



**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**  
*(Expressed in Canadian dollars)*

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Pure Energy Minerals Limited:

### ***Opinion***

We have audited the consolidated financial statements of Pure Energy Minerals Limited and its subsidiaries (together the “Company”), which comprise the consolidated statements of financial position as at June 30, 2022 and 2021, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders’ equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### ***Basis for Opinion***

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### ***Material Uncertainty Related to Going Concern***

We draw attention to Note 1 in the consolidated financial statements, which describes events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Management’s Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Graeme L. Cocke.

*Baker Tilly WM LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.  
October 26, 2022

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

As at	Notes	June 30, 2022	June 30, 2021
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		\$ 371,443	\$ 250,772
Goods and services tax receivable		1,829	3,799
Accrued receivable		358	-
Prepaid expenses		56,290	29,393
		429,920	283,964
Reclamation bonds	4	58,703	56,462
Exploration and evaluation assets	4	34,890,872	34,868,686
<b>TOTAL ASSETS</b>		<b>\$ 35,379,495</b>	<b>\$ 35,209,112</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities	5	\$ 99,144	\$ 240,254
		99,144	240,254
Decommissioning liabilities	4	58,703	56,462
<b>TOTAL LIABILITIES</b>		<b>157,847</b>	<b>296,716</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	59,192,258	58,968,672
Reserves	6	3,153,960	3,248,884
Foreign currency translation reserve		25,196	(1,101)
Deficit		(27,149,766)	(27,304,059)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>35,221,648</b>	<b>34,912,396</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 35,379,495</b>	<b>\$ 35,209,112</b>

Nature of Business and Going Concern (Note 1)

These consolidated financial statements were approved for issue by the Board of Directors on October 25, 2022, and signed on its behalf by:

"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 Income (Loss)

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

	Notes	June 30, 2022	June 30, 2021
<b>REVENUE</b>	4	\$ 506,351	\$ 256,459
<b>EXPENSES</b>			
Amortization		-	1,127
Bank charges and interest		1,149	666
Consulting		63,294	7,694
Investor relations		20,873	23,525
Management fees and salaries	5	193,925	198,163
Office		55,514	35,587
Professional fees	5	85,745	124,571
Project evaluation		-	2,388
Share-based compensation	5,6	-	153,440
Transfer agent and filing fees		46,970	74,123
Travel		6,681	-
		474,151	621,284
<b>NET INCOME (LOSS) BEFORE OTHER GAINS (LOSSES)</b>		32,200	(364,825)
<b>OTHER GAINS (LOSSES)</b>			
Foreign exchange gain (loss)		2,243	(7,817)
Extinguishment of accounts payable		43,881	-
<b>TOTAL OTHER GAINS (LOSSES)</b>		46,124	(7,817)
<b>NET INCOME (LOSS) FOR THE YEAR</b>		78,324	(372,642)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Items that may be reclassified subsequently to loss for the year</b>			
Foreign currency translation adjustment		26,297	(62,092)
<b>COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>		\$ 104,621	\$ (434,734)
<b>Earnings (loss) per share, basic</b>		\$ 0.00	\$ (0.01)
<b>Earnings (loss) per share, diluted</b>		\$ 0.00	\$ (0.01)
<b>Weighted average number of common shares outstanding:</b>			
Basic		32,874,831	32,519,573
Diluted		33,957,343	32,519,573

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

**PURE ENERGY MINERALS LIMITED**Consolidated Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars)

	Share capital		Reserves	Foreign Currency Translation Reserve	Deficit	Total Shareholders' Equity
	Number of Common Shares without Par Value	Amount				
Balance, June 30, 2020	31,953,856	58,050,173	3,652,082	60,991	(27,381,093)	34,382,153
Share consolidation adjustment (Note 1)	(20)	-	-	-	-	-
Shares issued to acquire 2% royalty (Note 4)	75,000	89,250	-	-	-	89,250
Shares issued under amended option agreement (Note 4)	419,363	578,721	-	-	-	578,721
Shares issued on exercise of stock options	336,250	100,875	-	-	-	100,875
Reclassification of fair value of exercised stock options	-	91,050	(91,050)	-	-	-
Shares issued on exercise of warrants	17,788	42,691	-	-	-	42,691
Reclassification of fair value of exercised warrants	-	15,912	(15,912)	-	-	-
Share-based compensation	-	-	153,440	-	-	153,440
Reclassification of fair value of expired stock options	-	-	(365,526)	-	365,526	-
Reclassification of fair value of expired warrants	-	-	(84,150)	-	84,150	-
Shares cancelled	(4)	-	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	(62,092)	(372,642)	(434,734)
Balance, June 30, 2021	32,802,233	58,968,672	3,248,884	(1,101)	(27,304,059)	34,912,396
Shares issued on exercise of stock options	70,000	21,000	-	-	-	21,000
Reclassification of fair value of exercised stock options	-	18,955	(18,955)	-	-	-
Shares issued for debt settlement	151,660	183,631	-	-	-	183,631
Reclassification of fair value of expired stock options	-	-	(75,969)	-	75,969	-
Net income and comprehensive income for the year	-	-	-	26,297	78,324	104,621
Balance, June 30, 2022	33,023,893	59,192,258	3,153,960	25,196	(27,149,766)	35,221,648

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

**PURE ENERGY MINERALS LIMITED**

Consolidated Statements of Cash Flows  
For the years ended June 30, 2022 and 2021  
(Expressed in Canadian dollars)

	June 30, 2022	June 30, 2021
Cash provided by (used in):		
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the year	\$ 78,324	\$ (372,642)
Items not involving cash		
Amortization	-	1,127
Extinguishment of accounts payable	(43,881)	-
Share-based compensation	-	153,440
	34,443	(218,075)
Net changes in non-cash working capital items		
Goods and Services Tax receivable	1,970	(1,516)
Prepaid expenses and accrued receivable	(27,255)	(18,362)
Accounts payable and accrued liabilities	86,402	55,131
Net cash provided by (used in) operating activities	95,560	(182,822)
<b>INVESTING ACTIVITIES</b>		
Reclamation bond recovery	-	26,953
Exploration and evaluation expenditures	-	(39,551)
Net cash provided by (used in) investing activities	-	(12,598)
<b>FINANCING ACTIVITY</b>		
Proceeds from stock options exercised	21,000	100,875
Proceeds from warrant exercised	-	42,691
Net cash provided by financing activities	21,000	143,566
Effect of exchange rate changes on cash	4,111	(7,015)
Change in cash during the year	120,671	(58,869)
Cash, beginning of the year	250,772	309,641
Cash, end of the year	\$ 371,443	\$ 250,772

Supplementary cash flow information (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 years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**1. NATURE OF BUSINESS AND GOING CONCERN**

Pure Energy Minerals Limited (“Pure Energy” or the “Company”) was incorporated on May 10, 2007 under the British Columbia *Business Corporations Act*. The Company’s principal business activities are the acquisition, exploration and development of mineral properties. The Company is domiciled in Canada and is a reporting issuer in British Columbia and Alberta. Its common shares are publicly traded on the TSX Venture Exchange (the “Exchange”) under the stock symbol “PE”. In addition, the Company trades on the OTCQB trading platform in the United States under the trading symbol “PEMIF” and on the Börse Frankfurt (Stock Exchange) under the trading symbol “AHG”. The address of its head office is 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6.

On November 23, 2020, the Company completed a six for one (6:1) common share consolidation. All share figures and per share figures in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

At June 30, 2022, 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. Under the terms of an earn-in agreement dated May 1, 2019 (the “Transaction”) with Schlumberger Technology Corporation (“SLB”), a subsidiary of Schlumberger Limited, SLB is responsible for all costs associated with the Clayton Valley Project (“CV project”) and pilot plant (Note 4).

The global impact of COVID-19 and the Ukraine war has resulted in a great deal of volatility and uncertainty in the financial markets, global economy, and related supply chains. The financial markets may have adjusted to the negative impact from COVID-19 but the potential future impact of these events to Company’s financial results cannot be estimated at this time.

For the year ended June 30, 2022, the Company earned royalty revenue resulting in net income of \$78,324 (2021 - incurred a net loss of \$372,642, which was funded by the issuance of equity). At June 30, 2022, the Company had a working capital surplus of \$330,776 (June 30, 2021 - \$43,710) and an accumulated deficit of \$27,149,766 (June 30, 2021 - \$27,304,059). 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 factors and the necessity that the Company raise sufficient funds to carry out its exploration and development plans is conditional, in part, on the continuation of its agreements and investor support. The material uncertainty raised by these events and conditions may cast 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 outside of the normal course of business, and the amounts realized could differ materially from those reflected in the accompanying consolidated financial statements.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**2. BASIS OF PRESENTATION**

## a) Statement of compliance

These consolidated 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”).

## b) Basis of presentation

These 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 B.C. Ltd., Esmeralda Minerals, LLC, 1056625 B.C. Ltd., 1061582 B.C. Ltd. and LT Capital Holdings, LLC (collectively referred to as the “Company” or “Group”). Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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. Intercompany 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 revenue and expenses during the reporting period. These consolidated financial statements include estimates that, 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, which 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.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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

## d) Significant accounting estimates and judgments (continued)

*Critical accounting estimates*

## Stock-based compensation

Share-based compensation is valued using the Black-Scholes option pricing model at the date of grant and expensed in profit or loss over vesting period of each award. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Share-based compensation expense also utilizes subjective assumption on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

*Critical accounting judgments**Impairment of Exploration and Evaluation Asset*

The net carrying value of an exploration asset is reviewed regularly for conditions that suggest potential indications of impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

- *Functional Currency*

The functional currency for the Company's subsidiaries, 0891884 B.C. Ltd. and, Esmeralda Minerals, is the U.S. dollar, which is the currency of the primary economic environment in which those entities operate. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

- *Income taxes*

Deferred tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**3. SIGNIFICANT ACCOUNTING POLICIES**

## a) 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 is the US dollar ("US"). The presentation currency of Pure Energy 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 consolidated statement of financial position, while non-monetary assets and liabilities are translated at historical rates.

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

The results of operations and financial position of each subsidiary where the functional currency is different from the presentation currency are translated as follows: assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position; expenses are translated at the average exchange rate for the period in which they are incurred, all resulting exchange differences are recognized in other comprehensive income or loss.

## b) 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.

Mineral properties are carried at cost less accumulated impairment losses, if any. Management annually assesses the facts and circumstances of exploration stage properties and determines if there are events and circumstances that may indicate possible impairment. Indicators that a property may be impaired include, but are not limited to: (i) whether the period for which the entity has the right to explore a specific area has expired or will expire in the near future; (ii) where substantive expenditures on further exploration for and evaluation of mineral resources in the specific areas is neither budgeted nor planned; (iii) where exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue activities in the specific area; and (iv) where sufficient data exist to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

## b) Exploration and evaluation assets (continued)

Where an indicator of impairment is present, the Company determines the recoverable amount of the specific asset by determining the asset's value in use or fair value less costs of disposal, and comparing this to the carrying amount as at the reporting date. In the event that recoverable amount is determined by management to be insufficient to recover the carrying amount of the property, an impairment loss is recognized in profit or loss. 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.

Exploration and evaluation expenditures are classified as intangible assets.

## c) 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.

## d) 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.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

**e) 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 reserves.

**f) 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 compensation 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 reserves. Consideration received for the exercise of warrants is recorded in share capital, and any related amount recorded in reserves is transferred to share capital. Charges for options or warrants that are cancelled or expire are reclassified from reserves to deficit.

**g) Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings (loss) per share except that the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The Company applies the treasury stock method in calculating diluted earnings per share, which assumes that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. Diluted loss per share excludes all dilutive potential common shares, as their effect would be anti-dilutive.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

## h) 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.

## i) Revenue recognition

The Company recognizes revenue pursuant to contractually agreed terms when the Company has met its performance obligations and the collectability of revenue is reasonably assured. Royalties consist of revenues earned directly from royalty agreements. Revenue recognition generally occurs in the month of receipt from the royalty property, until such time as the property goes into production. Revenue is measured at fair value of the consideration received or receivable when management can reliably estimate the amounts pursuant to the terms of the royalty agreement.

## j) Financial Instruments

## (i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial assets and liabilities:

Financial assets/liabilities	Classification
Cash	FVTPL
Accrued receivable	Amortized cost
Reclamation bonds	Amortized cost
Accounts payable	Amortized cost
Accrued liabilities	Amortized cost

## (ii) Measurement

Financial assets and liabilities at FVTOCI or amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Financial instruments measured at amortized cost utilize the effective interest rate method of accounting. The 'effective interest rate' is the rate that discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets. Interest expense is reported in profit or loss.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

## j) Financial Instruments (continued)

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

## (iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

## (iv) Derecognition

## Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in profit or loss.

## Financial liabilities

Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. Gains and losses on derecognition of financial liabilities are recognized in profit or loss.

## k) Recent Accounting pronouncements

New standards, interpretations, amendments and improvements to existing standards with future effective dates have been reviewed by management and are either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**4. EXPLORATION AND EVALUATION ASSETS**

	Clayton Valley Claims
<b>Acquisition costs</b>	
Balance, June 30, 2020	\$ 19,792,118
Share issued under amended option agreement	578,721
Share issued to acquire 2% royalty	89,250
Cash paid to acquire 2% royalty	30,985
Impact of foreign exchange	(8,357)
Balance, June 30, 2021	20,482,717
Impact of foreign exchange	3,332
Balance, June 30, 2022	\$ 20,486,049
<b>Exploration and evaluation</b>	
Balance, June 30, 2020	\$ 14,451,076
Decommissioning liabilities	(26,953)
Claims renewal and maintenance	8,566
Impact of foreign exchange	(46,720)
Balance, June 30, 2021	14,385,969
Impact of foreign exchange	18,854
Balance, June 30, 2022	\$ 14,404,823
Total, June 30, 2021	\$ 34,868,686
Total, June 30, 2022	\$ 34,890,872

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**4. EXPLORATION AND EVALUATION ASSETS (continued)****Clayton Valley Claims**Schlumberger Transaction

The Company entered into an agreement with SLB on May 28, 2019 (the "Earn-In Agreement") for an earn-in option (the "Option") of, and if completed, the sale of the CV Project to SLB.

The Earn-In Agreement provides a three-year earn-in period (the "Option Period") commencing on the receipt of the final federal and state permits necessary for the construction of the Pilot Plant. SLB may exercise the Option at any time during the Option Period, provided that the Pilot Plant has become operational in accordance with prescribed specifications.

Concurrently, SLB undertook a private placement in the Company for US\$1,500,000, representing 5,403,623 shares, and converted convertible debt of US\$400,000 and interest of \$19,765, representing 920,618 shares, of Pure Energy. These transactions resulted SLB holding a 17.9% interest in Pure Energy at June 30, 2022 (June 30, 2021 – 18.6%).

During the Option Period, SLB will assume all project-related property, permitting and development costs and will act as operator of the Project.

Upon exercise of the Option, the Company will be entitled to receive a 3% net smelter return royalty ("NSR") on minerals produced at the CV Project and an Advance Minimum Royalty ("AMR") payment of US\$400,000 annually commencing January 1, 2021 for a period of five years or until the CV Project achieves commercial production. AMR payments are non-refundable but are recoverable from SLB against up to 60% of future NSR payments.

During the year ended June 30, 2022, the Company recognized \$506,351 (US\$400,000) (2021 – \$256,459 (US\$200,000)) of royalty revenue related to the AMR payments outlined in the Earn-In Agreement.

**GeoXplor Corp. ("GeoXplor") and Clayton Valley Lithium Inc. for the 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	-	166,667
Within one year (paid/issued)	250,000	750,000	29,485
Within two years (paid/issued)	250,000	1,000,000	29,485
Within three years (superseded)	250,000	2,000,000	29,485
Within four years (superseded)	250,000	Pre-feasibility study or commercial production	29,485
Total	1,100,000	3,750,000	284,607

On May 10, 2017, the Company entered into a new option agreement with GeoXplor (described below under "GeoXplor-LiX consolidated agreement"). The new option agreement supersedes the original May 12, 2014 agreement.

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

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**4. EXPLORATION AND EVALUATION ASSETS (continued)****Clayton Valley Claims (continued)****Nevada Alaska Option and Lease Agreement for the CD and CE claims in Clayton Valley, Esmeralda County, Nevada**

On May 31, 2015 (the “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
Effective date (paid/issued)	\$35,000	37,770
Within one year (paid/issued)	\$35,000	2,380
Within two years (paid/issued)	\$35,000	2,564
Within three years (paid/issued)	\$35,000	6,369
Within four years (paid by SLB, issued)	\$35,000	21,653
Within five years and each year thereafter <sup>(1)</sup>	US\$75,000	-

<sup>(1)</sup> SLB paid US\$75,000 on May 16, 2022 and May 28, 2021

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

**GeoXplor-LiX consolidated agreement for NSP, PM, CV, DB, CVL and CVS claims in Clayton Valley, Esmeralda County**

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 and to consolidate the claims with the GeoXplor claims under a revised option agreement. The transaction resulted in 100% acquisition of three subsidiaries, 1056625 B.C. Ltd., 1061582 B.C. Ltd. and LT Capital Holdings, LLC.

The Company issued 3,339,697 common shares at a fair value of \$12,022,909 and 337,048 share purchase warrants measured at a fair value of \$724,223. 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. On acquisition, the Company also assumed and recognized decommissioning liability, measured at a fair value of \$81,381. The warrants expired unexercised during the year ended June 30, 2020.

In addition, Lithium X acquired 595,238 units of the Company for gross proceeds of \$2,000,000. Each unit consisted of one common share and one-half of one share purchase warrant. The warrants expired unexercised during the year ended June 30, 2020. As part of the agreement, the Company was assigned the obligation to pay a 2% NSR from the production of minerals and mineral ores that are extracted from the CVS and CVL claims to the original seller of such claims to Lithium X. On May 26, 2021, the Company entered into an agreement to purchase the 2% NSR. The purchase of the underlying royalty removes any future obligation by the Company for royalty payments on these properties. The purchase price consisted of 75,000 common shares of the Company, valued at \$89,250 and a cash payment of \$30,985 (US\$25,000). The Company was also required to reimburse the seller \$6,411 (US\$5,000) of legal expenses.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**4. EXPLORATION AND EVALUATION ASSETS (continued)****Clayton Valley Claims (continued)****GeoXplor-LiX consolidated agreement for NSP, PM, CV, DB, CVL and CVS claims in Clayton Valley, Esmeralda County (continued)**

On May 10, 2017, the Company also entered into a new option agreement with GeoXplor, closing June 5, 2017. The option agreement superseded the May 12, 2014 agreement (CV and DB claims). Under the option agreement, the Company decreases its royalty obligations and assumes operatorship over an expanded group of optioned mineral claims. The agreement required the completion of a feasibility study by December 31, 2019 and the payment of USD\$4,500,000 on or before July 1, 2021 (amended as per April 20, 2021 amending agreement below).

The Company entered into amending agreements with GeoXplor dated June 8, 2018, August 10, 2018, October 1, 2018, and April 20, 2021.

Total cash consideration of US\$1,037,500 was paid to GeoXplor between May 10, 2017 and May 30, 2019.

Total share consideration of 1,083,333 common shares was issued to GeoXplor between May 10, 2017 and December 31, 2018.

The fourth amending agreement dated April 20, 2021 provides a modified payment schedule as follows, and eliminates the feasibility requirement in exchange for a final investment decision by SLB.

- (i) US\$500,000 in value of the Company's shares on the signing of the fourth amending agreement (issued);
- (ii) US\$250,000 of the Company's shares on or before June 30, 2021 (transferred from SLB's existing holdings);
- (iii) US\$250,000 of the Company's shares on or before December 31, 2021 (transferred from SLB's existing holdings);
- (iv) US\$500,000 on June 30, 2022 (paid by SLB);
- (v) US\$500,000 on December 31, 2022 (to be paid by SLB);
- (vi) US\$3,000,000 on December 31, 2023 or earlier at the discretion of SLB (to be paid by SLB); and
- (vii) US\$1,000,000 in value of the Company's shares on the earlier of the date of the final investment decision date or December 31, 2023 (to be issued by the Company).

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

- (i) A 3% royalty on all minerals produced and extracted from the GeoXplor property;
- (ii) Payment of an advance royalty of US\$250,000 on the fourth (paid subsequently by SLB) 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).

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 disturbed ground. As at June 30, 2022, the Company has recorded reclamation bonds of \$ 58,703 (June 30, 2021 - \$56,462) relating to its Clayton Valley claims. The total decommissioning liabilities have been estimated as the value of reclamation bond requirements, which total \$58,703 (June 30, 2021 - \$56,462) as at June 30, 2022. Management believes that the value of the reclamation bonds as calculated by the Bureau is an accurate representation of the limited ground disturbance that has been caused to date.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**4. EXPLORATION AND EVALUATION ASSETS (continued)****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") (together, the "Vendors") to acquire the Clayton NE claim blocks (the "Acquired Claims") located in Esmeralda County, Nevada.

Pursuant to the Agreement, Pure Energy issued to the Vendors an aggregate 1,166,667 common shares (the "Consideration Shares") in total amount \$3,395,000, with 816,667 Consideration Shares issued to Advantage and 350,000 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 overriding royalty granted in favour of a prior owner.

The Agreement required that the Vendors would not, directly or indirectly, sell or transfer any of the Consideration Shares.

**5. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company's related parties consist of the directors, executive officers and companies owned in whole or in part by them.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and senior officers.

**Compensation of key management personnel**

For the years ended:	June 30, 2022	June 30, 2021
Management fees and salaries	\$ 189,953	\$ 195,564
Share-based compensation – officers and management	-	35,320
Share-based compensation – directors	-	82,801
<b>Total</b>	<b>\$ 189,953</b>	<b>\$ 313,685</b>

**Other related parties**

During the year ended June 30, 2022, the Company incurred professional fees of \$23,967 (2021 - \$33,074) and share-based compensation of \$nil (2021 - \$6,792) to a company controlled by an officer of the Company.

**Amounts due to related parties**

At June 30, 2022, accounts payable and accrued liabilities include \$44,418 (2021 - \$148,965) owing to directors and officers of the Company and a company controlled by an officer of the Company for accrued and unpaid management fees, salaries, expense reimbursements, accounting services and management services. These amounts are unsecured, non-interest-bearing and due on demand.

**6. SHARE CAPITAL**

## a) Authorized

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

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**6. SHARE CAPITAL (continued)**

## b) Issued and outstanding

Share capital activity for the year ended June 30, 2022 is described as follows:

- (i) During the year ended June 30, 2022, the Company issued 70,000 common shares pursuant to the exercise of stock options for proceeds of \$21,000. The weighted average share price of the Company was \$1.51 when these options were issued.
- (ii) During the year ended June 30, 2022, the Company issued 151,660 common shares for debt settlement at a fair value of \$183,631.

Share capital activity for the year ended June 30, 2021 is described as follows:

- (i) On June 2, 2021, the Company issued 75,000 common shares at a fair value of \$1.19 per share to acquire a 2% NSR, related to 345 of its placer claims in Esmeralda County, Nevada (Note 4).
- (ii) On May 3, 2021 the Company issued 419,363 common shares at a fair value of \$1.38 per share pursuant to the signing of the fourth amending agreement with GeoXplor (Note 4).
- (iii) During the year ended June 30, 2021, the Company issued 336,250 common shares pursuant to the exercise of stock options for proceeds of \$100,875. The Company's weighted average share price during the period in which these options were exercised was \$1.46.
- (iv) On January 27, 2021, the Company issued 17,788 common shares pursuant to the exercise of brokers warrants for proceeds of \$42,691. The Company's share price on the date these warrants were exercised was \$1.96.

## 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 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 that 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. The maximum term is 10 years.

The continuity of stock options for the year ended June 30, 2022 and the year ended June 30, 2021 is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, June 30, 2020	1,520,836	1.60
Granted	83,333	0.90
Exercised	(336,250)	(0.30)
Expired/Cancelled	(116,667)	(3.68)
Balance, June 30, 2021	1,151,252	1.71
Exercised	(70,000)	(0.30)
Expired	(54,167)	(3.00)
Balance, June 30, 2022	1,027,085	1.74
Fully vested and exercisable at June 30, 2022	1,027,085	1.74

**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)***6. SHARE CAPITAL (continued)**

## c) Stock options (continued)

A summary of the Company's options outstanding as at June 30, 2022 is as follows:

Expiry Date	Exercise Price (\$)	Options Outstanding	Weighted Average Remaining Life of Options (Years)	Options Exercisable
July 11, 2022 <sup>(1)</sup>	3.42	200,000	0.03	200,000
February 26, 2023	2.22	391,667	0.66	391,667
May 21, 2023	1.62	41,667	0.89	41,667
June 8, 2025	0.30	310,418	2.94	310,418
October 27, 2025	0.90	83,333	3.33	83,333
		1,027,085	1.45	1,027,085

(1) These options expired un-exercised subsequent to June 30, 2022.

## d) Share-based compensation

During the year ended June 30, 2022, the Company expensed \$nil (2021 - \$153,440) relating to stock options granted and vested.

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

Year ended	June 30, 2022	June 30, 2021
Risk-free interest rate	-	0.37%
Expected dividend yield	-	-
Stock price volatility	-	116%
Expected life of options	-	5 years
Forfeiture rate	-	-
Share price	-	\$0.84
Exercise price	-	\$0.90

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 year ended June 30, 2022 and the year ended June 30, 2021 is presented below.

	Agent Warrants		Financing Warrants	
	Number of Warrants	Weighted Average Exercise Price (\$)	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, June 30, 2020	111,859	2.40	2,290,833	3.30
Exercised	(17,788)	(2.40)	-	-
Expired	(94,071)	(2.40)	(2,290,833)	(3.30)
Balance, June 30, 2021 and June 30, 2022	-	-	-	-

**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)***6. SHARE CAPITAL (continued)**

## f) Reserves

As at June 30, 2022 and June 30, 2021, reserves consisted of the following:

		June 30, 2022		June 30, 2021
Loan forgiveness	\$	2,449,536	\$	2,449,536
Stock options		704,424		799,348
<b>Total reserves</b>	<b>\$</b>	<b>3,153,960</b>	<b>\$</b>	<b>3,248,884</b>

**7. INCOME TAX**

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

		2022		2021
Combined statutory tax rate		27.00%		27.00%
Income tax expense (recovery) at combined statutory rate	\$	21,100	\$	(100,600)
Foreign tax and foreign exchange rates and other		128,800		72,600
Non-deductible expenses		-		41,400
Adjustment to prior years provision versus statutory tax		(1,918,300)		-
Change in unrecognized deferred tax assets (liabilities)		1,768,400		(13,400)
<b>Income tax expense</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

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

		2022		2021
Share issue costs	\$	8,400	\$	48,600
Property and equipment		-		5,800
Canadian eligible capital		100		100
Exploration and evaluation assets		662,500		881,300
Decommissioning liabilities		15,800		15,200
Capital loss carryforwards		698,400		693,600
Non-capital loss carryforwards		6,679,500		4,651,700
<b>Total deferred income tax assets</b>		<b>8,064,700</b>		<b>6,296,300</b>
<b>Unrecognized deferred tax assets</b>		<b>(8,064,700)</b>		<b>(6,296,300)</b>
<b>Net deferred tax assets</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**7. INCOME TAXES (continued)**

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

	2022	Expiry Date Range	2021	Expiry Date Range
Exploration and evaluation assets	\$ 2,453,800	No expiry date	\$ 3,264,100	No expiry date
Property and equipment		No expiry date	21,600	No expiry date
Canadian eligible capital (CEC)	300	No expiry date	400	No expiry date
Share issue costs	31,000	2022-2024	180,000	2021-2024
Decommissioning liabilities	58,700	No expiry date	56,500	No expiry date
Allowable capital losses	2,480,100	No expiry date	2,466,400	No expiry date
Non-capital losses available for future periods	24,454,300	As below	16,857,100	As below

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

Expiry	Canada
2042	\$ 412,300
2041	893,200
2040	4,444,000
2039	2,309,300
2038	3,256,300
2037	2,788,000
2036	2,489,300
2035	1,261,300
2034	579,900
2033	802,000
2032	1,369,200
2031	1,559,500
2030	701,100
2029	160,500
2028	142,600
2027	182,800
2026	143,000
	<u>\$ 23,494,300</u>

Non-capital losses incurred in the USA totalling \$960,000 (2021 - \$1,255,900) are able to be carried forward to future periods with no expiry date.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**8. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of mineral properties. The Company considers the items in shareholders' equity as capital, which amounted to \$35,221,648 at June 30, 2022 (2021 - \$34,912,396). 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 adjusts 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 issue common shares, dispose of assets or adjust the amount of cash. There has been no change to how capital is managed from the prior year.

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

As at June 30, 2022, the Company's financial instruments consist of cash, accrued receivable, reclamation bonds, accounts payable, and accrued liabilities.

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 accrued receivable, reclamation bonds, accounts payable and accrued liabilities all have carrying amounts that approximate their fair values, due to either the short-term nature of these instruments or the attached market rate of interest. The Company's cash is carried at fair value in accordance with level 1 of the fair value hierarchy.

**Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The financial instrument that potentially subjects the Company to concentrations of credit risk consists principally of cash. To minimize the credit risk, the Company places its cash with high quality financial institutions. There has been no material change to the Company's credit risk during the year ended June 30, 2022.

**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 in Note 8. The Company 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. As at June 30, 2022, the Company had cash of \$371,443 (2021 - \$250,772), to meet its current liabilities of \$99,144 (2021 - \$240,254). There has been no material change to the Company's liquidity risk during the year ended June 30, 2022.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**9. FINANCIAL INSTRUMENTS (continued)****Foreign exchange risk**

The Company is exposed to currency fluctuations. From time to time, the Company has US dollar balances in cash, accrued receivable, reclamation bonds, 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 could have an effect on the Company's profit or loss, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations at June 30, 2022.

At June 30, 2022, the Company, through its wholly owned subsidiaries, had a foreign currency cash balance of US\$284,318 (2021 – US\$195,186), reclamation bonds of US\$45,556 (2021 – US\$45,556), and accounts payable and accrued liabilities in foreign currencies of US\$47,150 (2021 – US\$132,561). The Company is committed to certain property payments and exploration and evaluation expenditures that 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 \$28,000 (2021 – US\$13,400) based on the Company's current net 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, and did not see a material change in that risk during the year ended June 30, 2022.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to 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, 2022 and 2021, the Company did 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. There has been no material change to the Company's price risk during the year ended June 30, 2022.

**10. SEGMENT INFORMATION**

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's primary exploration and evaluation assets are located in the U.S. and its corporate assets, comprising mainly cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues from the sale of minerals or related operating results. The Company received advance royalty income of US\$400,000 per year in the USA starting January 1, 2021.

The Corporation's total assets are segmented geographically as follows:

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	Canada		U.S.		Total
<b>As at June 30, 2022</b>					
Current assets	\$	60,681	\$	369,239	\$ 429,920
Reclamation bonds		-		58,703	58,703
Exploration and evaluation assets		750,000		34,140,872	34,890,872
	\$	810,681	\$	34,568,814	\$ 35,379,495
<b>As at June 30, 2021</b>					
Current assets	\$	49,369	\$	234,595	\$ 283,964
Reclamation bonds		-		56,462	56,462
Exploration and evaluation assets		750,000		34,118,686	34,868,686
	\$	799,369	\$	34,409,743	\$ 35,209,112

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**PURE ENERGY MINERALS LIMITED**

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

*(Expressed in Canadian dollars)*

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**11. SUPPLEMENTARY CASH FLOW INFORMATION**

<u>Non-cash Financing and Investing Activities</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Fair value of options and warrants expired/cancelled	\$ 75,969	\$ 449,676
Fair value of options exercised	\$ 18,955	\$ 91,050
Shares issued for debt settlement	\$ 183,631	\$ -
Fair value of warrants exercised	\$ -	\$ 15,912
Shares issued to purchase 2% NSR	\$ -	\$ 89,250
Shares issued under amended option agreement	\$ -	\$ 578,721

There were no cash flows for interest and income taxes during the years ended June 30, 2022 and 2021.