



# **PURE ENERGY MINERALS LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2017 AND 2016**

(Expressed in Canadian dollars)



## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders of Pure Energy Minerals Limited**

We have audited the accompanying consolidated financial statements of Pure Energy Minerals Limited and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2017 and 2016, and the consolidated statements of comprehensive loss, statement of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pure Energy Minerals Limited and its subsidiaries as at June 30, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which indicates the material uncertainties that may cast significant doubt on the ability of Pure Energy Minerals Limited and its subsidiaries to continue as a going concern.

*"Wolrige Mahon LLP"*

CHARTERED PROFESSIONAL ACCOUNTANTS

October 5, 2017  
Vancouver, B.C.

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

As at	Notes	June 30, 2017	June 30, 2016	July 1, 2015
			(Note 14)	(Note 14)
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash		\$ 1,886,036	\$ 2,255,187	\$ 741,501
GST/HST receivable		49,380	33,063	38,751
Amounts receivable		20,148	16,000	343,804
Prepaid expenses		41,376	3,275	3,275
		1,996,940	2,307,525	1,127,331
<b>Deposits</b>		1,699	-	-
<b>Property and equipment</b>	4	4,506	5,633	8,921
<b>Reclamation bond</b>	5	35,407	-	-
<b>Exploration and evaluation assets</b>	5	26,175,677	5,557,059	2,739,605
<b>TOTAL ASSETS</b>		\$ 28,214,229	\$ 7,870,217	\$ 3,875,857
<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payable and accrued liabilities	6	\$ 237,793	\$ 401,456	\$ 121,671
Asset retirement obligation	5	116,788	-	-
		354,581	401,456	121,671
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	7	44,035,161	21,202,278	14,785,382
Contributed surplus	7, 14	5,354,374	4,138,822	3,261,976
AOCI		(14,546)	-	-
Deficit	14	(21,515,341)	(17,872,339)	(14,293,172)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		27,859,648	7,468,761	3,754,186
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		\$ 28,214,229	\$ 7,870,217	\$ 3,875,857

**Nature of Business and Continuing Operations** (Note 1)**Subsequent Events** (Notes 5 and 13)

Approved and authorized for issue on behalf of the Board on October 5, 2017

*"Michael Dake"*

Director

*"Scott Shellhaas"*

Director

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

**PURE ENERGY MINERALS LIMITED**

Consolidated Statements of Comprehensive Loss

For the years ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

	Note	June 30, 2017	June 30, 2016
<b>EXPENSES</b>			
Amortization		\$ 1,127	\$ 3,288
Bank charges and interest		2,673	5,912
Consulting		204,058	546,365
Investor relations		382,109	412,527
Management fees	6	653,735	623,956
Office and rent		118,942	112,764
Professional fees		602,507	235,415
Project evaluation		20,654	166,000
Share based compensation	6, 7	882,293	1,146,862
Transfer agent and filing fees		78,960	92,523
Travel		347,899	258,099
<b>LOSS BEFORE OTHER ITEMS</b>		<b>(3,294,957)</b>	<b>(3,603,711)</b>
<b>OTHER ITEMS:</b>			
Foreign exchange (loss) gain		(5,067)	10,266
Write-off of exploration and evaluation assets	5	(488,449)	(10,722)
Gain on recovery of exploration and evaluation assets		-	25,000
<b>TOTAL OTHER ITEMS</b>		<b>(493,516)</b>	<b>24,544</b>
<b>NET LOSS FOR THE YEAR</b>		<b>\$ (3,788,473)</b>	<b>\$ (3,579,167)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to loss for the year</b>			
Foreign currency translation adjustment		(14,546)	-
<b>COMPREHENSIVE LOSS</b>		<b>\$ (3,803,019)</b>	<b>\$ (3,579,167)</b>
<b>Loss per share, basic and diluted</b>		<b>\$ (0.04)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding</b>		<b>93,377,477</b>	<b>64,807,386</b>

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

**PURE ENERGY MINERALS LIMITED**

Consolidated Statements of Changes in Equity

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

	Share capital					Total Shareholders' Equity
	Number of Common Shares without Par Value	Amount	Contributed Surplus	AOCI	Deficit	
Balance, July 1, 2015 (note 14)	53,683,945	\$ 14,785,382	\$ 3,261,976	\$ -	\$ (14,293,172)	\$ 3,754,186
Shares issued for property acquisition	403,532	275,016	-	-	-	275,016
Shares issued for cash:						
Private placement	142,839	72,848	-	-	-	72,848
Exercise of options	1,245,500	541,302	(242,842)	-	-	298,460
Exercise of warrants	21,472,692	5,263,588	(27,174)	-	-	5,236,414
Shares issued for services	1,062,054	264,142	-	-	-	264,142
Share based compensation	-	-	1,146,862	-	-	1,146,862
Net loss and comprehensive loss for the year	-	-	-	-	(3,579,167)	(3,579,167)
Balance, June 30, 2016	78,010,562	21,202,278	4,138,822	-	(17,872,339)	7,468,761
Shares issued for property acquisition	21,652,459	13,071,690	724,223	-	-	13,795,913
Shares issued for cash:						
Private placement, net of issuance costs	16,917,330	8,381,731	251,384	-	-	8,633,115
Exercise of options	1,887,000	1,094,492	(496,877)	-	-	597,615
Exercise of warrants	1,327,089	257,113	-	-	-	257,113
Shares issued for services	43,616	27,857	-	-	-	27,857
Share based compensation	-	-	882,293	-	-	882,293
Reclassification of fair value of expired/cancelled stock options	-	-	(145,471)	-	145,471	-
Net loss and comprehensive loss for the year	-	-	-	(14,546)	(3,788,473)	(3,803,019)
Balance, June 30, 2017	119,838,056	\$ 44,035,161	\$ 5,354,374	\$ (14,546)	\$ (21,515,341)	\$ 27,859,648

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

**PURE ENERGY MINERALS LIMITED**

Consolidated Statements of Cash Flows

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

	June 30, 2017	June 30, 2016
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (3,788,473)	\$ (3,579,167)
Items not involving cash:		
Amortization	1,127	3,288
Share based compensation	882,293	1,146,862
Non-cash consulting and management fees	27,857	264,142
Write-off of exploration and evaluation assets	488,449	10,722
	(2,388,747)	(2,154,153)
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable and GST/HST receivable	(20,465)	333,492
Prepaid expenses	(38,101)	-
Accounts payable and accrued liabilities	22,776	27,419
<b>Net cash used in operating activities</b>	(2,424,537)	(1,793,242)
<b>INVESTING ACTIVITIES:</b>		
Deposits	(1,699)	-
Reclamation bond	(35,407)	-
Exploration and evaluation expenditures	(7,383,611)	(2,300,794)
<b>Net cash used in investing activities</b>	(7,420,717)	(2,300,794)
<b>FINANCING ACTIVITIES:</b>		
Issuance of common shares	10,087,774	5,607,722
Share issuance costs	(599,931)	-
<b>Net cash provided by financing activities</b>	9,487,843	5,607,722
<b>Effect of exchange rate changes on cash</b>	(11,740)	-
Change in cash, during the year	(369,151)	1,513,686
Cash, beginning of the year	2,255,187	741,501
<b>Cash, end of the year</b>	\$ 1,886,036	\$ 2,255,187

Supplementary cash flow information and non-cash transactions (Note 11)

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

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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

Pure Energy Minerals Limited 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 June 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.

At June 30, 2017, the Company has incurred a net loss of \$3,788,473 (2016 – \$3,579,167) and accumulated a deficit of \$21,515,341 (2016 - \$17,872,339) which have been 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 and the necessity that the Company raise sufficient funds to carry out its exploration plan creates 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

## a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations committee ("IFRIC").

The consolidated financial statements were authorized for issue in accordance with a resolution from the Board of Directors on October 5, 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.

## 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.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

## 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 the 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.
- 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 June 30, 2016	Reclassification	Adjusted June 30, 2016
Consulting	\$ 652,365	\$ (106,000)	\$ 546,365
Investor relations	472,527	(60,000)	412,527
Management fees	563,956	60,000	623,956
Professional fees	295,415	(60,000)	235,415
Project evaluation	-	166,000	166,000

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

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

## 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 S.A., is the US dollar ("USD"). The presentation currency of the consolidated entity is the Canadian dollar.

Transactions in currencies other than the functional currency 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 net 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.

## g) Exploration and evaluation assets

Pre-exploration costs are those costs incurred prior to obtaining the legal right to explore and are expensed as project evaluation expense in the period in which they are incurred.

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction".

The property is tested for impairment before it is transferred to development properties. Upon commencement of commercial production, the related accumulated costs are amortized using the units of production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and evaluation costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and evaluation costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property with the excess recorded as a gain within the statement of profit and loss.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

## h) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, calculated using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is determined using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

## i) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. These costs are charged against profit or loss over the economic life of the related asset through amortization using either the unit-of-production or the straight line method. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates based on a pre-tax rate that reflects the time value of money are used to calculate the net present value. The corresponding liability is progressively increased as the effect of discounting unwinds, creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has recognized the cost of rehabilitation and environmental obligations on the consolidated statement of financial position as a current obligation as the timing of the future obligation is not known.

## j) Share-based compensation

Share-based compensation to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and expensed over the vesting periods. Share-based compensation to non-employees is measured at the fair value of the goods or services received or the fair value of the equity instruments issued if the fair value of the goods or services cannot be reliably measured, and is recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

## k) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Any previously recorded share-based payment included in the reserves account is transferred to share capital on exercise of options. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from issuance of units are allocated between common shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value as determined by the quoted bid price of the common shares and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital, and any related amount recorded in warrants reserve is transferred to share capital. Charges for options or warrants that are cancelled or expire are reclassified from contributed surplus to deficit.

## l) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

## m) Financial instruments

## i) Financial assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity, or available-for-sale.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company has classified its cash as FVTPL.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method, less impairment. The Company has classified the amounts receivable and reclamation bond as loans and receivables.

Financial assets classified as held-to-maturity are measured at amortized cost, using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument or, where appropriate, a shorter period. The Company has no financial assets classified as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has no financial assets classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

## m) Financial instruments (continued)

## ii) Financial liabilities

Financial liabilities are initially recorded at fair value and designed upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through profit or loss. The Company has no financial liabilities classified as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities and asset retirement obligation as other financial liabilities.

## n) Property and equipment

Property and equipment are recorded at cost and amortized at the following annual rates:

Equipment	20%	declining balance
Leasehold improvements		straight line over the term of the lease

## o) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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

The Company changed the following accounting policy during the year ended June 30, 2017:

The Company changed its accounting policy over the treatment of accumulated fair value of expired options, warrants and agent warrants in accordance with IFRS 2, *Share based payments*. The Company now reclassifies any fair value attributable to options, warrants and agent warrants that have expired to deficit. Previously, the Company had left the fair values of such expired equity instruments in contributed surplus. This change has been applied retrospectively. An adjustment to remove any previously recorded fair value allocated to options, warrants, and agent warrants has been recorded as a reclassification from contributed surplus to deficit on the consolidated statements of changes in equity (Note 14).

**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.

**Applicable to annual periods beginning on or after January 1, 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.
- *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.

**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)***4. PROPERTY AND EQUIPMENT**

	Furniture and equipment		Leasehold improvements		Total
<b>Cost</b>					
Balance, June 30, 2015	\$	21,558	\$	28,253	\$ 49,811
Disposals		-		(28,253)	(28,253)
Balance, June 30, 2016 and 2017	\$	21,558	\$	-	\$ 21,558
<b>Accumulated amortization</b>					
Balance, June 30, 2015	\$	14,517	\$	26,373	\$ 40,890
Amortization for the year		1,408		1,880	3,288
Disposal		-		(28,253)	(28,253)
Balance, June 30, 2016		15,925		-	15,925
Amortization for the year		1,127		-	1,127
Balance, June 30, 2017	\$	17,052	\$	-	\$ 17,052
<b>Carrying amounts</b>					
At June 30, 2016	\$	5,633	\$	-	\$ 5,633
<b>At June 30, 2017</b>	\$	4,506	\$	-	\$ 4,506

**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

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

	AF Claims	Clayton Valley Claims	Cypress Claims	Terra Cotta Claims	Total
<b>Acquisition costs</b>					
Balance, June 30, 2015	\$ -	\$ 821,006	\$ -	\$ -	\$ 821,006
Shares issued	-	275,016	-	-	275,016
Cash option payment	-	349,835	-	-	349,835
Staking costs	-	44,316	-	-	44,316
Balance, June 30, 2016	\$ -	\$ 1,490,173	\$ -	\$ -	\$ 1,490,173
<b>Exploration and evaluation</b>					
Balance, June 30, 2015	\$ -	\$ 1,918,599	\$ -	\$ -	\$ 1,918,599
Claims renewal and maintenance costs	10,722	101,448	-	-	112,170
Drilling	-	1,703,606	-	-	1,703,606
Assay and laboratory	-	19,635	-	-	19,635
Processing and engineering	-	323,598	-	-	323,598
Write-down	(10,722)	-	-	-	(10,722)
Balance, June 30, 2016	\$ -	\$ 4,066,886	\$ -	\$ -	\$ 4,066,886
<b>Total June 30, 2016</b>	<b>\$ -</b>	<b>\$ 5,557,059</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,557,059</b>

**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

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

		AF Claims	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>\$</b>	<b>-</b>	<b>\$ 25,821,340</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>354,337</b>	<b>\$</b>	<b>26,175,677</b>

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**5. EXPLORATION AND EVALUATION ASSETS (continued)****AF Claims**

Pursuant to an Option agreement (the "Option Agreement") between 0891884 BC Ltd. and GeoXplor Corp. ("GeoXplor") dated June 10, 2011, as amended on August 3, 2012, 0891884 BC Ltd. was granted an option to acquire an 80% interest in certain placer mining claims situated in Esmeralda County, Nevada (the "Property"). Under the terms of the Option Agreement and prior to the acquisition by Pure Energy, 0891884 BC Ltd. made a cash payment of US\$75,000, issued 250,000 common shares and incurred exploration expenditures in excess of US\$150,000.

The Company was required to make the following cash payments and share issuances: on or before October 10, 2012, cash payment of US\$50,000 (paid) and issuance of 125,000 shares (issued); June 10, 2013 US\$100,000 (paid) and 125,000 shares (issued); and June 10, 2014 US\$100,000 (paid) and 187,500 shares (issued). If the Company prepares a pre-feasibility study which recommends putting the property into production, the Company shall pay GeoXplor an additional payment of US\$500,000, to be paid in cash or shares at GeoXplor's discretion. In addition, the Company committed to a work program spending a minimum of US\$1,600,000 over a five-year period as to not less than US\$250,000 in year two, US\$350,000 in year three, US\$500,000 in year four and US\$500,000 in year five. After five years, GeoXplor and the Company were to form a joint venture where each party would be responsible for its proportionate share of future costs.

On January 18, 2013, the Company amended its option agreement with GeoXplor. The amended option agreement entitled the Company to acquire a 100% interest in an additional 2,240 acres of land in Esmeralda County. The Company paid \$50,640 (US\$50,000) for this amendment. The terms of the original option agreement with GeoXplor, dated June 10, 2011, as amended on August 3, 2012, otherwise remain unchanged.

Management terminated the Option Agreement during the prior year and a write-offs of the accumulated costs were recorded in the years ended June 30, 2015 and 2016.

**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 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

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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

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 Corp. 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.

**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:

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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 Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(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; and
- (iii) payment of an advance royalty of US\$500,000 on each anniversary thereafter.

The royalty can be purchased by the Company for US\$10,000,000 at any time after the eighth 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 June 30, 2017, the Company has recorded reclamation bonds of \$35,407 (2016 - \$Nil) 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 \$116,788 (2016 - \$Nil) as at June 30, 2017.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(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. Subsequent to year end, 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.

**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 (subsequently paid) and issuance of 600,000 common shares (subsequently issued) within 5 days of TSX Venture Exchange approval;
- (iv) Issuance of 900,000 common shares within 7 days of the amendment (subsequently issued);
- (v) Cash payment of US\$150,000 (subsequently 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 (subsequently paid) and finder's common shares of 100,000 (subsequently issued) within 5 days of TSX Venture Exchange approval; and
- (ii) 200,000 finders' common shares within 1 week of the October 2, 2017 cash payment.

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 Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(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
Paul Zink	CFO - consulting fees
Walter Weinig	Vice President of Projects and Permitting – Management fees
Alexi Zawadzki	former VP Business Development – Management fees
Dianne Szigety	Corporate Secretary – Management fees
Grant Hall	former Director – Consulting fees
Gerhard Jacob	former Director – Consulting fees
Jeremy Poirier	former Director, Manager – Management fees
J. W. Jardine & Company Ltd.	Former CFO – Professional fees
Robert Mintak	Former Executive Chairman and Director
Dr. Andy Robinson	Former Chief Operating Officer, Director – 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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Period ended	June 30, 2017	June 30, 2016
Management fees	\$ 653,735	\$ 612,028
Share-based compensation	663,007	943,328
Total	\$ 1,316,742	\$ 1,555,356

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Included in accounts payable and accrued liabilities is \$18,214 (2016 - \$17,790) owing to directors and companies controlled by directors and officers of the Company for accrued and unpaid management fees and expenses. These amounts are unsecured, non-interest bearing and due on demand.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(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 year ended June 30, 2017 is described as follows:

- (i) On July 20, 2016, the Company issued 11,201,902 units pursuant to a brokered private placement at \$0.55 per unit. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire one additional share at a cost of \$0.80 per share for a period of 3 years. Agents were paid a cash commission of \$322,915 and were issued an aggregate of 575,910 Agents' warrants with a fair value of \$238,605. Each Agent warrant entitles the holder to acquire one common share at a cost of \$0.55 for a period of 24 months. There were additional issue costs of \$191,051.
- (ii) On August 3, 2016, the Company issued 14,277 common shares at a fair value of \$0.58 pursuant to a property option agreement.
- (iii) On September 2, 2016, the Company issued 350,000 common shares at a fair value of \$0.83 pursuant to a property option agreement.
- (iv) On October 28, 2016, the Company issued 43,616 common shares in exchange for services valued at \$27,857.
- (v) On May 8, 2017, the Company issued 2,144,000 units pursuant to a brokered private placement at \$0.50 per unit. Each unit consists of one common share and one half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at a price of \$0.75 per share for a period of 2 years. There are acceleration provisions attached to the warrants. The Company paid cash commissions of \$33,075 and issued 66,150 agent's warrants with a fair value of \$12,779. Each agent warrant entitles the holder to acquire one common share at a cost of \$0.75 for a period of 2 years. There was additional issue cost of \$52,890.
- (vi) On May 30, 2017, the Company issued 20,038,182 common shares at a fair value of \$0.60 per common share and 2,022,290 share purchase warrants pursuant to a property acquisition agreement. Each warrant entitles the holder to acquire one additional share at a cost of \$0.75 for 3 years. The warrants were measured at a fair value of \$724,223.
- (vii) On May 30, 2017, the Company issued 3,571,428 Units of the Company at a cash purchase price of \$0.56 per unit. Each Unit consists of one common share and one half of a share purchase warrant. Each warrant entitles the holder to purchase one additional share at a price of \$0.75 per share for a period of 3 years. There are acceleration provisions attached to the warrants.
- (viii) On May 30, 2017, the Company issued 1,250,000 common shares at a fair value of \$0.60 pursuant to a property option agreement.
- (ix) During the period from July 1, 2016 to June 30, 2017, the Company issued:
  - 682,089 common shares pursuant to the exercise of warrants at \$0.15 per share; and
  - 645,000 common shares pursuant to the exercise of warrants at \$0.24 per share.
- (x) During the period from July 1, 2016 to June 30, 2017, the Company issued:
  - 400,000 common shares pursuant to the exercise of stock options at \$0.235 per share;
  - 857,000 common shares pursuant to the exercise of stock options at \$0.245 per share;
  - 20,000 common shares pursuant to the exercise of stock options at \$0.27 per share;
  - 410,000 common shares pursuant to the exercise of stock options at \$0.40 per share;
  - 75,000 common shares pursuant to the exercise of stock options at \$0.54 per share; and
  - 125,000 common shares pursuant to the exercise of stock options at \$0.67 per share.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**7. SHARE CAPITAL (continued)**

## b) Issued and outstanding (continued)

Share capital activity for the year ended June 30, 2016, is described as follows:

- (i) On August 4, 2015, the Company entered into a Strategic Advisory Agreement with Haywood Securities Inc., whereby Haywood will provide strategic advisory services to the Company for a period of eighteen months. Haywood was paid by the issuance of 800,000 units, with a fair value of \$200,000 (\$0.25 per unit). The fair value was determined by the market price of the services received. Each unit consists of one common share and one share purchase warrant entitling them to purchase one common share at a price of \$0.35 per share for each warrant held for a period of 12 months. The Units had vesting provisions however they were released from escrow prior to the vesting dates as certain milestones were reached pursuant to terms of the Advisory Agreement.
- (ii) On August 19, 2015, the Company issued 110,547 shares at a fair value of \$26,999 (\$0.244 per share) to Luscar International pursuant to an advisory agreement dated November 1, 2014. The fair value was determined by the market price of the services received.
- (iii) On October 7, 2015, the Company issued 142,839 shares at \$0.51 per share pursuant to a private placement agreement for cash proceeds of \$72,848.
- (iv) On November 2, 2015, the Company issued 226,620 shares at a fair value of \$0.55 per share pursuant to the CE and CD property option agreement. (Note 5)
- (v) On November 2, 2015, the Company issued 127,625 shares at a fair value of \$0.24 per share and 23,882 shares at a fair value of \$0.27 per share pursuant to consulting agreements with a director and an officer (amounts are included in Note 6 as part of management fees).
- (vi) On May 5, 2016, the Company issued 176,912 shares at a fair value of \$0.85 per share pursuant to the CV and DB property option agreement. (Note 5)
- (vii) During the period from July 1, 2015 to June 30, 2016, the Company issued:
  - 7,589,334 common shares pursuant to the exercise of warrants at \$0.15 per share;
  - 1,783,233 common shares pursuant to the exercise of warrants at \$0.24 per share;
  - 11,300,125 common shares pursuant to the exercise of warrants at \$0.30 per share; and
  - 800,000 common shares pursuant to the exercise of warrants at \$0.35 per share.
- (viii) During the period from July 1, 2015 to June 30, 2016, the Company issued:
  - 87,500 common shares pursuant to the exercise of stock options at \$0.40 per share;
  - 458,000 common shares pursuant to the exercise of stock options at \$0.245 per share;
  - 350,000 common shares pursuant to the exercise of stock options at \$0.20 per share;
  - 200,000 common shares pursuant to the exercise of stock options at \$0.23 per share; and
  - 150,000 common shares pursuant to the exercise of stock options at \$0.235 per share.

**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(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 years ended June 30, 2017 and 2016 is as follows:

	Number of Options	Weighted Average Exercise Price \$
Balance, June 30, 2015	3,910,000	0.26
Granted	2,410,000	0.59
Exercised	(1,245,500)	(0.24)
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
Fully vested and exercisable at June 30, 2017	5,013,750	0.58

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

Expiry Date	Exercise price (\$)	Options outstanding	Weighted average remaining life of options (years)	Options exercisable
July 21, 2017*	0.235	60,000	0.058	60,000
November 13, 2017	0.235	400,000	0.373	400,000
March 27, 2018	0.760	250,000	0.740	250,000
July 24, 2019	0.750	1,460,000	2.066	1,460,000
October 3, 2019	0.245	410,000	2.260	410,000
December 2, 2019	0.710	200,000	2.425	150,000
March 11, 2020	0.270	290,000	2.699	290,000
October 23, 2020	0.670	975,000	3.318	975,000
November 5, 2020	0.540	475,000	3.353	475,000
February 4, 2021	0.570	400,000	3.603	400,000
April 19, 2022	0.500	575,000	4.805	143,750
		5,495,000		5,013,750

\*Exercised subsequent to year end (see note 13).

The Company's weighted average contractual life for the remaining options as at June 30, 2017 is 2.65 (2016 – 3.17) years.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**7. SHARE CAPITAL (continued)**

## c) Stock options (continued)

Stock options were exercised throughout the year. The Company's weighted average share price during the year ended June 30, 2017 was \$0.70. During the year ended June 30, 2016, stock options were exercised when the share price was \$0.67.

## d) Share-based payments

During the year ended June 30, 2017, the Company had the following stock option transactions:

- (i) Granted 1,600,000 stock options, 533,333 vested on August 25, 2016, 533,333 vested on September 25, 2016 and 533,334 vested on October 25, 2016. These stock options are exercisable at \$0.75 per share for a period of 3 years. Share-based payment expense of \$614,719 is recognized in the consolidated profit or loss.
- (ii) Granted 250,000 stock options, 62,500 vested on September 27, 2016, 62,500 vested on November 27, 2016, 62,500 vested on January 27, 2017 and 62,500 vested on March 27, 2017. These stock options are exercisable at \$0.76 per share for a period of 18 months. Share-based payment expense of \$55,425 is recognized in the consolidated profit or loss.
- (iii) 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. Share-based payment expense of \$62,097 is recognized in the consolidated profit or loss.
- (iv) 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. Share-based payment expense of \$72,499 is recognized in the consolidated profit or loss.

During the year ended June 30, 2016, the Company had the following stock option transactions:

- (i) Granted 210,000 stock options of which 60,000 vested on July 21, 2015, and 150,000 vested on November 21, 2015. These stock options are exercisable at \$0.235 per share for period of 2 years. Share-based payment expense of \$34,366 was recognized in the prior year consolidated profit or loss.
- (ii) Granted 1,250,000 fully vested stock options exercisable at \$0.67 per share for a period of 5 years. Share-based payment expense of \$681,390 was recognized in the prior year consolidated profit or loss.
- (iii) Granted 550,000 stock options of which 233,333 vested on November 5, 2015, 158,333 vested on February 5, 2016 and 158,334 vested on May 5, 2016. These stock options are exercisable at \$0.54 per share for a period of 5 years. Share-based payment expense of \$218,825 was recognized in the prior year consolidated profit or loss.
- (iv) Granted 400,000 stock options, 100,000 of which vested immediately, 100,000 vested on May 4, 2016, 100,000 vested on August 4, 2016 and 100,000 vested on November 4, 2016. These stock options are exercisable at \$0.57 per share for a period of 5 years. Share-based payment expense of \$77,552 was recognized in the prior year consolidated profit or loss with \$77,553 recognized during the year ended June 30, 2017.

**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

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

## d) Share-based payments (continued)

During the year ended June 30, 2017, the Company expensed \$882,293 (2016 - \$1,146,862) relating to options granted and vested. Share-based payment expense to be recognized on unvested options is \$76,885 (2016 - \$77,552).

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

	2017	2016
Risk free interest rate	0.63%	0.79%
Expected dividend yield	-	-
Stock price volatility	95%	168%
Expected life of options	2.33 years	2 years
Forfeiture rate	-	-
Share price	\$0.70	\$0.59
Exercise price	\$0.71	\$0.59
Fair value	\$0.34	\$0.45

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

## e) Warrants

A summary of the changes in the Company's warrants for the years ended June 30, 2017 and 2016 is presented below.

	Agent Warrants		Financing Warrants	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, June 30, 2015	191,762	0.27	19,730,834	0.23
Granted	-	-	3,928,233	0.24
Exercised	191,762	(0.27)	(21,280,930)	(0.24)
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

**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

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

## e) Warrants (continued)

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

<b>Expiry Date</b>	<b>Exercise price</b>	<b>Warrants outstanding</b>
July 17, 2017 – September 5, 2017*	0.15	351,048
July 20, 2018	0.55	575,910
April 28, 2019	0.75	1,138,150
July 20, 2019	0.80	11,201,902
May 30, 2020	0.75	3,808,004
		<b>17,075,014</b>

\*Exercised (315,898 warrants) and expired (35,150 warrants) subsequent to year end (see note 13).

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

	<b>2017</b>	<b>2016</b>
Risk free interest rate	0.60%	-
Expected dividend yield	-	-
Stock price volatility	96%	-
Expected life of options	2 years	-
Forfeiture rate	-	-
Share price	\$0.70	-
Exercise price	\$0.57	-
Fair value	\$0.39	-

Expected volatility was calculated based solely on historical volatility.

## f) Contributed Surplus

As at June 30, 2017 and 2016, contributed surplus consisted of the following:

	<b>2017</b>		<b>2016</b>	
Loan forgiveness	\$	2,449,536	\$	2,449,536
Stock options		1,929,231		1,689,286
Warrants issued pursuant to property option agreements		724,223		-
Agent warrants		251,384		-
<b>Total Contributed Surplus</b>	<b>\$</b>	<b>5,354,374</b>	<b>\$</b>	<b>4,138,822</b>

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**8. INCOME TAXES**

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2017		2016
Combined statutory tax rate	26.00%		26.00%
Income tax recovery at combined statutory rate	\$ 985,000	\$	930,600
Foreign tax and foreign exchange rates	205,200		900
Non-deductible expenses and other	(229,400)		(274,200)
Share issue costs	221,300		-
Adjustment	-		29,800
Change in unrecognized deferred tax assets	(1,182,100)		(687,100)
Income tax expense	\$ -	\$	-

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Significant components of the Company's unrecognized deferred tax assets (liabilities) are shown below:

	2017		2016
Share issue costs	\$ 194,100	\$	30,900
Property and equipment	4,400		11,500
Canadian eligible capital	100		100
Exploration and evaluation assets	1,147,300		867,600
Asset retirement obligation	30,400		-
Capital loss carry-forwards	133,200		133,200
Non-capital loss carry-forwards	3,153,500		2,437,600
Total deferred income tax assets	4,663,000		3,480,900
Unrecognized deferred tax assets	(4,663,000)		(3,480,900)
Net deferred tax assets	\$ -	\$	-

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)***8. INCOME TAXES (continued)**

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2017	Expiry Date Range	2016	Expiry Date Range
Exploration and evaluation assets	\$ 4,412,600	No expiry date	\$ 3,336,700	No expiry date
Property and equipment	17,100	No expiry date	44,200	No expiry date
Canadian eligible capital (CEC)	400	No expiry date	400	No expiry date
Share issue costs	746,600	2018-2021	118,800	2017-2019
Asset retirement obligation	116,800	No expiry date	-	No expiry date
Allowable capital losses	512,200	No expiry date	512,200	No expiry date
Non-capital losses available for future period	12,035,700	2022-2037	9,372,400	2026-2036

Non-capital losses available for future periods expire as follows:

Expiry	Canada	USA	Argentina	Total
2037	\$ 2,372,100	\$ 246,400	\$ -	\$ 2,618,500
2036	2,489,300	8,100	-	2,497,400
2035	1,261,300	-	-	1,261,300
2034	579,900	-	-	579,900
2033	802,000	-	-	802,000
2032	1,369,200	-	-	1,369,200
2031	1,561,600	-	-	1,561,600
2030	701,100	-	-	701,100
2029	160,500	-	-	160,500
2028	142,600	-	-	142,600
2027	182,800	-	-	182,800
2026	143,000	-	-	143,000
2022	-	-	15,800	15,800
	\$ 11,765,400	\$ 254,500	\$ 15,800	\$ 12,035,700

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**9. 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.

**10. FINANCIAL INSTRUMENTS***Fair value*

As at June 30, 2017, the Company's financial instruments consist of cash, amounts receivable, reclamation bond, 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 June 30, 2017 and 2016 were calculated as follows:

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

  

	Level 1	Level 2	Level 3	June 30, 2016
Cash	\$ 2,255,187	\$ -	\$ -	\$ 2,255,187

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**10. 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 (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. 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 June 30, 2017.

At June 30, 2017, the Company, through its wholly owned subsidiaries, had a cash balance of USD \$14,927, 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 \$16,000 based on the Company's current net exposure. Management considers foreign exchange to be a significant risk.

On December 14, 2015 Company entered into a 60-day hedging arrangement for \$750,000 US at a conversion rate of 1.3729. Although there were no hedging arrangements in place as of June 30, 2017, management may elect to use such instruments in the future.

*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 Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**11. SUPPLEMENTARY CASH FLOW INFORMATION**

Non-cash Financing and Investing Activities	2017	2016
	\$	\$
Exploration and evaluation asset option payment	13,795,913	275,016
Warrants issued for finders' fees	251,384	-
Fair value of share issued for services	27,857	264,142
Fair value of options exercised	496,877	242,842
Fair value of options expired/cancelled	145,471	-
Fair value of warrants exercised	-	27,174
Asset retirement obligation included in exploration and evaluation assets	116,788	-
Exploration and evaluation costs included in accounts payable	65,465	252,366

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There were no cash inflows and outflows for interest and taxes during the years ended June 30, 2017 and 2016.

**12. COMMITMENT**

Subsequent to June 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	45,127
June 30, 2019	54,153
June 30, 2020	9,025

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**13. SUBSEQUENT EVENTS**

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

- Issued 315,898 shares pursuant to warrants exercised at \$0.15 per share;
- Issued 60,000 shares pursuant to options exercised at \$0.235 per share;
- Issued 250,000 shares pursuant to options exercised at \$0.245 per share;
- Issued 10,000 shares pursuant to options exercised at \$0.27 per share;
- Issued 15,382 shares measured at a fair value of \$0.59 per share pursuant to the CE and CD claims option agreement; and
- Issued 700,000 and 900,000 shares measured at a fair value of \$0.55 and \$0.50, respectively, per share pursuant to the Terra Cotta option and finder's fee agreement;

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.

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.

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 (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 \$48,475 and issued 96,950 Broker's warrants, having the same terms and conditions as the Warrants.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the year ended June 30, 2017 and 2016

*(Expressed in Canadian dollars)*

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**14. CHANGE IN ACCOUNTING POLICY**

During the year ended June 30, 2017, the Company changed its accounting policy over the treatment of fair value related to expired options, warrants and agent warrants. Management has determined that reclassifying the fair value of expired options, warrants and agent warrants from contributed surplus to deficit increases the relevance of the contributed surplus balance by only including balances related to equity instruments that exist at year end, and therefore provides reliable and a more relevant basis for values included in contributed surplus.

Effective July 1, 2015 (and retrospectively applied), the Company reclassifies the fair value of any expired and unexercised options, warrants and agents warrants to deficit.

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting policy has been applied retrospectively.

The impact of the change in accounting policy on the consolidated statements of financial position is set out below:

<b>June 30, 2016</b>	<b>Contributed surplus</b>	<b>Deficit</b>
Balance, as previously reported	\$ 6,219,489	\$ (19,953,006)
Reclassify fair value of expired options, warrants and agent warrants	-	-
Adjustment to the opening balance as of July 1, 2015	(2,080,667)	2,080,667
Adjusted balance	\$ 4,138,822	\$ (17,872,339)

<b>July 1, 2015</b>	<b>Contributed surplus</b>	<b>Deficit</b>
Balance, as previously reported	\$ 5,342,643	\$ (16,373,839)
Adjustment to the opening balance as of July 1, 2015	(2,080,667)	2,080,667
Adjusted balance	\$ 3,261,976	\$ (14,293,172)

There was no impact on basic or diluted loss per share as a result of the adjustments.