



PURE ENERGY MINERALS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017
(Expressed in Canadian dollars)

Wolrige Mahon Collins Barrow LLP

VANCOUVER OFFICE
900 – 400 Burrard Street
Vancouver, BC V6C 3B7
Canada
T: 604.684.6212
F: 604.688.3497
E: email@wm.ca
www.collinsbarrow.com

TORONTO OFFICE
1400 – 200 University Avenue
Toronto, ON M5H 3C6
Canada
T: 416.368.7990
F: 416.368.0886
E: email@wm.ca
www.collinsbarrow.com

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, 2018 and 2017, 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, 2018 and 2017, 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 Collins Barrow LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

October 29, 2018
Vancouver, B.C.

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

As at	Notes	June 30, 2018	June 30, 2017
ASSETS			
CURRENT			
Cash		\$ 72,539	\$ 1,886,036
GST/HST receivable		8,304	49,380
Amounts receivable		19,752	20,148
Prepaid expenses		46,928	41,376
		147,523	1,996,940
Deposits		714	1,699
Property and equipment	4	3,380	4,506
Reclamation bond	5	175,198	35,407
Exploration and evaluation assets	5	32,542,877	26,175,677
TOTAL ASSETS		\$ 32,869,692	\$ 28,214,229
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	6	\$ 361,119	\$ 237,793
Asset retirement obligation	5	175,198	116,788
		536,317	354,581
SHAREHOLDERS' EQUITY			
Share capital	7	54,684,409	44,035,161
Contributed surplus	7	5,667,313	5,354,374
Accumulated other comprehensive income		36,900	(14,546)
Deficit		(28,055,247)	(21,515,341)
TOTAL SHAREHOLDERS' EQUITY		32,333,375	27,859,648
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 32,869,692	\$ 28,214,229

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 29, 2018

"Mary Little"
Director

"Frank Wells"
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, 2018 and 2017

(Expressed in Canadian dollars)

	Note	June 30, 2018	June 30, 2017
EXPENSES			
Amortization	4	\$ 1,126	\$ 1,127
Bank charges and interest		9,339	2,673
Business development		54,559	-
Consulting		47,988	204,058
Investor relations		385,239	382,109
Management fees and salaries	6	743,293	653,735
Office and rent		137,871	118,942
Professional fees		466,208	602,507
Project evaluation		7,725	20,654
Share based compensation	6, 7	1,057,642	882,293
Transfer agent and filing fees		120,448	78,960
Travel		281,499	347,899
LOSS BEFORE OTHER ITEMS		(3,312,937)	(3,294,957)
OTHER ITEMS:			
Foreign exchange (loss) gain		(4,782)	(5,067)
Write-down/write-off of exploration and evaluation assets	5	(3,916,344)	(488,449)
TOTAL OTHER ITEMS		(3,921,126)	(493,516)
NET LOSS FOR THE YEAR		\$ (7,234,063)	\$ (3,788,473)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to loss for the year			
Foreign currency translation adjustment		51,446	(14,546)
COMPREHENSIVE LOSS		\$ (7,182,617)	\$ (3,803,019)
Loss per share, basic and diluted		\$ (0.05)	\$ (0.04)
Weighted average number of common shares outstanding		133,370,419	93,377,477

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, 2018 and 2017

(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	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
Shares issued for property acquisition	9,653,597	4,192,393	-	-	-	4,192,393
Shares issued for cash:						
Private placement, net of issuance costs	16,070,000	6,070,266	114,608	-	-	6,184,874
Exercise of options	720,000	339,204	(165,154)	-	-	174,050
Exercise of warrants	315,898	47,385	-	-	-	47,385
Share based compensation	-	-	1,057,642	-	-	1,057,642
Reclassification of fair value of expired/cancelled stock options	-	-	(694,157)	-	694,157	-
Net loss and comprehensive income for the year	-	-	-	51,446	(7,234,063)	(7,182,617)
Balance, June 30, 2018	146,597,551	\$ 54,684,409	\$ 5,667,313	\$ 36,900	\$ (28,055,247)	\$ 32,333,375

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, 2018 and 2017
(Expressed in Canadian dollars)

	June 30, 2018	June 30, 2017
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	\$ (7,234,063)	\$ (3,788,473)
Items not involving cash:		
Amortization	1,126	1,127
Share based compensation	1,057,642	882,293
Unrealized foreign exchange loss	(6,173)	-
Non-cash consulting and management fees	-	27,857
Write-down/write-off of exploration and evaluation assets	3,916,344	488,449
	(2,265,124)	(2,388,747)
Net changes in non-cash working capital items:		
Amounts receivable and GST/HST receivable	40,772	(20,465)
Prepaid expenses	(5,552)	(38,101)
Accounts payable and accrued liabilities	(43,691)	22,776
Net cash used in operating activities	(2,273,595)	(2,424,537)
INVESTING ACTIVITIES:		
Deposits	985	(1,699)
Reclamation bond	(133,618)	(35,407)
Exploration and evaluation expenditures	(5,943,201)	(7,383,611)
Net cash used in investing activities	(6,075,834)	(7,420,717)
FINANCING ACTIVITIES:		
Issuance of common shares	6,881,935	10,087,774
Share issuance costs	(475,626)	(599,931)
Net cash provided by financing activities	6,406,309	9,487,843
Effect of exchange rate changes on cash	129,623	(11,740)
Change in cash, during the year	(1,813,497)	(369,151)
Cash, beginning of the year	1,886,036	2,255,187
Cash, end of the year	\$ 72,539	\$ 1,886,036

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

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

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

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, 2018, 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.

As of June 30, 2018, the Company has incurred a net loss of \$7,234,063 (2017 – \$3,788,473) for the fiscal year and has accumulated a deficit of \$28,055,247 (2017 - \$21,515,341) which have been funded by the issuance of equity. At June 30, 2018, the Company has a net working capital deficit of \$388,794 (2017 - \$1,642,359 surplus). 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 Company continues to operate with a very low cash balance and a substantial net working capital deficit, although approximately 37% of the deficit is owed to Company insiders. The team is working diligently to seek financing to meet its cash needs.

The above factors and the necessity that the Company raise sufficient funds to carry out its exploration and development plans 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. In such circumstances, the Company would be required to realize its assets and discharge its liabilities in other than the normal course of business, and the amounts realized could differ materially 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 29, 2018.

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.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Consolidation

The consolidated financial statements include the accounts of the Company and its 100% wholly owned subsidiaries, 0891884 B.C. Ltd., Esmeralda Minerals, LLC, Pure Energy Argentina S.A., 1056625 B.C. Ltd., 1061582 B.C. 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 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 assessment of indications of impairment of the exploration and evaluation assets;
- ii. The determination of the functional currency of each entity within the Group;
- iii. The assessment of whether an acquisition meets the definition of a business or whether assets are acquired; and
- iv. The assessment of the Company's ability to continue as a going concern.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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 B.C. Ltd., 1056625 B.C. Ltd., 1061582 B.C. 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 ("US"). 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 the average exchange rate for the year, all resulting exchange differences are recognized in other comprehensive income or loss.

f) 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. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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 regard 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.

h) 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.

i) 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 expense is to contributed surplus.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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.

k) 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.

l) 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.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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.

m) Property and equipment

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

Equipment	20%	declining balance
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n) 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.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements
For the year ended June 30, 2018 and 2017
(Expressed in Canadian dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS

Changes in significant accounting policies and adoption of new accounting standards

The following new accounting policies were adopted during the year ended June 30, 2018:

- *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. There were no changes in liabilities arising from financing activities and as such, there is no impact to adopting the amendments.
- *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. 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, 2018, 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 financial liabilities with a new mixed measurement model having only two categories: amortized cost and fair value (through profit and loss or other comprehensive income). 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, which is effective for the fiscal year beginning on July 1, 2018, to have a significant impact on the Company's consolidated financial statements.

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, which is effective for the fiscal year beginning on July 1, 2019, to have a significant impact on the Company's consolidated financial statements.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

4. PROPERTY AND EQUIPMENT

	Furniture and equipment
Cost	
Balance, June 30, 2016	\$ 21,558
Disposals	-
Balance, June 30, 2017 and 2018	\$ 21,558
Accumulated amortization	
Balance, June 30, 2016	\$ 15,925
Amortization for the year	1,127
Balance, June 30, 2017	17,052
Amortization for the year	1,126
Balance, June 30, 2018	\$ 18,178
Carrying amounts	
At June 30, 2017	\$ 4,506
At June 30, 2018	\$ 3,380

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

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

Acquisition costs	Clayton Valley Claims	Cypress Claims	Terra Cotta Claims	Total
Balance, June 30, 2017	\$ 15,085,749	\$ -	\$ 306,906	\$ 15,392,655
Shares issued	3,281,075	-	911,318	4,192,393
Cash option payment	83,653	-	1,468,783	1,552,436
Staking costs	-	-	27,523	27,523
Other	9,078	-	16,769	25,847
Write-down	-	-	(2,716,794)	(2,716,794)
Impact of foreign exchange	2,211	-	35,495	37,706
Balance, June 30, 2018	\$ 18,461,766	\$ -	\$ 50,000	\$ 18,511,766

Exploration and evaluation

Balance, June 30, 2017	\$ 10,735,591	\$ -	\$ 47,431	\$ 10,783,022
Assay and laboratory	12,860	-	51,683	64,543
Claims renewal and maintenance costs	299,459	-	-	299,459
Drilling	-	-	616,313	616,313
Environmental	54,808	-	7,589	62,397
Geophysics	154,959	-	-	154,959
Hydrogeology	78,739	-	126,016	204,755
Processing and engineering	2,241,732	-	-	2,241,732
Legal	193,710	-	-	193,710
Other	200,786	-	310,558	511,344
Asset retirement obligation	58,410	-	-	58,410
Write-down	-	-	(1,199,550)	(1,199,550)
Impact of foreign exchange	57	-	39,960	40,017
Balance, June 30, 2018	\$ 14,031,111	\$ -	\$ -	\$ 14,031,111
Total June 30, 2018	\$ 32,492,877	\$ -	\$ 50,000	\$ 32,542,877

Acquisition costs	Clayton Valley Claims	Cypress Claims	Terra Cotta Claims	Total
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

Exploration and evaluation

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
Total June 30, 2017	\$ 25,821,340	\$ -	\$ 354,337	\$ 26,175,677

PURE ENERGY MINERALS LIMITED

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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 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 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.

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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/issued) (note 7(b))	35,000	15,382 issued July 7, 2017
Within three years (paid/issued) (note 7(b))	35,000	38,215 issued May 31, 2018
Within four years	35,000	40,000 estimated
Within five years and each year thereafter	US75,000	

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.

The transaction resulted in 100% acquisition of three new subsidiaries 1056625 B.C. Ltd., 1061582 B.C. 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.

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

The Company issued 20,038,182 common shares at a fair value of \$12,022,909 and 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, closing June 5, 2017. 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. The Company also entered into amending agreements dated June 8, 2018, August 10, 2018, and October 1, 2018. Consideration under the amended option agreement includes:

Cash consideration:

- (i) US\$375,000 on the closing date of the May 10, 2017 agreement (paid);
- (ii) US\$37,500 within 5 days of the June 8, 2018 amendment (paid);
- (iii) US\$75,000 on or before November 1, 2018;
- (iv) US\$300,000 on or before December 31, 2018; and
- (v) US\$250,000 on or before May 30, 2019.

Share consideration:

- (vi) 1,250,000 common shares on the closing date of the May 10, 2017 agreement (issued);
- (vii) 1,250,000 common shares on or before May 30, 2018 (issued subsequent to year end);
- (viii) 750,000 common shares within 5 days of the August 10, 2018 amendment (issued subsequent to year end);
- (ix) 750,000 common shares within 5 days following the date of acceptance of the October 1, 2018 amendment by the exchange; and
- (x) issuance of 2,500,000 common shares on or before December 31, 2018;

Other consideration:

- (xi) pay maintenance fees on mineral claims on or before August 20, 2018 (paid subsequently);
- (xii) preparation and filing of a feasibility study by December 31, 2019 and payment of US\$250,000 or issuance of common shares with a value of US\$250,000; and
- (xiii) 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 of the May 10, 2017 option agreement (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).

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

The royalty can be purchased by the Company for US\$10,000,000 at any time 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 June 30, 2018, the Company has recorded reclamation bonds of \$175,198 (2017 - \$35,407) relating to its Clayton Valley claims. As operator of the claims, in the prior year the Company was required to fund reclamation bonds in GeoXplor's name for an additional US\$62,829. These bonds were transferred to the Company during the current year. The total asset retirement obligation has been estimated as the value of reclamation bond requirements, which total \$175,198 (2017 - \$116,788) as at June 30, 2018.

As mentioned above, the Company continues to operate with a very low cash balance and a substantial net working capital deficit, although approximately 37% of the deficit is owed to Company insiders. The team is working diligently to seek financing to meet its cash needs. However, there can be no assurance at this time that financings will be completed in time to meet the revised option payment deadline of November 1, 2018. If the Company fails to make the option payments by the deadlines, the Optionors have the ability to initiate a default process under the Option Agreement, including a 30-day cure period.

NE Claims

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", and together, the "Vendors") to acquire the Clayton NE claim blocks ("Acquired Claims") located in Esmeralda County, Nevada.

Pursuant to the Agreement, Pure Energy issued to the Vendors an aggregate of 7,000,000 common shares (the "Consideration Shares"), with 4,900,000 Consideration Shares issued to Advantage and 2,100,000 Consideration Shares issued to Nevada Sunrise. In addition, in respect of certain of the Acquired Claims, the Company has agreed to assume a 3% 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% every three 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. The Company and each of the Vendors are at arm's length. No finder's fees were paid or are payable in connection with the transaction.

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.

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

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. In August 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 and May 3, 2018, 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 (the Terra Cotta project). 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 September 26, 2017 amendment (issued);
- (v) Cash payment of US\$150,000 on October 2, 2017 (paid);
- (vi) Cash payment of US\$450,000 on December 2, 2017* (paid);
- (vii) Cash payment of US\$250,000 (paid) and issuance of 800,000 common shares (issued) within 5 days of the May 3, 2018 amendment;
- (viii) Cash payment of US\$750,000 and issuance of 700,000 common shares within 90 days of the May 3, 2018 amendment; and
- (ix) Cash payment of US\$2,000,000 and issuance of 3,000,000 common shares within 24 months of the agreement.

* interest and deferral charges of US\$100,000 were applied to this payment due to late payment.

On July 16, 2018, the Company entered into an amending agreement to delay the payments under (viii) and (ix) above for a period of one year.

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 (issued) finders' common shares to be issued in subsequent stages.

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.

During the year ended June 30, 2018, management decided to write the costs accumulated on the Terra Cotta project down to \$50,000 as an asset impairment. While management still believes that the project is of merit and warrants continued development, lack of projected activity and budget, due to market conditions, warranted a write-down under IFRS accounting guidance. As such, the Company recorded an impairment loss of \$3,916,344 on the Terra Cotta project in profit or loss in the current year.

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Notes to the Consolidated Financial Statements

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6. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties consist of key management personnel, being 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
Frank Wells	Director
Bassam Moubarak	Former 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 and salaries
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

<u>Period ended</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Management fees and salaries	\$ 706,089	\$ 653,735
Share-based compensation – officers	418,999	555,964
Share-based compensation - directors	408,188	234,362
Total	\$ 1,533,276	\$ 1,316,742

Included in accounts payable and accrued liabilities is \$57,782 (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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Notes to the Consolidated Financial Statements

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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, 2018 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 the property option agreement for the CE and CD claims.
- (ii) On August 22, 2017, the Company issued 600,000 common shares pursuant to the property option agreement for the Terra Cotta claims and issued 100,000 common shares as finders' fees, each at a fair value of \$0.55.
- (iii) On September 20, 2017, the Company issued 900,000 common shares pursuant to the property option agreement for the Terra Cotta claims 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 for gross proceeds of \$1,162,500. 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) On December 1, 2017, the Company issued 7,000,000 common shares pursuant to the asset purchase agreement for the Clayton NE claim blocks at a fair value of \$0.44.
- (vi) On February 6, 2018, the Company completed the first and second tranches of its private placement offering. The Company issued an aggregate of 13,745,000 units priced at \$0.40 per unit for gross proceeds of \$5,498,000. Each unit consists of one common share and one share purchase warrant, exercisable to acquire one common share for a period of 36 months at a price of \$0.55 per share, provided that if the closing price of the common shares on the Exchange is equal to or greater than \$1.10 per common share for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof, and in such case, the Warrants will expire on the 30th day after the date on which such notice is given by the Company. The Company paid cash commissions of \$268,460, \$164,588 in legal fees and issued 671,150 finder's warrants with a fair value of \$100,062, exercisable at any time to February 6, 2021 at an exercise price of \$0.40 per share.
- (vii) On March 13, 2018, the Company issued 200,000 common shares as finder's fees pursuant to the property option agreement for the Terra Cotta claims at a fair value of \$0.33.
- (viii) On May 9, 2018, the Company issued 800,000 common shares pursuant to the property option agreement for the Terra Cotta claims at a fair value of \$0.24.
- (ix) On May 31, 2018, the Company issued 38,215 common shares at a fair value of \$0.27 pursuant to the property option agreement for the CE and CD claims.
- (x) During the period from July 1, 2017 to June 30, 2018, the Company issued
 - 315,898 common shares pursuant to the exercise of warrants at \$0.15 per share;
 - 60,000 common shares pursuant to the exercise of stock options at \$0.235 per share;
 - 400,000 common shares pursuant to the exercise of stock options at \$0.24 per share;
 - 250,000 common shares pursuant to the exercise of stock options at \$0.245 per share; and
 - 10,000 common shares pursuant to the exercise of stock options at \$0.27 per share.

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Notes to the Consolidated Financial Statements

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7. SHARE CAPITAL (continued)

b) Issued and outstanding (continued)

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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For the year ended June 30, 2018 and 2017

*(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, 2018 and 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	6,100,000	0.44
Exercised	(720,000)	0.24
Expired/Cancelled	(1,530,000)	0.70
Balance, June 30, 2018	9,345,000	0.49
Fully vested and exercisable at June 30, 2018	7,307,500	0.52

A summary of the Company's options outstanding as at June 30, 2018 is as follows:

Expiry Date	Exercise price (\$)	Options outstanding	Weighted average remaining life of options (years)	Options exercisable
July 24, 2019	0.75	950,000	1.07	950,000
October 3, 2019	0.245	150,000	1.26	150,000
December 2, 2019	0.71	200,000	1.42	200,000
March 11, 2020	0.27	270,000	1.70	270,000
October 23, 2020	0.67	300,000	2.32	300,000
November 5, 2020	0.54	400,000	2.35	400,000
February 4, 2021	0.57	400,000	2.60	400,000
April 19, 2022	0.50	575,000	3.81	575,000
July 11, 2022	0.57	2,150,000	4.03	2,150,000
February 26, 2023	0.37	3,700,000	4.66	1,850,000
May 21, 2023	0.27	250,000	4.89	62,500
		9,345,000	3.63	7,307,500

Stock options were exercised throughout the year. The Company's weighted average share price at the dates of exercise during the year ended June 30, 2018 was \$0.54 (year ended June 30, 2017 - \$0.70).

PURE ENERGY MINERALS LIMITED

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7. SHARE CAPITAL (continued)

d) Share-based payments

During the year ended June 30, 2018, the Company had the following stock option transactions:

- (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 vesting 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 \$561,283 was recognized in net loss.
- (ii) On February 26, 2018, the Company granted 3,700,000 stock options to directors, officers, and consultants. All of the options vest quarterly in four equal tranches, with the first tranche vesting on the issuance date. The options are exercisable at an exercise price of \$0.37 per common share for a period of five years. Share-based payment expense of \$413,202 was recognized in net loss.
- (iii) On May 21, 2018, the Company granted 250,000 stock options to a director. The options vest quarterly in four equal tranches, with the first tranche vesting on the issuance date. The options are exercisable at an exercise price of \$0.27 per common share for a period of five years. Share based payment expense of \$11,132 was recognized in net loss.

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

- (i) On July 25, 2016, the Company 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. During the year ended June 30, 2018, the share-based payment expense of nil (2017 – 614,719) was recognized in net loss.
- (ii) On September 27, 2016, the Company 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. For the year ended June 30, 2018, share-based payment expense of nil (2017 – \$55,425) was recognized in net loss.
- (iii) 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 vested on September 2, 2017. These stock options are exercisable at \$0.71 per share for a period of 3 years. During the year ended June 30, 2018, share-based payment expense of \$10,118 (2017 - \$62,097) was recognized in net loss.
- (iv) On April 19, 2017, the Company granted 575,000 stock options; 143,750 vested on April 19, 2017, 143,750 vested on August 19, 2017, 143,750 vested on December 19, 2017 and 143,750 vested on April 19, 2018. These stock options are exercisable at \$0.50 per share for a period of 5 years. During the year ended June 30, 2018, share-based payment expense of \$61,907 (2017 - \$72,499) was recognized in net loss.

During the year ended June 30, 2018, 1,280,000 options with a weighted average exercise price of \$0.69, were cancelled pursuant to directors', officer's and consultant's resignations.

On March 27, 2018, 250,000 options with an exercise price of \$0.76 expired unexercised.

During the year ended June 30, 2018, the Company expensed \$1,057,642 (2017 - \$882,293) relating to options granted and vested. Share-based payment expense to be recognized on unvested options is expected to be \$122,421 (2017 - \$76,885).

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

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

d) Share-based payments (continued)

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

	2018	2017
Risk free interest rate	1.49%	0.63%
Expected dividend yield	0%	0%
Stock price volatility	79%	95%
Expected life of options	2 years	2.33 years
Forfeiture rate	0%	0%
Share price	\$0.44	\$0.70
Exercise price	\$0.45	\$0.71
Fair value	\$0.19	\$0.34

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, 2018 and 2017 is presented below.

	Agent 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	768,100	0.44	14,907,500	0.57
Exercised	-	-	(315,898)	(0.15)
Expired, unexercised	-	-	(35,150)	(0.15)
Balance, June 30, 2018	1,410,160	0.50	30,989,406	0.68

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

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

e) Warrants (continued)

A summary of the Company's warrants outstanding as at June 30, 2018 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
February 6, 2021	0.40	671,150
February 6, 2021	0.55	13,745,000
		32,399,566

Financing warrants granted are valued using the residual value method and have a fair value of \$Nil (2017 - \$Nil), unless otherwise noted in Note 7b.

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

	2018	2017
Risk free interest rate	1.80%	0.60%
Expected dividend yield	0%	0%
Stock price volatility	74%	96%
Expected life of options	2 years	2 years
Forfeiture rate	0%	0%
Share price	\$0.40	\$0.70
Exercise price	\$0.44	\$0.57
Fair value	\$0.15	\$0.39

Expected volatility was calculated based solely on historical volatility.

f) Contributed Surplus

As at June 30, 2018 and 2017, contributed surplus consisted of the following:

	2018		2017	
Loan forgiveness	\$	2,449,536	\$	2,449,536
Stock options		2,127,562		1,929,231
Warrants issued pursuant to property option agreements		724,223		724,223
Agent warrants		365,992		251,384
Total Contributed Surplus	\$	5,667,313	\$	5,354,374

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

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:

	2018	2017
Combined statutory tax rate	26.50%	26.00%
Income tax recovery at combined statutory rate	\$ 1,917,000	\$ 985,000
Foreign tax and foreign exchange rates	273,600	205,200
Non-deductible expenses and other	(281,900)	(229,400)
Share issue costs	156,400	221,300
Adjustment	-	-
Change in unrecognized deferred tax assets	(2,065,100)	(1,182,100)
Income tax expense	\$ -	\$ -

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

	2018	2017
Share issue costs	\$ 273,700	\$ 194,100
Property and equipment	4,900	4,400
Canadian eligible capital	100	100
Exploration and evaluation assets	2,221,000	1,147,300
Asset retirement obligation	47,300	30,400
Capital loss carry-forwards	138,300	133,200
Non-capital loss carry-forwards	4,042,800	3,153,500
Total deferred income tax assets	6,728,100	4,663,000
Unrecognized deferred tax assets	(6,728,100)	(4,663,000)
Net deferred tax assets	\$ -	\$ -

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

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

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

	2018	Expiry Date Range	2017	Expiry Date Range
Exploration and evaluation assets	\$ 7,071,200	No expiry date	\$ 4,412,600	No expiry date
Property and equipment	18,200	No expiry date	17,100	No expiry date
Canadian eligible capital (CEC)	400	No expiry date	400	No expiry date
Share issue costs	1,013,800	2019-2022	746,600	2018-2021
Asset retirement obligation	175,200	No expiry date	116,800	No expiry date
Allowable capital losses	512,200	No expiry date	512,200	No expiry date
Non-capital losses available for future period	14,644,200	2022-2038	12,035,700	2022-2037

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

Expiry	Canada	USA	Argentina	Total
2038	\$ 1,784,500	\$ 768,900	\$ -	\$ 2,553,400
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
2023	-	-	55,100	55,100
2022	-	-	15,800	15,800
	\$ 13,549,900	\$ 1,023,400	\$ 70,900	\$ 14,644,200

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

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, 2018, the Company's financial instruments consist of cash, amounts receivable, reclamation bonds and accounts payable and accrued liabilities. The fair values of most of these financial instruments approximate their carrying values because of their current nature, and the carrying amount of the reclamation bonds is a reasonable approximation of fair value based on current market rates for similar instruments.

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, 2018 and 2017 were calculated as follows:

	Level 1	Level 2	Level 3	June 30, 2018
Cash	\$ 72,539	\$ -	\$ -	\$ 72,539

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

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements
For the year ended June 30, 2018 and 2017
(Expressed in Canadian dollars)

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 high quality financial institutions.

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 continues to operate with a very low cash balance and a substantial net working capital deficit, although approximately 37% of the deficit is owed to Company insiders. The team is working diligently to seek financing to meet its cash needs.

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 bonds. 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. From time to time, the Company has US dollar, Argentine peso ("ARS"), and UK pound ("GBP") balances in cash, amounts receivable, reclamation bonds, and accounts payable and accrued liabilities 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, ARS and/ or GBP 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, 2018.

At June 30, 2018, the Company, through its wholly owned subsidiaries, had foreign currency cash balances of US\$18,159 and ARS\$95,442, refundable deposit of US\$15,000, reclamation bonds of US\$133,048, asset retirement obligation of US\$133,048, accounts payable and accrued liabilities in foreign currencies of US\$227,929 and ARS\$73,773 and accounts receivable of GBP\$66. 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 \$25,600, based on the Company's current net exposure. A 10% change in the Argentine peso (ARS) or UK pound (GBP) would have an immaterial impact on the Company's net credit exposure. In practice, the actual results may differ from this sensitivity analysis, and the difference may be material. Management considers foreign exchange to be a significant risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest earned on cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. At June 30, 2018, the Company does not hold any liabilities that are subject to interest.

Price risk

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.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

11. SUPPLEMENTARY CASH FLOW INFORMATION AND NON-CASH TRANSACTIONS

Non-cash Financing and Investing Activities	2018	2017
	\$	\$
Exploration and evaluation asset option payment	4,192,393	13,795,913
Warrants issued for finders' fees	114,608	251,384
Fair value of share issued for services	-	27,857
Fair value of options exercised	165,154	496,877
Fair value of options expired/cancelled	694,157	145,471
Fair value of warrants exercised	-	-
Asset retirement obligation included in exploration and evaluation assets	58,410	116,788
Exploration and evaluation costs included in accounts payable	232,728	65,465

There were no cash inflows and outflows for interest and taxes during the years ended June 30, 2018 and 2017.

12. COMMITMENT

During the year ended June 30, 2018, the Company entered into a sublease agreement for office space. The minimum future lease payments are as follows:

Year ended	Amount (\$)
June 30, 2019	13,538

13. SUBSEQUENT EVENT

On August 10, 2018, the Company closed a private placement offering of a US\$225,000 Senior Convertible Promissory Note with a related party. The outstanding principal of the promissory note shall be paid to holder on or before the maturity date of October 4, 2019, unless previously prepaid or converted, at the option of the holder, into fully paid and non-assessable shares at US\$0.10 per share. The promissory note bears interest at 10% per annum, accruing daily and payable in quarterly installments on November 15, 2018, February 15, 2019, May 15, 2019, and at the maturity date of October 4, 2019.