



## **PURE ENERGY MINERALS LIMITED**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
THREE MONTHS ENDED SEPTEMBER 30, 2017**

(Expressed in Canadian dollars)

**PURE ENERGY MINERALS LIMITED**Condensed Consolidated Interim Statements of Financial Position  
(Unaudited - Expressed in Canadian dollars)

As at	Notes	September 30, 2017	June 30, 2017
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		\$ 1,571,574	\$ 1,886,036
GST/HST receivable		11,500	49,380
Amounts receivable		21,398	20,148
Prepaid expenses		32,739	41,376
		1,637,211	1,996,940
<b>Deposits</b>		1,699	1,699
<b>Property and equipment</b>		4,224	4,506
<b>Reclamation bond</b>	5	35,407	35,407
<b>Exploration and evaluation assets</b>	5	28,068,825	26,175,677
<b>TOTAL ASSETS</b>		\$ 29,747,366	\$ 28,214,229
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities	6	\$ 193,041	\$ 237,793
Asset retirement obligation	5	112,149	116,788
		305,190	354,581
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	46,181,340	44,035,161
Contributed surplus	7	5,492,884	5,354,374
AOCI		(60,171)	(14,546)
Deficit		(22,171,877)	(21,515,341)
		29,442,176	27,859,648
<b>TOTAL SHAREHOLDERS' EQUITY</b>			
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		\$ 29,747,366	\$ 28,214,229

**Nature of Business and Continuing Operations** (Note 1)**Subsequent Events** (Note 12)

Approved and authorized for issue on behalf of the Board on November 28, 2017

*"Michael Dake"*

Director

*"Mary Little"*

Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**PURE ENERGY MINERALS LIMITED**

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three months ended September 30, 2017 and 2016

*(Unaudited - Expressed in Canadian dollars)*

	Note	September 30, 2017	September 30, 2016
<b>EXPENSES</b>			
Amortization		\$ 282	\$ 282
Bank charges and interest		384	486
Consulting		19,310	98,943
Investor relations		89,890	103,197
Management fees and salaries	6	183,905	137,182
Office and rent		16,173	60,971
Professional fees		101,653	139,448
Project evaluation		251	41,500
Share based compensation	6, 7	413,197	668,983
Transfer agent and filing fees		6,361	52,869
Travel		46,736	109,232
<b>LOSS BEFORE OTHER ITEMS</b>		<b>(878,142)</b>	<b>(1,413,093)</b>
<b>OTHER ITEM:</b>			
Foreign exchange gain		3,666	744
<b>TOTAL OTHER ITEM</b>		<b>3,666</b>	<b>744</b>
<b>NET LOSS FOR THE PERIOD</b>		<b>\$ (874,476)</b>	<b>\$ (1,412,349)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to loss for the period</b>			
Foreign currency translation adjustment		(45,625)	-
<b>COMPREHENSIVE LOSS</b>		<b>\$ (920,101)</b>	<b>\$ (1,412,349)</b>
<b>Loss per share, basic and diluted</b>		<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding</b>			
		120,675,424	87,690,486

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**PURE ENERGY MINERALS LIMITED**

Condensed Consolidated Interim Statements of Changes in Equity

For the three months ended September 30, 2017 and 2016

*(Unaudited - Expressed in Canadian dollars)*

	Share capital					Total Shareholders' Equity
	Number of Common Shares without Par Value	Amount	Contributed Surplus	AOCI	Deficit	
Balance, June 30, 2016	78,010,562	\$ 21,202,278	\$ 4,138,822	\$ -	\$ (17,872,339)	\$ 7,468,761
Shares issued for property acquisition	364,277	298,781	-	-	-	298,781
Shares issued for cash:						
Private placement, net of issuance costs	11,201,902	5,466,269	238,605	-	-	5,704,874
Exercise of options	925,000	577,824	(274,524)	-	-	303,300
Exercise of warrants	432,089	93,612	-	-	-	93,612
Share based compensation	-	-	668,983	-	-	668,983
Net loss and comprehensive loss for the period	-	-	-	-	(1,412,349)	(1,412,349)
Balance, September 30, 2016	90,933,830	27,638,764	4,771,886	-	(19,284,688)	13,125,962
Balance, June 30, 2017	119,838,056	44,035,161	5,354,374	(14,546)	(21,515,341)	27,859,648
Shares issued for property acquisition	1,615,382	844,075	-	-	-	844,075
Shares issued for cash:						
Private placement, net of issuance costs	2,325,000	1,105,376	14,546	-	-	1,119,922
Exercise of options	320,000	149,343	(71,293)	-	-	78,050
Exercise of warrants	315,898	47,385	-	-	-	47,385
Share based compensation	-	-	413,197	-	-	413,197
Reclassification of fair value of expired/cancelled stock options	-	-	(217,940)	-	217,940	-
Net loss and comprehensive loss for the period	-	-	-	(45,625)	(874,476)	(920,101)
Balance, September 30, 2017	124,414,336	\$ 46,181,340	\$ 5,492,884	\$ (60,171)	\$ (22,171,877)	\$ 29,442,176

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**PURE ENERGY MINERALS LIMITED**

Condensed Consolidated Interim Statements of Cash Flows  
For the three months ended September 30, 2017 and 2016  
(Unaudited - Expressed in Canadian dollars)

	September 30, 2017	September 30, 2016
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (874,476)	\$ (1,412,349)
Items not involving cash:		
Amortization	282	282
Share based compensation	413,197	668,983
	(460,997)	(743,084)
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable and GST/HST receivable	39,436	(215)
Prepaid expenses	8,637	870
Accounts payable and accrued liabilities	(28,473)	207,148
<b>Net cash used in operating activities</b>	<b>(441,397)</b>	<b>(535,281)</b>
<b>INVESTING ACTIVITY:</b>		
Exploration and evaluation expenditures	(1,126,612)	(1,476,836)
<b>Net cash used in investing activity</b>	<b>(1,126,612)</b>	<b>(1,476,836)</b>
<b>FINANCING ACTIVITIES:</b>		
Issuance of common shares	1,285,235	6,557,958
Share issuance costs	(42,578)	(456,172)
<b>Net cash provided by financing activities</b>	<b>1,242,657</b>	<b>6,101,786</b>
<b>Effect of exchange rate changes on cash</b>	<b>10,890</b>	<b>-</b>
Change in cash, during the period	(314,462)	4,089,669
Cash, beginning of the year	1,886,036	2,255,187
<b>Cash, end of the period</b>	<b>\$ 1,571,574</b>	<b>\$ 6,344,856</b>

Supplementary cash flow information and non-cash transactions (Note 10)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)*

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**1. NATURE OF BUSINESS AND CONTINUING OPERATIONS**

The Company was incorporated on May 10, 2007 under the British Columbia Business Corporations Act. The Company's principal business activities are the acquisition, exploration and development of mineral properties. The Company is domiciled in Canada and is a reporting issuer with its common shares publicly traded on the TSX-Venture Exchange under the stock symbol "PE". The address of its head office is 1400-1111 West Georgia Street, Vancouver, B.C., V6E 3M3.

At September 30, 2017, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete development, and upon future profitable production from the mineral properties or proceeds from the disposition of the mineral properties.

For the quarter ended September 30, 2017, the Company incurred a net loss of \$874,476 (September 30, 2016 – \$1,412,349) increasing the accumulated deficit to \$22,171,877 (June 30, 2017 - \$21,515,341). The loss was funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

The above circumstances and the necessity that the Company raise sufficient funds to carry out its exploration plan create material uncertainty that raises significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

**2. BASIS OF PRESENTATION**

## a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the fiscal year ended June 30, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issue by a resolution from the Company's Board of Directors on November 28, 2017.

## b) Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)*

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**2. BASIS OF PRESENTATION (CONTINUED)**

## c) Consolidation

The consolidated financial statements include the accounts of the Company and its 100% wholly owned subsidiaries, 0891884 BC Ltd., Esmeralda Minerals, LLC, Pure Energy Argentina S.A., 1056625 BC Ltd., 1061582 BC Ltd., and LT Capital Holdings, LLC (collectively referred to as the "Group"). Subsidiaries are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company balances and transactions are eliminated on consolidation.

## d) Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes could differ from these estimates.

Significant assumptions about the future that management has made and other sources of estimation uncertainty at the reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Critical accounting estimates*

- i. The inputs used in valuing share based payments;
- ii. The fair values assigned to assets and liabilities in the purchase price allocation related to an asset acquisition (note 5); and
- iii. The timing and amount of the asset retirement obligation.

*Critical accounting judgments*

- i. The determination of categories of financial assets and financial liabilities;
- ii. The assessment of indications of impairment of the exploration and evaluation assets;
- iii. The determination of the functional currency of each entity within the Group; and
- iv. The assessment of whether an acquisition meets the definition of a business or whether assets are acquired.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)*

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**2. BASIS OF PRESENTATION (CONTINUED)**

- e) For comparability, certain 2016 amounts in the statement of profit and loss have been reclassified to conform to classifications adopted in 2017.

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	Previous September 30, 2016	Reclassification	Adjusted September 30, 2016
Consulting	\$ 125,443	\$ (26,500)	\$ 98,943
Investor relations	118,197	(15,000)	103,197
Management fees	122,182	15,000	137,182
Professional fees	154,448	(15,000)	139,448
Project evaluation	-	41,500	41,500

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These reclassifications did not have an impact on stockholders' equity or net or comprehensive loss for the three months ended September 30, 2016.

- f) Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and may differ from the currency in which the entity enters transactions. The functional currency of the Company, 0891884 BC Ltd., 1056625 BC Ltd., 1061582 BC Ltd., and LT Capital Holdings, LLC is the Canadian dollar. The functional currency of Esmeralda Minerals LLC and Pure Energy Argentina SA, is the US dollar ("USD"). The presentation currency of the consolidated entity is the Canadian dollar.

Transactions in currencies other than the functional currency of each entity are translated to the functional currency at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated to the functional currency using the exchange rate prevailing on the date of the statement of financial position, while non-monetary assets and liabilities are translated at historical rates.

Exchange gains and losses arising from the translation of foreign currency-denominated transactions or balances are recorded as a component of profit or loss in the period in which they occur.

The results of operations and financial position of each subsidiary where the functional currency is different from the presentation currency are translated as follows: assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; expenses are translated at exchange rates prevailing at the dates of the transactions, all resulting exchange differences are recognized in other comprehensive income.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

With the exception of the recently adopted accounting policies (note 4), these consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statement for the fiscal year ended June 30, 2017.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)*

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**4. RECENT ACCOUNTING PRONOUNCEMENTS****Changes in significant accounting policies and adoption of new accounting standards**

The following new accounting policies were adopted during the three months ended September 30, 2017:

- *Disclosure Initiative* (Amendments to IAS 7 *Statement of Cash Flows*) The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. This amendment was applied prospectively. The Company notes that there were no changes in liabilities arising from financing activities and as such, no reconciliation has been disclosed.
- *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12 *Income Taxes*) The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. This amendment was applied retrospectively. The Company notes that there are no such debt instruments that would result in the recognition of a deferred tax asset and as such, there are no changes to previously disclosed income taxes from the Company's audited consolidated financial statements as at June 30, 2017.

**Accounting standards anticipated to be effective**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after July 1, 2017, or later periods. Some updates which are not applicable or are not consequential to the Company may have been excluded from the list below.

*Financial instruments*

IFRS 9, *Financial Instruments*, addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The Company does not anticipate the adoption of this standard to have a significant impact on the Company's consolidated financial statements. Effective January 1, 2018.

*IFRS 16 Leases*

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

**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)***5. EXPLORATION AND EVALUATION ASSETS**

	Clayton Valley Claims		Cypress Claims		Terra Cotta Claims		Total
<b>Acquisition costs</b>							
Balance, June 30, 2016	\$ 1,490,173	\$	-	\$	-	\$	1,490,173
Shares issued	13,505,413		290,500		-		13,795,913
Cash option payment	35,000		97,065		268,642		400,707
Other	55,163		-		38,264		93,427
Write-off	-		(387,565)		-		(387,565)
Balance, June 30, 2017	\$ 15,085,749	\$	-	\$	306,906	\$	15,392,655
<b>Exploration and evaluation</b>							
Balance, June 30, 2016	\$ 4,066,886	\$	-	\$	-	\$	4,066,886
Claims renewal and maintenance costs	80,089		41,294		-		121,383
Drilling	4,523,096		-		-		4,523,096
Assay and laboratory	98,241		-		-		98,241
Processing and engineering	1,850,491		59,590		47,431		1,957,512
Asset retirement obligation	116,788		-		-		116,788
Write-off	-		(100,884)		-		(100,884)
Balance, June 30, 2017	\$ 10,735,591	\$	-	\$	47,431	\$	10,783,022
<b>Total June 30, 2017</b>	<b>\$ 25,821,340</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>354,337</b>	<b>\$</b>	<b>26,175,677</b>

	Clayton Valley Claims		Cypress Claims		Terra Cotta Claims		Total
<b>Acquisition costs</b>							
Balance, June 30, 2017	\$ 15,085,749	\$	-	\$	306,906	\$	15,392,655
Shares issued	9,075		-		835,000		9,075
Cash option payment	-		-		250,722		-
Other	-		-		16,551		16,551
Impact of foreign exchange	(2,547)		-		(35,676)		(38,223)
Balance, September 30, 2017	\$ 15,092,277	\$	-	\$	1,373,503	\$	16,465,780
<b>Exploration and evaluation</b>							
Balance, June 30, 2017	\$ 10,735,591	\$	-	\$	47,431	\$	10,783,022
Claims renewal and maintenance costs	344,115		-		-		344,115
Drilling	122,778		-		-		122,778
Processing and engineering	238,896		-		137,311		376,207
Impact of foreign exchange	(10,860)		-		(12,217)		(23,077)
Balance, September 30, 2017	\$ 11,430,520	\$	-	\$	172,525	\$	11,603,045
<b>Total September 30, 2017</b>	<b>\$ 26,522,797</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>1,546,028</b>	<b>\$</b>	<b>28,068,825</b>

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)*

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**5. EXPLORATION AND EVALUATION ASSETS (continued)****Clayton Valley Claims**

The Company holds the following option agreements within the Clayton Valley area:

**CV and DB claims in Clayton Valley, Esmeralda County, Nevada**

On May 12, 2014, the Company entered into a definitive option agreement with GeoXplor Corp. ("GeoExplor") to earn a 100% interest in the CV and DB claims in Clayton Valley, Esmeralda County, Nevada ("the Property"). Under the agreement, GeoXplor was the operator, and the Company had an option to earn a 100% interest for the following consideration:

Date	Cash Payment US\$	Expenditure Requirement US\$	Share Issuance
Effective date (paid/issued)	100,000	-	1,000,000
Within one year (paid/issued)	250,000	750,000	176,912
Within two years (paid/issued)	250,000	1,000,000	176,912
Within three years (superseded)	250,000	2,000,000	176,912
Within four years (superseded)	250,000	Pre-feasibility study or commercial production	176,912
Total	1,100,000	3,750,000	1,707,648

The agreement was subject to a gross overriding royalty of 5%, which could have been reduced to 2.5% upon cash payment of US\$7,000,000 to the vendor.

On May 10, 2017, the Company entered into a new option agreement with GeoXplor (described below). The new option agreement supersedes the May 12, 2014 agreement mentioned above and is detailed further below under "LIX Claims".

GeoXplor is a private company that holds the CV and DB mineral claims, subject to the option agreement described above. Prior to this new agreement, GeoXplor also provided contract exploration services to Pure Energy at the Clayton Valley brine project.

During fiscal 2015, the Company staked additional claims contiguous to the CV and DB claims known as the CE and CD claims.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)*

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**5. EXPLORATION AND EVALUATION ASSETS (continued)****Clayton Valley Claims (continued)****CE and CD claims in Clayton Valley, Esmeralda County, Nevada**

On May 31, 2015 ("Effective date"), the Company entered into an option and lease agreement whereby the Company acquired an exclusive lease and exploration license to conduct exploration and evaluation work on certain unpatented placer mining claims located in Esmeralda County, Nevada. Consideration for this acquisition is as follows:

Date	Cash Payment	Share Issuance
	CAD\$	
Effective date (paid/issued)	35,000	226,620 issued Nov 2, 2015
Within one year (paid/issued) (Note 7(b))	35,000	14,277 issued Aug 3, 2016
Within two years (paid)	35,000	15,382 issued July 7, 2017
Within three years	35,000	15,000 estimated
Within four years	35,000	15,000 estimated
Within five years and each year thereafter	US75,000	

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The estimated share issuance is calculated as the value of the difference between the United States and Canadian dollar exchange rates multiplied by the cash payment amount, when due, and divided by the market value of the Company's shares on the date the payment is required.

The Company can acquire a 100% interest in the property by making payment to the optionor of US\$500,000 or shares of the Company of equal value. The Optionor will retain a 3% NSR on the property.

**LIX Claims**

On May 10, 2017, the Company entered into an agreement to acquire Lithium X Energy Corp.'s ("Lithium X") subsidiaries holding certain Clayton Valley properties and property options in exchange for 20,038,182 common shares and 2,022,290 common share purchase warrants. Each warrant entitles the holder to purchase one additional share at a price of \$0.75 per share for a period of 3 years. There are acceleration provisions attached to the warrants.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)*

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**5. EXPLORATION AND EVALUATION ASSETS (continued)****Clayton Valley Claims (continued)****LIX Claims (continued)**

The transaction resulted in 100% acquisition of three new subsidiaries 1056625 BC Ltd., 1061582 BC Ltd., and LT Capital Holdings, LLC. The acquired subsidiaries did not meet the definition of businesses in accordance with IFRS 3, Business Combinations, and, as such, this transaction was accounted for under IFRS 2, *Share-Based Payments* and IFRS 6, *Exploration for and Evaluation of Mineral Resources*. The Company determined that the fair value of the subsidiaries could not be estimated reliably and, therefore, were to be measured with reference to the fair value of the equity instruments granted. The fair value of the shares and warrants issued, along with the costs incurred to complete the transaction, were capitalized in accordance with the Company's accounting policy over its evaluation and exploration assets.

The Company issued 20,038,182 common shares at a fair value of \$12,022,909, 2,022,290 share purchase warrants measured at a fair value of \$724,223 and incurred \$55,163 in legal fees to complete the transaction. On acquisition, the Company also assumed and recognized an asset retirement obligation, measured at a fair value of \$81,381.

In addition, Lithium X acquired 3,571,429 Units of the Company at a cash purchase price of \$0.56 per Unit for gross proceeds of \$2,000,000. Each Unit consists of one common share and one half of a share purchase warrant. Each warrant entitles the holder to purchase one additional share at a price of \$0.75 per share for a period of 3 years. There are acceleration provisions attached to the warrants.

On May 10, 2017, the Company also entered into a new option agreement with GeoXplor. The new option agreement supersedes the May 12, 2014 agreement (CV + DB claims). Under the new option agreement, the Company decreases its royalty obligations and assumes operatorship over an expanded group of optioned mineral claims. Consideration for the new option agreement includes;

- (i) payment of US\$375,000 (paid) and issuance of 1,250,000 (issued) common shares on the closing date;
- (ii) payment of US\$375,000 and issuance of 1,250,000 common shares on or before one year from the closing date;
- (iii) issuance of 2,500,000 common shares on or before December 31, 2018;
- (iv) preparation and filing of a feasibility study by December 31, 2018 and payment of US\$500,000 or issuance of common shares with a value of US\$500,000; and
- (v) payment of US\$4,500,000 or issuance of common shares with a value of US\$4,500,000 after the earlier of either securing debt or equity financing of at least US\$20,000,000 related to the optioned mineral claims or 18 months after the date of filing the feasibility study on SEDAR.

The new terms of the royalty obligation with GeoXplor are as follows:

- (i) a 3% royalty on all minerals produced and extracted from the property;
- (ii) payment of an advance royalty of US\$250,000 on the fourth and fifth anniversaries (creditable against the production royalty in (i) above); and
- (iii) payment of an advance royalty of US\$500,000 on each anniversary thereafter (creditable against the production royalty in (i) above).

The royalty can be repurchased by the Company for US\$10,000,000 during the one-year period after the eighth anniversary and prior to the ninth anniversary of the closing date.

Under the Bureau of Land Management of the United States (the "Bureau"), the Company is required to hold reclamation bonds that cover the estimated cost to reclaim the ground disturbed. As at September 30, 2017, the Company has recorded reclamation bonds of \$35,407 (June 30, 2017 - \$35,407) relating to its Clayton Valley claims. As operator of the claims, the Company is required to fund reclamation bonds in GeoXplor's name for an additional US\$62,829. The total asset retirement obligation has been estimated as the value of reclamation bond requirements, which total \$112,149 (June 30, 2017 - \$116,788) as at September 30, 2017.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)*

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**5. EXPLORATION AND EVALUATION ASSETS (continued)****Cypress Property Claims**

On August 24, 2016, the Company entered into a property option agreement with Cypress Development Corp. ("Cypress") to acquire up to a 70% interest in a 1,520-acre mineral claim group which adjoins the Company's existing mineral claims. Consideration for a 51% interest in the claims (first option) was:

- (i) Cash and share payments of US\$75,000 and 350,000 shares within 5 business days of regulatory approval (paid and issued);
- (ii) Exploration expenditures of at least US \$300,000, cash and payment of US \$100,000 and share payment of 750,000 shares before the end of the first year; and
- (iii) Additional exploration expenditures of US \$500,000 before the end of the second year.

Consideration for the additional 19% interest in the claims (second option) was:

- (i) Payment of 500,000 shares concurrent with giving notice of exercising the second option, which must be exercised within 60 days of having exercised the first option;
- (ii) Additional exploration expenditures of US \$1,000,000 before the end of the fourth year; and
- (iii) Payment of 500,000 shares before the end of the fourth year.

Cypress retained a 3% royalty, of which two thirds (2/3) could have been purchased by the Company at any time for US\$1,000,000. During the three months ended September 30, 2017, the Company elected to not continue with this property option agreement, and as a result, the Company wrote off \$488,449 in capitalized evaluation and exploration assets during the year ended June 30, 2017.

**Terra Cotta Claims**

On March 9, 2017, and as amended on September 26, 2017, the Company entered into a property option agreement to acquire up to a 100% interest in a 32,000-acre property on the Pocitos Salar in Salta, Argentina. Consideration for a 100% interest in the claims (first option) is:

- (i) Cash payment of US\$25,000 (paid);
- (ii) Cash payment of US\$175,000, (paid) within 5 days of the Agreement;
- (iii) Cash payment of US\$200,000 (paid) and issuance of 600,000 common shares (issued) within 5 days of TSX Venture Exchange approval;
- (iv) Issuance of 900,000 common shares within 7 days of the amendment (issued);
- (v) Cash payment of US\$150,000 (paid) on October 2, 2017;
- (vi) Cash payment of US\$450,000 on December 2, 2017\*;
- (vii) Cash payment of US\$1,000,000 and issuance of 1,500,000 common shares within 12 months of the agreement; and
- (viii) Cash payment of US\$2,000,000 and issuance of 3,000,000 common shares within 24 months of the agreement.

\*Interest and penalties of \$24,029 will be applied in the event the Company does not make the scheduled option payment on December 2, 2017.

The Company also entered into a finder's fee agreement whereby the Company was required to pay and issue the following:

- (i) \$20,000 (paid) and finder's common shares of 100,000 (issued) within 5 days of TSX Venture Exchange approval; and
- (ii) 200,000 finders' common shares to be issued February 19, 2018, the date of TSX Venture Exchange approval;

Upon full execution of the option, the Company will obtain a 100% beneficial interest in the property, and if the Company elects to proceed with a feasibility study or to commence production, an additional cash bonus payment of US\$1,000,000 will be paid to the vendors.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

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*(Unaudited - Expressed in Canadian dollars)*

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**6. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company's related parties consist of the Directors and executive officers and companies owned in whole or in part by them as follows:

<u>Name</u>	<u>Position and nature of transactions</u>
Mike Dake	Director
Scott Shellhaas	Director
Mary Little	Director
Bassam Moubarak	Director
Patrick Highsmith	CEO, Director – Management fees and salaries
Paul Zink	CFO – Management fees and salaries
Walter Weinig	Vice President of Projects and Permitting – Management fees
Dianne Szigety	Corporate Secretary – Management fees

Transactions are measured at the exchange amount, which is the amount agreed to by the parties.

**Compensation of Key Management Personnel**

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Three months ended	September 30, 2017	September 30, 2016
Management fees and salaries	\$ 183,905	\$ 122,182
Share-based compensation	330,165	653,496
Total	\$ 514,070	\$ 775,678

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Included in accounts payable and accrued liabilities is \$17,601 (2017 - \$18,214) owing to directors and officers of the Company for accrued and unpaid management fees, salaries and expense reimbursements. These amounts are unsecured, non-interest bearing and due on demand.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)*

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**7. SHARE CAPITAL**

## a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

## b) Issued and outstanding

Share capital activity for the three months ended September 30, 2017 is described as follows:

- (i) On July 7, 2017, the Company issued 15,382 common shares at a fair value of \$0.59 pursuant to a property option agreement.
- (ii) On August 22, 2017, the Company issued 600,000 common shares pursuant to a property option agreement and 100,000 common shares as finders' fees at a fair value of \$0.55.
- (iii) On September 20, 2017, the Company issued 900,000 common shares pursuant to a property option agreement at a fair value of \$0.50.
- (iv) On September 26, 2017, the Company completed a non-brokered private placement of 2,325,000 Units at \$0.50 per Unit. Each Unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at \$0.75 per share for a two year period, expiring September 26, 2019, subject to an accelerated exercise provision. The Company paid a cash commission of \$42,578 and issued 96,950 finder's warrants with a fair value of \$14,546. Each finder's warrant entitles the holder to acquire one common share at a cost of \$0.75 per share for a period of 2 years.
- (v) During the period from July 1, 2017 to September 30, 2017, the Company issued:
  - 315,898 common shares pursuant to the exercise of warrants at \$0.15 per share;
- (vi) During the period from July 1, 2017 to September 30, 2017, the Company issued:
  - 60,000 common shares pursuant to the exercise of stock options at \$0.235 per share;
  - 250,000 common shares pursuant to the exercise of stock options at \$0.245 per share;
  - 10,000 common shares pursuant to the exercise of stock options at \$0.27 per share.

**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)***7. SHARE CAPITAL (continued)**

## c) Stock options

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan") which complies with the rules and policies of the TSX Venture Exchange. Under the Plan, the exercise price of each option may not be less than the Discounted Market Price (as defined). The aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares. The options are subject to vesting provisions as determined by the Board of Directors, and the maximum term is 10 years.

The continuity of stock options for the three months ended September 30, 2017 and year ended June 30, 2017 is as follows:

	Number of Options	Weighted Average Exercise Price \$
Balance, June 30, 2016	5,074,500	0.42
Granted	2,625,000	0.69
Exercised	(1,887,000)	0.31
Expired/Cancelled	(317,500)	0.68
Balance, June 30, 2017	5,495,000	0.57
Granted	2,150,000	0.57
Exercised	(320,000)	0.24
Expired/Cancelled	(400,000)	0.68
Balance, September 30, 2017	6,925,000	0.58
Fully vested and exercisable at September 30, 2017	5,025,000	0.58

A summary of the Company's options outstanding as at September 30, 2017 is as follows:

Expiry Date	Exercise price \$	Options outstanding	Weighted average remaining life of options (years)	Options exercisable
November 13, 2017*	0.235	400,000	0.121	400,000
March 27, 2018	0.760	250,000	0.488	250,000
July 24, 2019	0.750	1,410,000	1.814	1,410,000
October 3, 2019	0.245	160,000	2.008	160,000
December 2, 2019	0.710	200,000	2.173	200,000
March 11, 2020	0.270	280,000	2.447	280,000
October 23, 2020	0.670	625,000	3.066	625,000
November 5, 2020	0.540	475,000	3.101	475,000
February 4, 2021	0.570	400,000	3.351	400,000
April 19, 2022	0.500	575,000	4.553	287,500
July 11, 2022	0.570	2,150,000	4.781	537,500
		6,925,000		5,025,000

\*Exercised subsequent to year end (see note 12).

The Company's weighted average contractual life for the remaining options as at September 30, 2017 is 3.15 (June 30, 2017 – 2.69) years.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)*

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**7. SHARE CAPITAL (continued)**

## c) Stock options (continued)

Stock options were exercised throughout the period. The Company's weighted average share price during the three months ended September 30, 2017 was \$0.53 (year ended June 30, 2017 - \$0.70).

## d) Share-based payments

During the three months ended September 30, 2017, the Company granted the following stock options:

- (i) On July 11, 2017, the Company granted 2,150,000 stock options to directors, officers, and consultants. The options vest quarterly in four equal tranches, with the first tranche on the issuance date. The options are exercisable at an exercise price of \$0.57 per common share for a period of five years. Share-based payment expense of \$370,458 is recognized in the consolidated profit or loss.

During the three months ended September 30, 2017, previously granted stock options vested during the period as follows:

- (i) On December 2, 2016, the Company granted 200,000 stock options, 50,000 vested on December 2, 2016, 50,000 vested on March 2, 2017, 50,000 vested on June 2, 2017 and 50,000 vest on September 2, 2017. These stock options are exercisable at \$0.71 per share for a period of 3 years. During the three months ended September 30, 2017, share-based payment expense of \$7,002 (2016 - \$nil) was recognized in the consolidated profit or loss.
- (ii) On April 19, 2017, the Company granted 575,000 stock options, 143,750 vested on April 19, 2017, 143,750 vest on August 19, 2017, 143,750 vest on December 19, 2017 and 143,750 vest on April 19, 2018. These stock options are exercisable at \$0.50 per share for a period of 5 years. During the three months ended September 30, 2017, share-based payment expense of \$35,737 (2016 - \$nil) was recognized in the consolidated profit or loss.

On September 6, 2017, 350,000 and 50,000 options with exercise prices of \$0.67 and \$0.75 respectively, were cancelled pursuant to a director's resignation.

On September 5, 2017, 35,150 warrants with an exercise price of \$0.15 expired unexercised.

During the three months ended September 30, 2017, the Company expensed \$413,197 (2016 - \$668,983) relating to options granted and vested. Share-based payment expense to be recognized on unvested options is \$227,982 (2016 - \$77,552).

The options were valued using the following weighted average Black-Scholes option pricing model assumptions:

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	2017	2016
Risk free interest rate	1.03%	0.58%
Expected dividend yield	-	-
Stock price volatility	88%	138%
Expected life of options	2.00 years	2 years
Forfeiture rate	-	-
Share price	\$0.56	\$0.75
Exercise price	\$0.57	\$0.75
Fair value	\$0.27	\$0.38

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Expected stock price volatility was calculated based solely on historical volatility.

**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)***7. SHARE CAPITAL (continued)**

## e) Warrants

A summary of the changes in the Company's warrants for the three months ended September 30, 2017 and the year ended June 30, 2017, is presented below.

	Finder Warrants		Financing Warrants	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, June 30, 2016	-	-	2,378,137	0.20
Granted	642,060	0.57	16,081,906	0.78
Exercised	-	-	(1,327,089)	(0.19)
Expired, unexercised	-	-	(700,000)	(0.24)
Balance, June 30, 2017	642,060	0.57	16,432,954	0.77
Granted	96,950	0.75	1,162,500	0.75
Exercised	-	-	(3,156,898)	(0.15)
Expired, unexercised	-	-	(35,150)	(0.15)
Balance, September 30, 2017	739,010	0.59	17,244,406	0.78

A summary of the Company's warrants outstanding as at September 30, 2017 is as follows:

Expiry Date	Exercise price	Warrants outstanding
July 20, 2018	0.55	575,910
April 28, 2019	0.75	1,138,150
July 20, 2019	0.80	11,201,902
September 26, 2019	0.75	1,259,450
May 30, 2020	0.75	3,808,004
		17,983,416

Financing warrants granted are valued using the residual value method and have a fair value of \$Nil (2016: \$Nil), unless otherwise noted in Note 7b.

The finder warrants were valued using the following weighted average Black-Scholes pricing assumptions:

	2017	2017
Risk free interest rate	0.60%	0.59%
Expected dividend yield	-	-
Stock price volatility	96%	137%
Expected life of options	2 years	2 years
Forfeiture rate	-	-
Share price	\$0.70	\$0.72
Exercise price	\$0.57	\$0.55
Fair value	\$0.39	\$0.24

Expected volatility was calculated based solely on historical volatility.

**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

*(Unaudited - Expressed in Canadian dollars)***7. SHARE CAPITAL (continued)**

## f) Contributed Surplus

As at September 30, 2017 and June 30, 2017, contributed surplus consisted of the following:

	2017		2016	
Loan forgiveness	\$	2,449,536	\$	2,449,536
Stock options		2,053,195		1,929,231
Warrants issued pursuant to property option agreements		724,223		724,223
Finder warrants		265,930		251,384
<b>Total Contributed Surplus</b>	<b>\$</b>	<b>5,492,884</b>	<b>\$</b>	<b>5,354,374</b>

**8. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of mineral properties. The Company considers the items in shareholders' equity as capital. There has been no change to what the Company considers capital from the prior year. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash. There has been no change to how capital is managed from the prior year.

**9. FINANCIAL INSTRUMENTS***Fair value*

As at September 30, 2017, the Company's financial instruments consist of cash, amounts receivable, reclamation bond, deposits, accounts payable and accrued liabilities, and asset retirement obligation. The fair values of these financial instruments approximate their carrying values because of their current nature.

IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 13 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e., quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial assets and liabilities recorded at fair value as of September 30, 2017 and June 30, 2017, were calculated as follows:

	Level 1	Level 2	Level 3	September 30, 2017
Cash	\$ 1,571,574	\$ -	\$ -	\$ 1,571,574
	Level 1	Level 2	Level 3	June 30, 2017
Cash	\$ 1,886,036	\$ -	\$ -	\$ 1,886,036

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**PURE ENERGY MINERALS LIMITED**

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For the three months ended September 30, 2017

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**9. FINANCIAL INSTRUMENTS (continued)***Credit Risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk, the Company places these instruments with a high quality financial institution.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (see Note 1). The Company manages liquidity risk through the management of its capital structure as outlined above.

The Company monitors its ability to meet its short-term exploration and administrative expenditure requirements by raising additional funds through share issuance when required. The Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company's asset retirement obligation would become due in the event the Company chose to abandon its held claims, giving rise to the obligation to reclaim any disturbance. This obligation is partially offset by its reclamation bond. The Company has no current plans to drop such claims. The Company does not have investments in any asset backed securities.

*Foreign Exchange Risk*

The Company is exposed to currency fluctuations. The Company has US dollar balances in cash, amounts receivable, reclamation bonds, accounts payable and accrued liabilities, and asset retirement obligation and is therefore exposed to gains or losses on foreign exchange. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations at September 30, 2017.

At September 30, 2017, the Company, through its wholly owned subsidiaries, had a cash balance of USD \$77,215, amounts receivable of USD \$15,000, reclamation bond of USD \$27,134, accounts payable of USD \$91,400, and asset retirement obligation of USD \$89,963. The Company is committed to certain property payments and exploration and evaluation expenditures which are denominated in US dollars. A 10% change in the Canadian dollar versus the US dollar would give rise to a gain/loss of approximately \$21,000 based on the Company's current net exposure. Management considers foreign exchange to be a significant risk.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances. The interest earned on cash approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates.

*Price risk*

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's ability to raise capital to fund exploration and evaluation activities is subject to risks associated with fluctuations in the market price of lithium. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

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**10. SUPPLEMENTARY CASH FLOW INFORMATION**

Non-cash Financing and Investing Activities	September 30, 2017	September 30, 2016
	\$	\$
Shares issued for exploration and evaluation asset option payment	844,075	298,781
Warrants issued for finders' fees	14,546	-
Fair value of options exercised	71,293	274,524
Fair value of options expired/cancelled	217,940	-
Exploration and evaluation costs included in accounts payable	49,226	351,384

There were no cash inflows and outflows for interest and taxes during the three months ended September 30, 2017 and 2016.

**11. COMMITMENT**

During the three months ended September 30, 2017, the Company entered into a sublease agreement for office space. The minimum future lease payments are as follows:

Year ended	Amount (\$)
June 30, 2018	33,845
June 30, 2019	54,153
June 30, 2020	9,025

**12. SUBSEQUENT EVENTS**

Subsequent to September 30, 2017, the Company issued the following shares:

- Issued 400,000 shares pursuant to options exercised at \$0.24 per share;

On November 8, 2017, the Company entered into an asset purchase agreement (the "Agreement") with Advantage Lithium Corp. ("Advantage") and Nevada Sunrise Gold Corporation ("Nevada Sunrise together, the "Vendors") to acquire the Clayton NE claim blocks ("Acquired Claims") located in Esmeralda County, Nevada

Pursuant to the Agreement, Pure Energy will issue to the Vendors an aggregate of 7,000,000 common shares (the "Consideration Shares"), with 4,900,000 Consideration Shares issuable to Advantage and 2,100,000 Consideration Shares issuable to Nevada Sunrise. In addition, in respect of certain of the Acquired Claims, the Company has agreed to assume a 3.0% gross over-riding royalty granted in favour of a prior owner.

In addition to the statutory four-month hold period required, the Agreement further requires that the Vendors will not, directly or indirectly, sell or transfer any of the Consideration Shares except in accordance with a release schedule whereby 25% of the Consideration Shares may be sold after 18 months from closing, and a further 25% each 3 months thereafter. The Vendors have also agreed to vote the Consideration Shares at the Company's shareholder meetings in favour of the certain matters recommended by management for a period of 24 months. Completion of the acquisition of the Acquired Claims is subject to a number of conditions, including: completion of closing by November 30, 2017; and receipt of the approval of the TSX Venture Exchange on behalf of the Company and each of the Vendors. The Company and each of the Vendors are at arm's length. No finder's fees are payable in connection with the transaction.