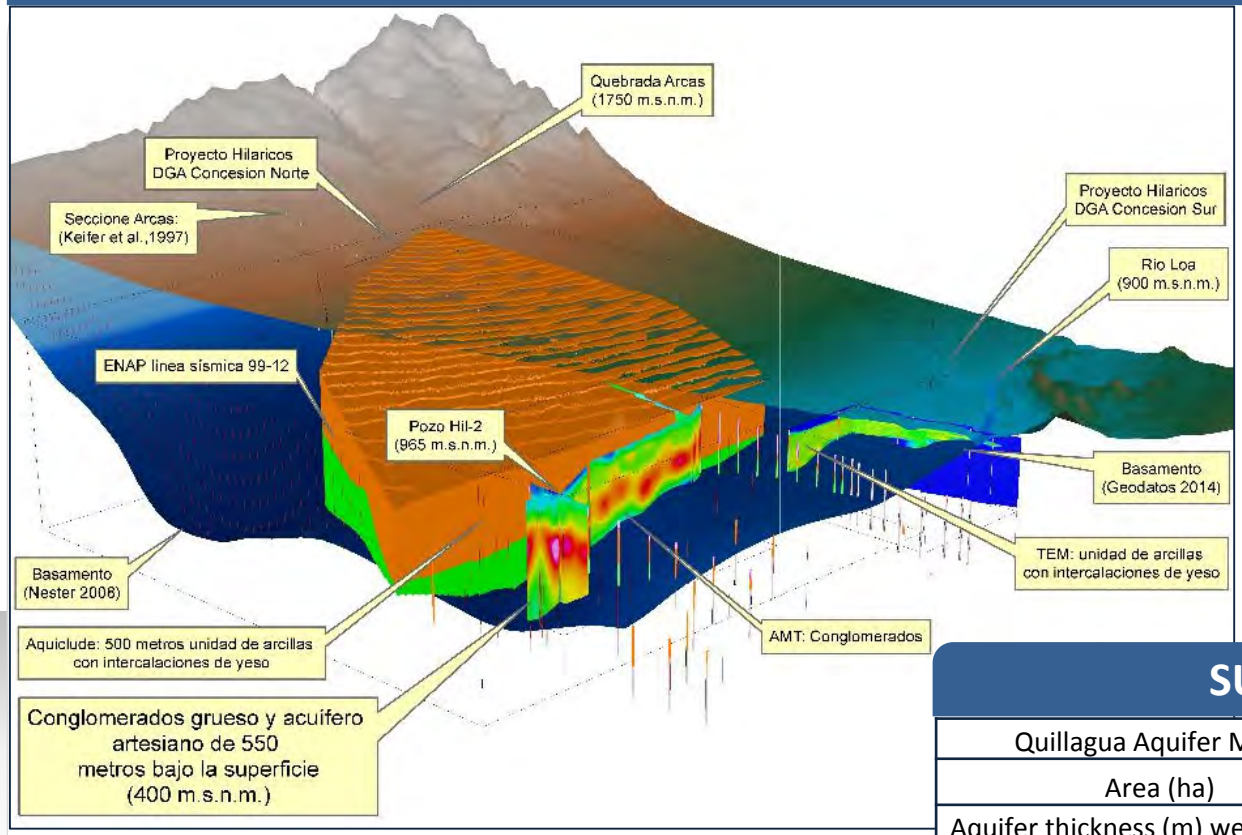
Capas	Edad (Ma)	Posición	Fuente	Símbolo	Capas	Edad (Ma)	Posición	Fuente	Símbolo
Quillagua Fm.	5.535 ±0.036	Inferior	Saez et al., 2012		Altos de Pica Unit 4	15.83±0.04	Superior	Nester 2008	
Arcas unit	7.2±0.2	Inferior	Kiefer et al., 1997		Altos de Pica Unit 3	17.86±0.012	Superior	Nester 2008	
Hilaricos unit	8.756±0.046	Superior	Saez et al., 2012		Altos de Pica Unit 2	19.69±0.03	Superior	Nester 2008	
Altos de Pica Unit 5	11.62 ±0.05	Superior	Nester 2008		Altos de Pica Unit 1	24.4±0.3	Superior	Nester 2008	
Basamento	Mesozoica				Geofísica TEM existente			Pozos	

Based on the results of relevant and extensive seismic, gravity and TEM geophysical studies done on the property, as well as results from two deep exploration boreholes it is apparent that the newly discovered Quillagua Artesian Aquifer bears a remarkable resemblance to the geology at Pica 120 km to the north of the Hilaricos project. The ages of the sediments that host the aquifers and the artesian wells at Pica are quite similar to those at Hilaricos with the key differences being driven by depth and a thick sulphate-dominant evaporite cover. The differences are:

- the Pampa del Tamarugal Mesozoic basin in the south is significantly deeper than it is at Pica to the north;
- no water exploration wells have been drilled deep enough to intersect the aquifer in the Quillagua area;
- the aquifer is warm and brackish; 39 ^{o}C and contains ~ 13,000 mg/L dissolved salts;
- aquifer is highly pressurised at intercept with a projected reservoir pressure of 5,960.0 (kPaa)
- the aquifer is sealed by a 200-300 meter thick layer of very low resistivity plastic clays and sulphate dominant evaporites
- Based on AMT geophysics and two drill holes, the water bearing conglomerates are about 400 meters thick on average

OPPORTUNITY: EXCLUSIVE RIGHTS TO A NEW DISCOVERY OF GROUNDWATER

GEOPHYSICS IDENTIFY A VAST RESERVOIR



3D view of aquifer block model derived from drilling, AMT and TEM resistivity sections. The blue surface represents the top of the impermeable basement. The green layer above the basement represents the coarse conglomerates which are host to the untapped Quillagua Artesian Aquifer.
The red/orange layer represents clays and siltstones, with intercalcations of gypsum, which act as the aquiclude.

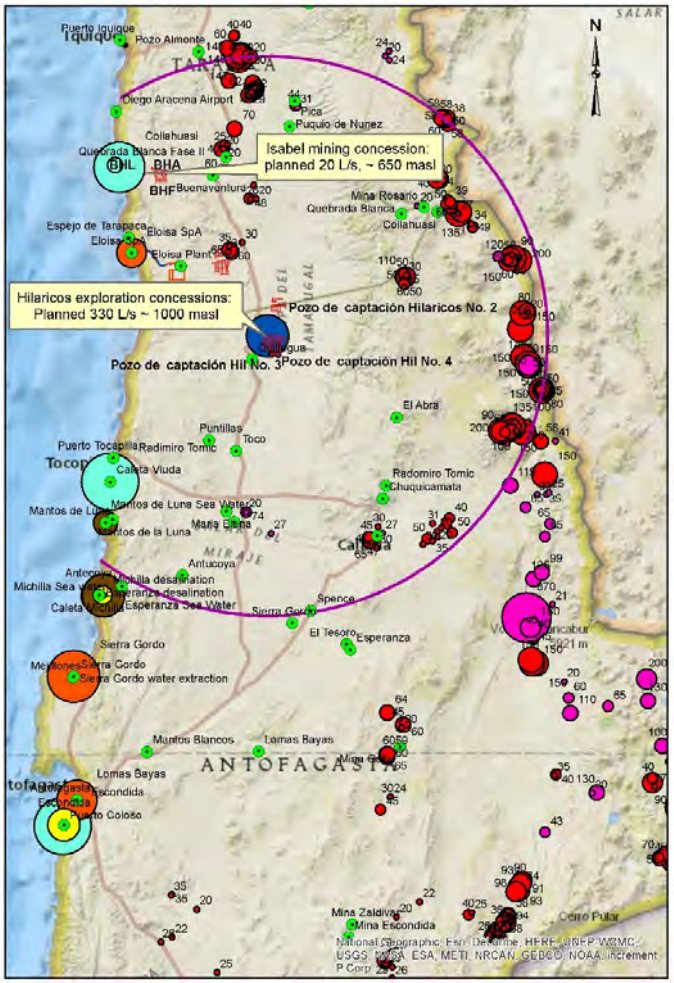
SUMMARY STATISTICS

Quillagua Aquifer Model	Block model	Upside	Total
Area (ha)	40,218	28,645	68,863
Aquifer thickness (m) weighted ave	383	447	410
Volume (km³)	154	128	282
Porosity (%)	20%	20%	20%
Recovery (%)	20%	20%	20%
Specific yield (%)	4%	4%	4%
Unconfined storage recovery (km³)	6.16	5.12	11.28
Life at 200 (L/s) zero recharge (yrs)	976	812	1,788
Life at 1000 (L/s) zero recharge (yrs)	195	162	358

Without recharge there is potential for centuries' worth of water in the artesian aquifer at an abstraction rate of 1000 L/s, which is 25% of the rate abstracted in the PdT to the north of RLSB

LOCATED AMONGST THE WORLD'S MAJOR COPPER PRODUCERS

DISCOVERY OF A LARGE ACCESSIBLE LOW-COST PROCESS WATER SUPPLY



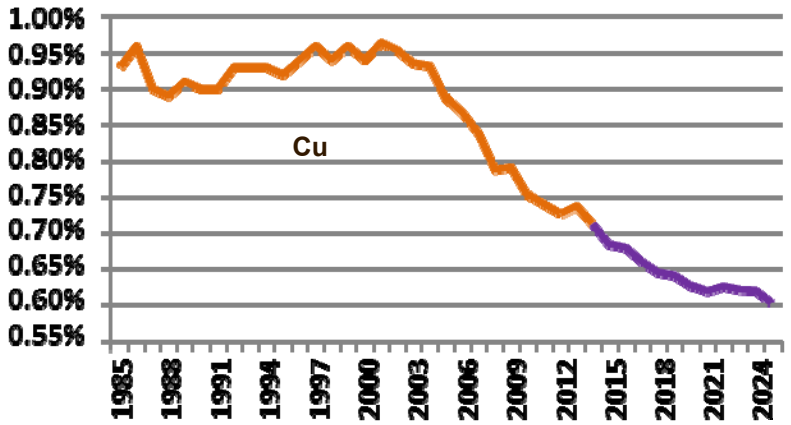
- Twenty five major mining companies operate within Regions I and II of Northern Chile
- Mining companies have 64% of all permitted aquifer use capacity
- The ability to apply for new water permits in the north of the pampa is severely constrained by very well studied and defined aquifer capacity
- New groundwater supply capacity can only be sourced from the extremely rare occurrence of new aquifer discoveries, such as the one discovered by PDI
- Mining companies implementing large water projects now use desalinated water or sea water, which negatively impacts copper and molybdenum flotation recoveries, and has very significant capital and operating cost constraints
- Sea water pumping and desalination need significant environmental mitigation

CHILEAN COPPER INDUSTRY FACES SIGNIFICANT SUSTAINABILTY CHALLENGES

INDUSTRY REQUIRES SIGNIFICANT BREAKTHROUGHS TO STAVE OFF DECLINE

- ✓ Near term ore grades are forecast to reduce significantly
- ✓ Remaining deposits are metallurgically more complex
- ✓ More concentrators, that use water at ~ 0.57 m³/tonne of mineral processed are required, partially replacing SX-EW plants that consume water at ~ 0.09 m³/tonne
- ✓ Ramp-up of several new operations have not met production targets; others have been deferred
- ✓ Increasing scarcity of water supply and stressed aquifers is both a threat and a huge upside opportunity
- ✓ Desalination and sea water plants require:
  - ✓ pumping to high altitude, which consumes a large amount of costly coal fired electricity
  - ✓ desalination energy consumption growth forecasts would result in an increase of greenhouse gas emissions by a very significant ~ 3 million tonnes of CO_2 per annum
- ✓ Chile's Mining Council estimates cost of sea water supply is U.S. $ 5.1/m³ versus $1.6/m³ for status quo supply
- ✓ U.S. $10 billion required by 2022 to source sea water (desalinated and non-desalinated)

Steeply declining average industry ore grade



Significant increase in coal fired power demand

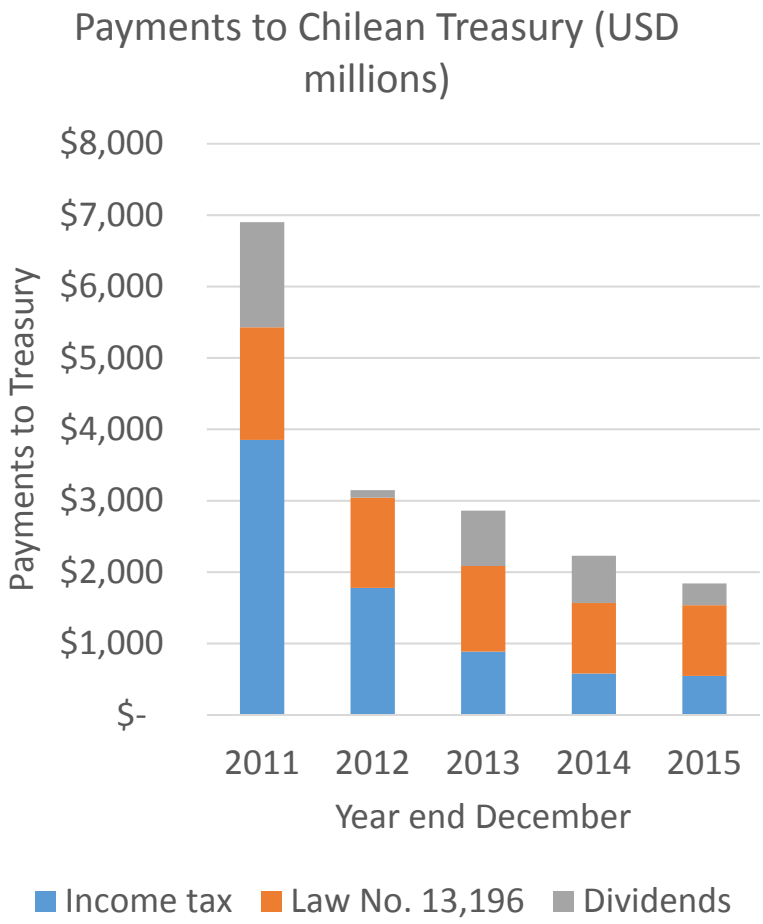
Cochilco forecast	2015	2026	2015	2026	
Power use (2016)	TWh	TWh	%	%	Growth %
Concentrators	13.3	22.2	60	65	66%
Open Pit	0.9	1.0	4	3	15%
UG mines	0.2	0.7	1	2	207%
Smelting	1.3	1.7	6	5	28%
Refining	0.2	0.3	1	1	53%
LX-SX-EW	4.4	2.7	20	8	-39%
Services	1.1	1.4	5	4	23%
Desalination	0.7	4.1	3	12	513%
Total	22.24	34.1	100	100	53%

TWh = trillion watt hours (10^{12} W)

CHILEAN COPPER INDUSTRY DYNAMICS

CODELCO IS A RELEVENT BAROMETER OF THE ISSUES FACING THEIR INDUSTRY

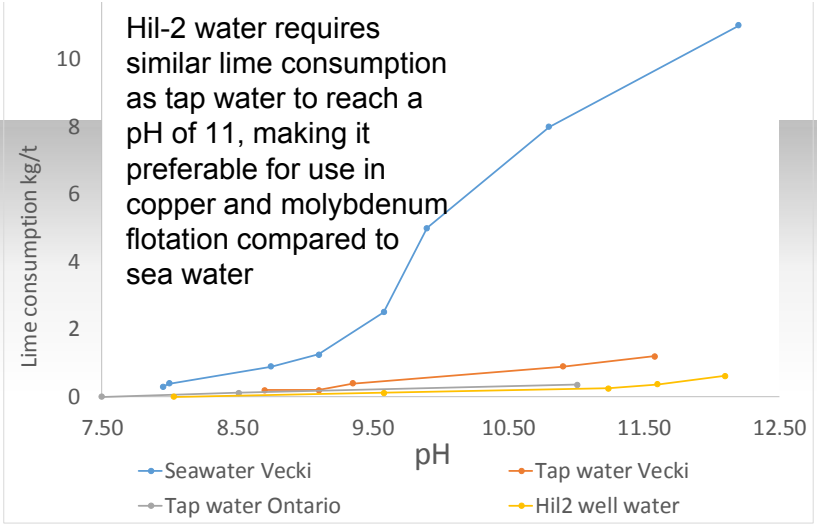
- The Chilean State-owned mining giant CODELCO produced 10 % of all copper produced in Chile in 2015
- The country produced over one third of the world's copper supply in 2013
- Mining exports represented 58% of all exports for Chile, with copper accounting for over one half of all mining exports in 2013
- Contributions to the Chilean National Treasury by state owned CODELCO, have fallen by $5,06 bn per annum, or 73%, since 2011
- In line with the rest of the industry, CODELCO's ore grades have declined 19% since 2004, across all its mines, from an average copper grade per tonne of 0.94 % in 2004 compared to 0.76 % in 2015
- In March 2016, CODELCO posted a historic pre-tax loss of $2.19 billion for 2015, down from a $3.03 billion profit in 2014
- Mining companies in Chile axed some 23,000 jobs in 2015, about 10% of positions in the sector



WADE PERFORMING FLOW TESTS ON HIL-2

March 2016. Flow rate was steady at 1 L/s for 24 hours at a temp of 39 ºC. - the well recovered to 30 psi, half the original shut in pressure of 60 psi, within 47 seconds of shut in.

Hilaricos-2 water buffering test



From "The use of seawater as process water in concentration plant and the effects on the flotation performance of Cu-Mo ore" By Lauri Veki , 2013

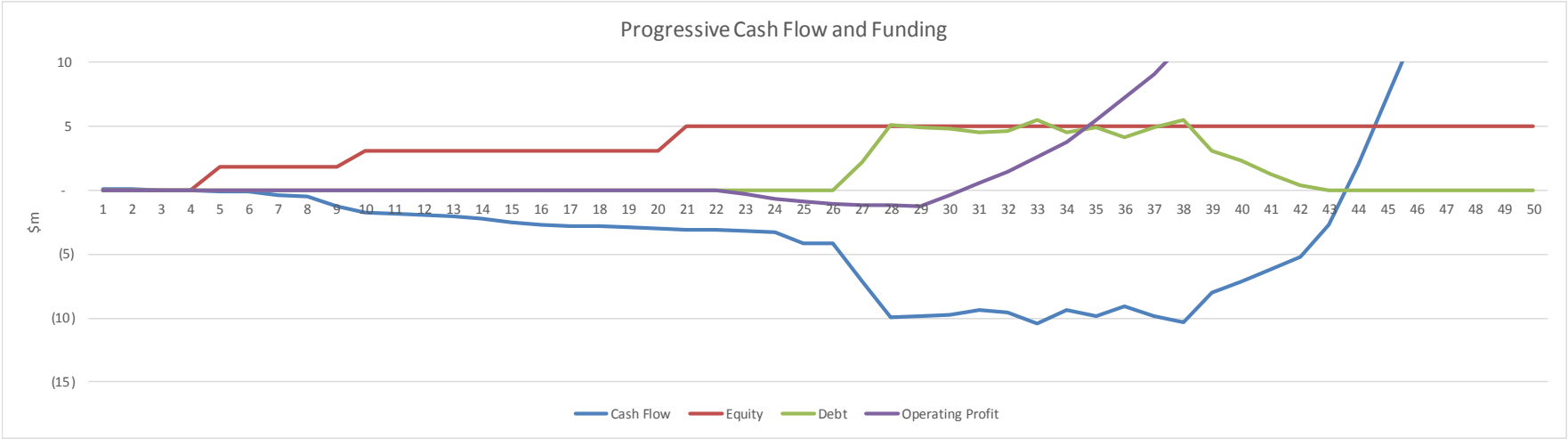
Hilaricos-2 Analysis

	Seawater	Quillagua aquifer	Relative to Seawater
TDS mg/L	34,926	11,835	34%
Cl mg/L	19,345	2,975	15%
Mg mg/L	1,295	89	7%

The Quillagua aquifer water is not potable without treatment. The dissolved minerals are predominantly Na_2SO_4, with a low ratio of Cl and Mg making it excellent for mineral processing

ECONOMIC ANALYSIS

PROGRESSIVE CASH FLOW CHART 1000 L/S AND $2.48 SALE PRICE SCENARIO



Scenario Assumptions

- Sale volume 1000 L/s
- Price $2.48/m^3 FOB Wells. Equal to our benchmark calculation
- Three tranches of equity - $1.8m, $1.3m and $1.9m
- Debt to Equity ratio 50:50
- Drilling schedule adjusted to manage debt
- 6% discount rate
- Revenue and cost escalated at 2% each year

Scenario Results

- NPV_6 $668m
- IRR 169%
- EBITDA $80m in Year 5
- Cost of Sales $0.31/m^3

TIMING

PROJECT DEVELOPMENT SCHEDULE

Phase	Month / Date	1 Jan-16	2 Feb-16	3 Mar-16	4 Apr-16	5 May-16	6 Jun-16	7 Jul-16	8 Aug-16	9 Sep-16	10 Oct-16	11 Nov-16	12 Dec-16	13 Jan-17	14 Feb-17	15 Mar-17	16 Apr-17	17 May-17	18 Jun-17	19 Jul-17	20 Aug-17	21 Sep-17	22 Oct-17	23 Nov-17	24 Dec-17	25 Jan-18	26 Feb-18	27 Mar-18	28 Apr-18	29 May-18	30 Jun-18	31 Jul-18	32 Aug-18	33 Sep-18	34 Oct-18	35 Nov-18	36 Dec-18	37 Jan-19	38 Feb-19	39 Mar-19	40 Apr-19	41 May-19	42 Jun-19	43 Jul-19	44 Aug-19	45 Sep-19	46 Oct-19	47 Nov-19
1	Test Northern Aquifer																																															
2	Test Southern Aquifer																																															
3	Identify locations for Prodn Wells																																															
4	Production Well permit																																															
5	Develop Prodn wells																																															
6	Production																																															
	DGA Exploration Permit 26 Nov 2015																																															
	Geophysics Phase 1																																															
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	Geophysics Phase 3																																															
	Additional TEM surveys																																															
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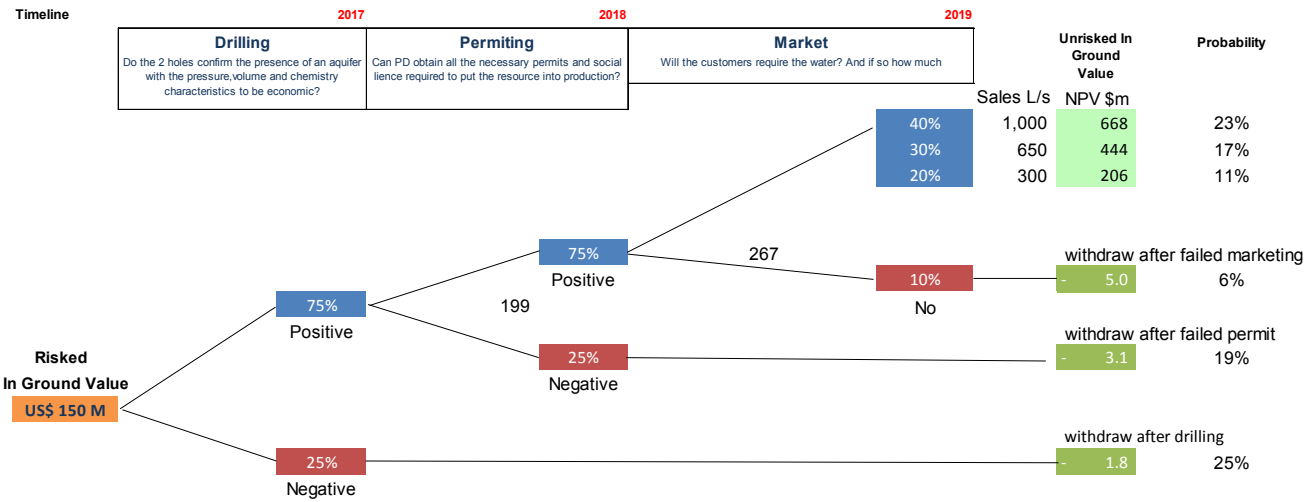
RISK ASSESSMENT

SCENARIO SENSITIVITY ANALYSIS

		Scenario NPV $m		
	Sales L/s	300	650	1,000
Price $/m3	1.74	131	292	442
	2.11	168	368	555
	2.48	206	444	668
	2.85	243	520	782
	3.22	280	596	895

		Scenario IRR %		
	Sales L/s	300	650	1,000
Price $/m3	1.74	83%	113%	120%
	2.11	101%	137%	145%
	2.48	119%	160%	169%
	2.85	136%	181%	191%
	3.22	152%	201%	212%

RISK TREE ANALYSIS



The project development risk tree bifurcations result in four possible outcomes. The cost, or benefit, of each outcome was calculated and the probability of each outcome was estimated

The result is an estimated “risked in ground” value of the project of $150 million

INVESTMENT

USE OF PROCEEDS

	Tranche 1	Tranche 2	Tranche 3	Total
Equity	$1,800,000	$1,300,000	$1,900,000	**$5,000,000**
Project management and administration	$425,600	$773,615	$70,316	**$1,269,530**
External Consulting	--	$356,820	--	**$356,820**
Well construction	$1,139,618	--	$1,581,858	**$2,721,476**
Total	$1,565,217	$1,130,435	$1,652,174	**$4,347,826**
Contingencies	$234,783	$169,565	$247,826	**$652,174**
Total	**$1,800,000**	**$1,300,000**	**$1,900,000**	**$5,000,000**

STAGED INVESTMENT – TO CONTINUE TO MANAGE RISK

The project has been broken down into 6 stages;

1. Test Northern Aquifer: This involves the tests done at Hil-2 and regional geophysics, to allow an application for Hil-2 water and confirm aquifer continuity to Hil-3 and Hil-4. Complete
2. Confirm Aquifer Capacity: Drilling and testing Hil-2a, with a cased well to the aquifer in order to be able to conduct a high capacity flow test. Tranche 1
3. Identify Locations of Production wells: More extensive geophysics to determine the optimal placement of the production wells and have these sites surveyed for the MBN site application. Tranche 2
4. Apply for the well permits: Apply for the right to use the water. Tranche 2
5. Develop Production wells: Having received the permits, drill and equip production wells. The funding schedule requires equity up to Tranche 3, with debt and free cash flow used to fund growth
6. Production: Capital program complete

SUMMARY

COST BENEFIT ANALYSIS FOR A NEW COPPER MINE EXPANSION

- Most Chilean copper mines are very long on marginal copper resources and very short on water
- Unlike sea water, the GoldWater aquifer water behaves like tap water when increasing pH
- The project could, for example, supply water to Codelco's mines at 77% less capital cost per liter of new process water
- GoldWater could supply water at 48% less operating cost per m³ than desalinated water
- Incremental copper production of ~200 kt per annum could be possible
- Difference in cost to supply flotation plant water supply would equate to Codelco's current average profit margin on existing mines

Life of mine				
Item	Unit	Value		
Water Consumption	m³/t	0.6		
Copper Recovery	%	0.8		
Cu Head Grade	%	0.50%		
Cu Price	$/lb	2.50		
Cu Price	$/tonne	5,510		
Direct costs	$/lb	1.40		
Direct costs	$/t cu	3,086		
Life of mine direct costs	$ million	12,751		
lb Cu sold per tonne ore	lb/m³	9		
lb Cu sold per m³ Water	lb/t	15		
Revenue per tonne Water	$/m³	16		
Flow rate	L/s	1,000	Desal supply cost	Quillagua supply cost
Water volume per annum	m³	31,556,736		
Water supply Capex: Coastal ($ millions)	$/L/s	0.9	940	
Water supply Capex: Pampa ($ millions)	$/m³/s	0.1		70
Water supply Opex: Coastal	$/m³	5.8	3,660,581,376	1,912,338,202
Water supply Opex: Pampa	$/m³	3.0		
Tonnes of new supply copper per annum	t	206,621		
Copper revenue per annum (@$2.5/lb cu)	$	1,138,484,386		
Life of mine cost of water ($ millions)	Years	20	4,601	1,982
Life of mine revenue	$ millions	22,770		
Margin (CODELCO 2015)	%	15%		
Life of mine margin	$ millions	3,415		
Water cost % of cash cost		%	36.1%	15.5%
Water cost % of margin		%	134.7%	58.0%
Water cost difference in margin $ millions	-	2,618		

SUMMARY

- Already 2.5 years into a 3 year program to advance to the next major milestone on the exclusive water exploration rights property covering 67,239 hectares over an untapped artesian aquifer discovery made in 2013
- Maiden water use and land rights applications are in progress and are at an advanced stage after 26 months of process: - some land rights have already been secured
- Comprehensive AMT/TEM geophysics survey and flow tests were completed in March 2016, confirming the presence of a large deep, well sealed artesian aquifer
- Work program designed to continue risk reduction objectives. The project becomes self funding after a three stage investment strategy
- Water quality is ideal for copper and molybdenum flotation, with lime consumption similar to tap water
- Favourable location and altitude result in:
  - water production costs that are vastly cheaper than sea water or desalination process water supply
  - greatly reduces green house gas (CO_2) emissions compared to current coastal water supply to copper mines
- Without any recharge, geophysics indicates the potential for centuries' worth of water in the artesian aquifer at a flow rate of 1000 L/s, which rate is a quarter of the current abstraction rate from the PdT basin to the north of the property
- Potential flow rates were benchmarked using actual results from Pampa del Tamarugal (PdT) precipitation recharge and the various combined aquifer extraction rates. This rate could sustain the development of a new 200,000 tonne per annum copper mine
- Such a venture would have the potential to generate $22 bn in copper revenue over a life of 20 years
- The cost of Quillagua Aquifer water would only consume 7% of the $22 bn in copper revenue, vs 20% for desalination, and only require the capital cost of a water supply pipeline and pumps; estimated at ~ $70 million vs $940 million for a desalination plant and supply line

POTASH DRAGON TEAM

Gordon T Miller President & CEO, Director, Pr Eng, NHDMM, PMD (UCT), SMP (Henley), MSAIMM

- Gordon is a registered professional mining engineer who has 33 years of mining experience
- Previously the founding CEO of Toronto listed First Uranium Corporation and CEO of Simmer and Jack Mines for six years. Before that Gordon spent four years with the Placer Dome Group in executive roles in South Africa, Canada and Australia.
- Gordon started his career with Johannesburg Consolidated Investments where he worked for 18 years and became Chief Operating Officer for Randfontein Estates and Western Areas Gold mines in South Africa
- Currently the President and CEO of Potash Dragon a 52% subsidiary of Gold Dragon Resources with assets in Chile

James W P Fisher EVP and Director Ceng , Bsc (hons), EMBA (UCT),ARSM, FIMM, MSAIMM

- Jim is a Chartered Engineer, a fellow of The Institute of Materials, Minerals and Mining and has over 35 years' experience in the Southern African mining industry, including nine years on the Zambian copper belt and the rest in South Africa, covering the metallurgy of gold, uranium, PGM's and copper.
- Jim initiated the feasibility study into tailings treatment for what has become Mine Waste Solutions, serving as Chief Executive Officer of First Uranium South Africa. This led to the listing of First Uranium on the TSX. After which Jim was the Chief Operating officer and Director in the newly listed company

Robert K Mason Secretary, General Counsel and Director B Comm (Hons), 1994 Carleton University: LLB, 1997 Osgoode Hall Law School at York University

- Rob represents issuers and underwriters on corporate finance transactions, alternative finance arrangements (royalties, streams, linked-notes), M&A mandates and proxy advisory matters, with a particular emphasis on mining and other natural resource sectors.
- He has extensive international experience, having recently led offerings by issuers located in South Africa, Australia, the United Kingdom and Canada with projects throughout the world. Rob also works in the technology and private equity sectors