



CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019
(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, 2020 and 2019, and the consolidated statements of comprehensive loss, consolidated statements of changes in 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, 2020 and 2019, 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 & 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 audits 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 audits 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, 2020

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

As at	Notes	June 30, 2020	June 30, 2019
ASSETS			
CURRENT			
Cash		\$ 309,641	\$ 683,774
GST receivable		2,283	11,872
Amounts receivable		-	19,631
Prepaid expenses		11,031	33,963
		<u>322,955</u>	<u>749,240</u>
Property and equipment	4	1,127	2,253
Reclamation bonds	5	91,755	143,761
Exploration and evaluation assets	5	34,243,194	34,271,235
		<u>34,659,031</u>	<u>35,166,489</u>
TOTAL ASSETS			
LIABILITIES			
CURRENT			
Accounts payable	6	\$ 72,556	\$ 201,365
Accrued liabilities	6	112,567	114,171
Asset retirement obligation	5	91,755	143,761
		<u>276,878</u>	<u>459,297</u>
SHAREHOLDERS' EQUITY			
Share capital	8	58,050,173	57,981,094
Reserves	8	3,652,082	5,429,713
Accumulated other comprehensive income		60,991	28,535
Deficit		<u>(27,381,093)</u>	<u>(28,732,150)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>34,382,153</u>	<u>34,707,192</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 34,659,031</u>	<u>\$ 35,166,489</u>

Nature of Business and Going Concern (note 1)
Subsequent Events (note 8)

Approved and authorized for issue on behalf of the Board on October 26, 2020

"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, 2020 and 2019

(Expressed in Canadian dollars)

	Notes	June 30, 2020	June 30, 2019
EXPENSES			
Amortization	4	\$ 1,126	\$ 1,127
Bank charges and interest		1,102	61,825
Business development		-	6,817
Consulting		-	3,292
Investor relations		2,985	86,959
Management fees and salaries	6	253,555	263,171
Office and general		41,230	77,712
Professional fees		121,632	281,377
Project evaluation		12,115	13,940
Share based compensation	6, 8	77,233	115,898
Transfer agent and filing fees		50,728	70,699
Travel		-	22,673
LOSS BEFORE OTHER ITEMS		(561,706)	(1,005,490)
OTHER ITEMS:			
Accretion		-	(53,611)
Change in value of derivative		-	77,472
Gain on extinguishment of debt		53,097	6,061
Foreign exchange gain/(loss)		4,803	(3,439)
Write-down/write-off of exploration and evaluation assets	5	(1)	(51,394)
TOTAL OTHER ITEMS		57,899	(24,911)
NET LOSS FOR THE YEAR		\$ (503,807)	\$ (1,030,401)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to loss for the year			
Foreign currency translation adjustment		32,456	(8,365)
COMPREHENSIVE LOSS		\$ (471,351)	\$ (1,038,766)
Loss per share, basic and diluted		\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding		191,598,485	153,617,857

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, 2020 and 2019

(Expressed in Canadian dollars)

	Share capital		Reserves	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
	Number of Common Shares without Par Value	Amount				
Balance at June 30, 2018	146,597,551	\$ 54,684,409	\$ 5,667,313	\$ 36,900	\$ (28,055,247)	\$ 32,333,375
Shares issued for property acquisition	5,250,000	828,750	-	-	-	828,750
Shares issued for cash:						
Private placement, net of issuance costs	32,421,737	1,841,911	-	-	-	1,841,911
Shares issued to extinguish accounts payable	887,626	84,670	-	-	-	84,670
Issuance of convertible debt	-	-	49,557	-	-	49,557
Conversion of convertible debt, net of issuance costs	5,523,707	541,354	(49,557)	-	-	491,797
Share based compensation	-	-	115,898	-	-	115,898
Reclassification of fair value of expired/cancelled stock options	-	-	(353,498)	-	353,498	-
Net loss and comprehensive income for the year	-	-	-	(8,365)	(1,030,401)	(1,038,766)
Balance at June 30, 2019	190,680,621	57,981,094	5,429,713	28,535	(28,732,150)	34,707,192
Shares issued to extinguish debt	912,595	63,882	-	-	-	63,882
Shares issued for property acquisition	129,915	5,197	-	-	-	5,197
Share based compensation	-	-	77,233	-	-	77,233
Reclassification of fair value of expired/cancelled stock options and warrants	-	-	(1,854,864)	-	1,854,864	-
Net loss and comprehensive loss for the year	-	-	-	32,456	(503,807)	(471,351)
Balance at June 30, 2020	191,723,131	\$ 58,050,173	\$ 3,652,082	\$ 60,991	\$ (27,381,093)	\$ 34,382,153

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, 2020 and 2019
(Expressed in Canadian dollars)

	June 30, 2020	June 30, 2019
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss	\$ (503,807)	\$ (1,030,401)
Items not involving cash:		
Amortization	1,126	1,127
Share-based compensation	77,233	115,898
Gain on extinguishment of debt	(53,097)	(6,061)
Convertible debt accretion	-	53,611
Change in value of derivative liability	-	(77,472)
Write-down/write-off of exploration and evaluation assets	1	51,394
	(478,544)	(891,904)
Net changes in non-cash working capital items:		
GST receivable and amounts receivable	29,220	(3,447)
Prepaid expenses	22,932	12,965
Accounts payable and accrued liabilities	(8,662)	273,104
Net cash used in operating activities	(435,054)	(609,282)
INVESTING ACTIVITIES		
Deposits	-	714
Reclamation bond recovery	60,325	-
Exploration and evaluation expenditures	(3,051)	(1,182,540)
Net cash provided by (used in) investing activities	57,274	(1,181,826)
FINANCING ACTIVITIES		
Issuance of common shares	-	1,993,637
Share issuance costs	-	(151,726)
Issuance of convertible debt	-	918,598
Repayment of convertible debt	-	(401,550)
Net cash provided by financing activity	-	2,358,959
Effect of exchange rate changes on cash	3,647	43,384
Change in cash during the year	(374,133)	611,235
Cash, beginning of the year	683,774	72,539
Cash, end of the year	\$ 309,641	\$ 683,774

Supplementary cash flow information and non-cash transactions (note 12)

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

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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, and 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 "AHG1". The address of its head office is 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6P3. .

At June 30, 2020, 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 with Schlumberger Technologies 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 5).

For the year ended June 30, 2020, the Company incurred a net loss of \$503,807 (2019 - \$1,030,401) which was funded by the issuance of equity. At June 30, 2020, the Company has working capital of \$46,077 (2019 - \$289,943) and an accumulated deficit of \$27,381,093 (2019 - \$28,732,150). 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The 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").

The consolidated financial statements were authorized for issue in accordance with a resolution from the Board of Directors on October 26, 2020.

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 years ended June 30, 2020 and 2019

(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. (dissolved during the year ended June 30, 2020), 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 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. 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 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:

Critical accounting estimates

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

Critical accounting judgments

- The assessment of indications of impairment of the exploration and evaluation assets;
- The determination of the functional currency of each entity within the Group;
- The assessment of whether an acquisition meets the definition of a business or whether assets are acquired; and
- 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 years ended June 30, 2020 and 2019

(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 ("CAD"). The functional currency of Esmeralda Minerals, LLC and Pure Energy Argentina S.A. (prior to its dissolution) 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 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 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 amount of the property, the carrying amount 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.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Exploration and evaluation assets (continued)

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 profit and loss.

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.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (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.

l) Property and equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on equipment at the 20% declining balance.

The assets' residual values, useful lives and methods of amortization are reviewed at each fiscal year end and adjusted prospectively, if appropriate. Amortization is recognized in profit or loss.

m) 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 years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and 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 under IFRS 9
Cash	FVTPL
Reclamation bond	Amortized cost
Amounts receivable	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 assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of 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 the consolidated statements of 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 the consolidated statements of 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 the consolidated statements of loss.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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

The following new accounting policy was adopted during the year ended June 30, 2020:

IFRS 16 Leases

The Company adopted the requirements of IFRS 16 effective July 1, 2019. This new standard replaces IAS 17 *Leases* and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets.

Upon adoption, the Company has elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight-line basis for short-term leases (lease term of 12 months or less) and low value assets. The Company has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of initial application would be accounted for in the same way as short-term leases.

Upon the adoption of IFRS 16, the Company was not required to recognize any right-of-use assets and lease liabilities, as the Company had no leases outstanding.

For any new contracts entered into on or after July 1, 2019, the Company considers whether a contract is or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration”. To apply this definition, the Company assesses whether the contract meets three key evaluations, which are whether:

- (i) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- (ii) The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- (iii) The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the consolidated statement of financial position. The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease, if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company’s incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the consolidated statement of financial position, right-of-use assets would be included under non-current assets, and lease liabilities would be included under current and non-current liabilities.

4. PROPERTY AND EQUIPMENT

	Property and equipment
<hr/> Cost <hr/>	
Balance, June 30, 2020, 2019 and 2018	\$ 21,558
<hr/> Accumulated amortization	
Balance, June 30, 2018	18,178
Amortization	1,127
Balance, June 30, 2019	19,305
Amortization	1,126
Balance, June 30, 2020	\$ 20,431
<hr/> Carrying amounts <hr/>	
At June 30, 2019	\$ 2,253
At June 30, 2020	\$ 1,127

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

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

	Clayton Valley Claims		Terra Cotta Claims		Total
Acquisition costs					
Balance, June 30, 2018	\$	18,461,766	\$	50,000	\$ 18,511,766
Shares issued		828,750		-	828,750
Cash option payment		493,290		-	493,290
Write-down		-		(50,262)	(50,262)
Impact of foreign exchange		(549)		263	(286)
Balance, June 30, 2019		19,783,257		1	19,783,258
Shares issued		5,197		-	5,197
Write-down		-		(1)	(1)
Impact of foreign exchange		3,664		-	3,664
Balance, June 30, 2020	\$	19,792,118	\$	-	\$ 19,792,118
Exploration and evaluation					
Balance, June 30, 2018	\$	14,031,111	\$	-	\$ 14,031,111
Assay and laboratory		3,611		-	3,611
Claims renewal and maintenance costs		292,354		-	292,354
Environmental		86,778		-	86,778
Processing and engineering		65,699		-	65,699
Legal		38,405		-	38,405
Other		4,448		1,132	5,580
Asset retirement obligation		(31,133)		-	(31,133)
Write-down		-		(1,132)	(1,132)
Impact of foreign exchange		(3,296)		-	(3,296)
Balance, June 30, 2019		14,487,977		-	14,487,977
Asset retirement obligation		(60,325)		-	(60,325)
Reimbursements & other		(1,721)		-	(1,721)
Impact of foreign exchange		25,145		-	25,145
Balance, June 30, 2020	\$	14,451,076	\$	-	\$ 14,451,076
Total June 30, 2019	\$	34,271,234	\$	1	\$ 34,271,235
Total June 30, 2020	\$	34,243,194	\$	-	\$ 34,243,194

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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

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

Under the Transaction, the Company has granted SLB an option in favour of SLB to acquire all of the Company's interests in the Project. The Earn-In Agreement provides a three-year earn-in period (the "Option Period") commencing on the receipt of the final federal and state permit 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.

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 returns royalty ("NSR") on minerals produced at the Project and an advance minimum royalty payment of US\$400,000 annually commencing January 1, 2021 for a period of five years or until the Project achieves commercial production.

Concurrently, SLB undertook a private placement in the Company for US\$1,500,000, representing 32,421,737 shares (note 8) and converted convertible debt of US\$400,000 and interest of \$19,765 representing 5,523,707 shares (note 8) of Pure Energy. These transactions resulted in a 19.8% interest in Pure Energy held by SLB at June 30, 2020 (2019 – 19.9%).

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 under "LIX Claims"). The new option agreement supersedes the May 12, 2014 agreement mentioned above.

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 Project.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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

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	226,620
Within one year (paid/issued)	\$35,000	14,277
Within two years (paid/issued)	\$35,000	15,382
Within three years (paid/issued)	\$35,000	38,215
Within four years (paid by SLB, issued)	\$35,000	129,915
Within five years and each year thereafter ⁽¹⁾	US \$75,000	-

⁽¹⁾ SLB paid US\$75,000 on May 29, 2020.

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.

Former 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. 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 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. 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 an asset retirement obligation, measured at a fair value of \$81,381. The warrants expired unexercised during the year ended June 30, 2020.

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 consisted of one common share and one-half of one share purchase warrant. The warrants expired unexercised during the year ended June 30, 2020.

On May 10, 2017, the Company also entered into a new option agreement with GeoXplor, closing June 5, 2017. The new option agreement superseded the May 12, 2014 agreement (CV and 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 the following:

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)**Clayton Valley Claims (continued)****Former LIX Claims (continued)***Cash consideration:*

- (i) US\$375,000 on the closing date of the May 10, 2017 agreement (paid);
- (ii) US\$37,500 within five days of the June 8, 2018 amendment (paid);
- (iii) US\$75,000 on or before November 1, 2018 (paid);
- (iv) US\$300,000 on or before February 21, 2019 (paid); and
- (v) US\$250,000 on or before May 30, 2019 (paid by SLB).

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);
- (viii) 750,000 common shares within five days of the August 10, 2018 amendment (issued);
- (ix) 750,000 common shares within five days following the date of acceptance of the October 1, 2018 amendment by the Exchange (issued); and
- (x) Issuance of 2,500,000 common shares on or before December 31, 2018 (issued).

Other consideration:

- (xi) Pay maintenance fees on mineral claims on or before August 20, 2018 (paid);
- (xii) Preparation and filing of a feasibility study by December 31, 2019 and payment of US\$250,000 (paid) 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:

- (xiv) A 3% royalty on all minerals produced and extracted from the property;
- (xv) 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 (xiv) above); and
- (xvi) Payment of an advance royalty of US\$500,000 on each anniversary thereafter (creditable against the production royalty in (xiv) 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, 2020, the Company has recorded reclamation bonds of \$91,755 (2019 - \$143,761) relating to its Clayton Valley claims. The total asset retirement obligation has been estimated as the value of reclamation bond requirements, which total \$91,755 (2019 - \$143,761) as at June 30, 2020. 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, and the costs to remediate such is appropriate.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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

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 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 five days of the Agreement;
- (iii) Cash payment of US\$200,000 (paid) and issuance of 600,000 common shares (issued) within five days of Exchange approval;
- (iv) Issuance of 900,000 common shares within seven 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 in addition to interest and deferral charges of US\$100,000 for late payment);
- (vii) Cash payment of US\$250,000 (paid) and issuance of 800,000 common shares (issued) within five 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 (not issued and payment was not made as indefinite deferment was negotiated); and
- (ix) Cash payment of US\$2,000,000 and issuance of 3,000,000 common shares within 24 months of the agreement (not issued or paid).

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 100,000 finder's common shares (issued) within five days of Exchange approval; and
- (ii) 200,000 finders' common shares (issued) to be issued in subsequent stages.

During the year ended June 30, 2020, the Company returned the claims to the underlying land owners, ceased operations of its subsidiary, Pure Energy Argentina S.A. and recorded an impairment loss of \$1 (2019 - \$51,394) related to the Terra Cotta project.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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

Compensation of Key Management Personnel

For the year ended	June 30, 2020	June 30, 2019
Management fees and salaries	\$ 253,555	\$ 263,171
Share-based compensation – officers and management	21,120	42,146
Share-based compensation – directors	27,618	52,550
Total	\$ 302,293	\$ 357,867

The Company entered into a consulting service agreement with a company controlled by the chief financial officer. During the year ended June 30, 2020, the Company incurred professional fees of \$7,213 (2019 - \$nil) and share-based compensation of \$6,898 (2019 - \$nil).

At June 30, 2020, accounts payable and accrued liabilities include \$103,977 (2019 - \$50,477) owing to directors and officers of the Company and a company controlled by the chief financial officer 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.

7. CONVERTIBLE DEBT

For convertible debt, under IFRS, when the currency of the conversion price of the conversion option is different than the functional currency of the legal entity in which they were issued, the conversion option component is accounted for as a derivative liability. The Company allocated the net proceeds to the debt liability and derivative liability components based on the prorated fair value of the debt liability and derivative components.

For the year ended June 30, 2020, there were no convertible promissory note transactions.

For the year ended June 30, 2019, the following convertible promissory note transactions took place:

- (i) On August 10, 2018, the Company closed a private placement offering of a \$295,042 (US\$225,000) senior convertible promissory note with a related party. The outstanding principal of the promissory note shall be paid to the 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 carried interest at 10% per annum, accruing daily and payable in quarterly instalments on November 15, 2018, February 15, 2019, May 15, 2019 and at the maturity date of October 4, 2019.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

*(Expressed in Canadian dollars)***7. CONVERTIBLE DEBT (continued)**

(i) (continued)

The initial fair value of the derivative component was determined using the Black-Scholes option pricing model using the following assumptions: US\$0.08 stock price, US\$0.10 exercise price, 1.15 years of expected life, 70.54% annualized volatility and a 2.08% discount rate. The fair value of the derivative component was prorated as a percentage of the total convertible debt and was determined to be \$55,053. The debt liability portion was valued using a discount rate of 25% and was determined to have a prorated value of \$239,989.

The promissory note was repaid on June 14, 2019 with accrued interest of US\$19,942 (CAD\$26,397).

(ii) On November 7, 2018, the Company entered into a \$98,220 (US\$75,000) senior convertible promissory note with a related party. The outstanding principal of the promissory note shall be paid to the holder on or before the maturity date of November 15, 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 carried interest at 10% per annum, accruing daily and payable in quarterly instalments on February 15, 2019, May 15, 2019, August 15, 2019 and at the maturity date of November 15, 2019.

The initial fair value of the derivative component was determined using the Black-Scholes option pricing model using the following assumptions: US\$0.08 stock price, US\$0.10 exercise price, 1.02 years of expected life, 103.31% annualized volatility and a 2.32% discount rate. The fair value of the derivative component was prorated as a percentage of the total convertible debt and was determined to be \$21,666. The debt liability portion was valued using a discount rate of 25% and was determined to have a prorated value of \$76,554.

The promissory note was repaid on June 14, 2019 with accrued interest of US\$4,550 (CAD\$6,023).

(iii) On February 19, 2019, the Company entered into a \$527,840 (US\$400,000) senior convertible promissory note with a placee unrelated to the Company. The outstanding principal shall be repaid on or prior to the maturity date of February 19, 2020, unless previously prepaid by the Company or converted, at the option of the holder, into fully paid and non-assessable shares at \$0.10 per share. Pursuant to the offering, the note carried interest at the rate of 13.95% per annum, compounded monthly and payable in arrears on the maturity date.

The initial fair value of the liability component was determined using a discount rate of 25% and was determined to be \$475,779, with the remaining \$49,557 being allocated to equity. A finder's fee of US\$24,000 was allocated to deferred financing fees and share issue costs on a prorated basis using the relative values of the equity portion and liability portion of the convertible note.

On May 30, 2019, the convertible note was converted into common shares of the Company (note 8).

Interest expense related to convertible debt for the year ended June 30, 2019 was \$54,001. The following table presents the reconciliation of the beginning and ending balances of the components of the convertible debt:

	Liability	Derivative Liability	Total
Balance, June 30, 2018	\$ -	\$ -	\$ -
Issuance of debt	792,323	126,275	918,598
Accretion of liability	53,611	-	53,611
Revaluation of conversion option	-	(77,472)	(77,472)
Repayment of convertible debt	(401,550)	-	(401,550)
Conversion of convertible debt	(491,797)	(49,557)	(541,354)
Change in foreign exchange	47,413	754	48,167
Balance, June 30, 2019 and June 30, 2020	\$ -	\$ -	\$ -

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

8. 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, 2020 is described as follows:

- (i) On July 9, 2019, the Company issued 912,595 common shares with a fair value of \$63,882 to settle accounts payable of \$118,637 owed to former officers for unpaid salaries and reimbursable expenses. A gain on the extinguishment of debt totaling \$53,097 and a gain on foreign exchange of \$1,658 was recognized.
- (ii) On April 20, 2020, the Company issued 129,915 common shares at a fair value of \$0.04 pursuant to a property option agreement (note 5).

Share capital activity for the year ended June 30, 2019 is described as follows:

- (iii) On July 3, 2018, the Company issued 1,250,000 common shares at a fair value of \$0.20 pursuant to a property option agreement (note 5).
- (iv) On August 29, 2018, the Company issued 750,000 common shares at a fair value of \$0.11 pursuant to a property option agreement (note 5).
- (v) On November 23, 2018, the Company issued 750,000 common shares at a fair value of \$0.095 pursuant to the Clayton Valley claims agreement (note 5).
- (vi) On January 10, 2019, the Company issued 2,500,000 common shares at a fair value of \$0.17 to GeoXplor pursuant to the terms of the option agreement dated May 10, 2017, as amended (note 5).
- (vii) On January 23, 2019, the Company issued 262,530 common shares with a fair value of \$26,253 to settle accounts payable of \$35,015 with a contractor. A gain of \$8,762 on the extinguishment of debt was recognized.
- (viii) On February 22, 2019, the Company issued 420,481 common shares with a fair value of \$42,048 to settle accounts payable of \$53,882 with a contractor. A gain of \$11,834 on the extinguishment of debt was recognized.
- (ix) On April 4, 2019, the Company issued 204,615 common shares with a fair value of \$16,369 to settle accounts payable of \$25,780 with a contractor. A gain of \$9,411 on the extinguishment of debt was recognized.
- (x) On May 30, 2019, the Company issued 32,421,737 common shares to Schlumberger Canada Ltd. as part of a private placement for US\$1,500,000 (CAD\$1,993,637). The Company paid cash commissions of US\$90,000 (CAD\$114,555) related to the private placement and other share issuance costs of \$37,171.
- (xi) On May 30, 2019, the Company issued 5,523,707 common shares due to the conversion of a convertible debt of US\$400,000 (\$524,752) and accrued interest of \$19,765.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

*(Expressed in Canadian dollars)***8. 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 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, 2020 and year ended June 30, 2019 is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, June 30, 2018	9,345,000	0.49
Expired/Cancelled	(1,800,000)	(0.46)
Balance, June 30, 2019	7,545,000	0.49
Granted	4,300,000	0.05
Expired/Cancelled	(2,720,000)	(0.56)
Balance, June 30, 2020	9,125,000	0.27
Fully vested and exercisable at June 30, 2020	5,900,000	0.38

A summary of the Company's options outstanding as at June 30, 2020 is as follows:

Expiry Date	Exercise Price (\$)	Options Outstanding	Weighted Average Remaining Life of Options (Years)	Options Exercisable
October 23, 2020 ⁽¹⁾	0.67	300,000	0.32	300,000
February 4, 2021	0.57	400,000	0.60	400,000
April 19, 2022	0.50	325,000	1.80	325,000
July 11, 2022	0.57	1,200,000	2.03	1,200,000
February 26, 2023	0.37	2,350,000	2.66	2,350,000
May 21, 2023	0.27	250,000	2.89	250,000
June 8, 2025 ⁽²⁾	0.05	4,300,000	4.94	1,075,000
		9,125,000	3.46	5,900,000

⁽¹⁾ Subsequent to June 30, 2020, 300,000 stock options expired unexercised.

⁽²⁾ Subsequent to June 30, 2020, the Company issued 537,500 common shares pursuant to the exercise of stock options for proceeds of \$26,875.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

*(Expressed in Canadian dollars)***8. SHARE CAPITAL (continued)**

d) Share-based compensation

On June 8, 2020, the Company granted 4,300,000 (2019 – nil) stock options with an exercise price of \$0.05 and a maturity date of June 8, 2025.

During the year ended June 30, 2020, the Company expensed \$77,233 (2019 - \$115,898) relating to options granted and vested.

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

Year ended	June 30, 2020	June 30, 2019
Risk-free interest rate	0.48%	1.83%
Expected dividend yield	-	-
Stock price volatility	112%	73%
Expected life of options	5 years	2 years
Forfeiture rate	-	-
Share price	\$0.05	\$0.34
Exercise price	\$0.05	\$0.36

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, 2020 and 2019, is presented below.

	Agent Warrants		Financing Warrants	
	Number of Warrants	Weighted Average Exercise Price (\$)	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, June 30, 2018	1,410,160	0.50	30,989,406	0.68
Expired	(642,060)	(0.57)	(1,072,000)	(0.75)
Balance, June 30, 2019	768,100	0.44	29,917,406	0.68
Expired	(96,950)	(0.75)	(16,172,406)	(0.78)
Balance, June 30, 2020	671,150	0.40	13,745,000	0.55

A summary of the Company's warrants outstanding as at June 30, 2020 is as follows:

Expiry Date	Exercise Price (\$)	Warrants Outstanding
February 6, 2021	0.40	671,150
February 6, 2021	0.55	13,745,000
		14,416,150

Financing warrants granted are valued using the residual value method. No financing warrants were granted during the years ended June 30, 2020 and 2019.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

*(Expressed in Canadian dollars)***8. SHARE CAPITAL (continued)**

f) Reserves

As at June 30, 2020 and 2019, reserves consisted of the following:

	June 30, 2020	June 30, 2019
Loan forgiveness	\$ 2,449,536	\$ 2,449,536
Stock options	1,102,484	1,889,962
Warrants issued pursuant to property option agreements	-	724,223
Agent warrants	100,062	365,992
Total reserves	\$ 3,652,082	\$ 5,429,713

9. 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:

	2020	2019
Combined statutory tax rate	27.00%	27.00%
Income tax recovery at combined statutory rate	\$ (136,000)	\$ (278,200)
Foreign tax and foreign exchange rates and other	243,200	75,200
Non-deductible expenses	524,300	31,800
Share issue costs	-	(41,800)
Change in unrecognized deferred tax assets	(631,500)	213,000
Income tax expense	\$ -	\$ -

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

	2020	2019
Share issue costs	\$ 134,800	\$ 221,000
Property and equipment	5,500	5,200
Canadian eligible capital	100	100
Exploration and evaluation assets	871,800	2,230,000
Asset retirement obligation	24,800	38,800
Capital loss carryforwards	705,600	69,100
Non-capital loss carryforwards	4,567,100	4,377,000
Total deferred income tax assets	6,309,700	6,941,200
Unrecognized deferred tax assets	(6,309,700)	(6,941,200)
Net deferred tax assets	\$ -	\$ -

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

*(Expressed in Canadian dollars)***9. INCOME TAXES (continued)**

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

	2020	Expiry Date Range	2019	Expiry Date Range
Exploration and evaluation assets	\$ 3,228,800	No expiry date	\$ 7,096,900	No expiry date
Property and equipment	20,400	No expiry date	19,300	No expiry date
Canadian eligible capital (CEC)	400	No expiry date	400	No expiry date
Share issue costs	499,300	2021-2024	818,600	2020-2023
Asset retirement obligation	91,800	No expiry date	143,800	No expiry date
Allowable capital losses	2,500,800	No expiry date	256,100	No expiry date
Non-capital losses available for future periods	16,404,800	As below	15,697,000	As below

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

Expiry	Canada
2040	\$ 528,700
2039	822,300
2038	1,784,500
2037	2,372,100
2036	2,489,300
2035	1,261,300
2034	579,900
2033	802,000
2032	1,369,200
2031	1,561,600
2030	701,100
2029	160,500
2028	142,600
2027	182,800
2026	143,000
	\$ 14,900,900

Non-capital losses incurred in the USA totalling \$1,503,900 (2019 - \$1,326,400) 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.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

10. 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 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.

11. FINANCIAL INSTRUMENTS*Fair value*

As at June 30, 2020, the Company's financial instruments consist of cash, amounts receivable, reclamation bond, 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 reclamation bond, amounts receivable, 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.

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.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS (continued)*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 10. 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. The Company's asset retirement obligation would become due in the event the Company chose to abandon its held claims, giving rise to the obligation to reclaim any disturbance. The reclamation bonds are held to satisfy the asset retirement obligation in the event it were to be triggered. The Company currently has no 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 and UK pound balances in cash, amounts 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, Argentine peso and/or UK pound 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, 2020.

At June 30, 2020, the Company, through its wholly owned subsidiaries, had a foreign currency cash balance of US\$221,319, reclamation bonds of US\$67,328, asset retirement obligation of US\$67,328, and accounts payable and accrued liabilities in foreign currencies of US\$86,637. 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 \$27,600, 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.

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, 2020, 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 years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

12. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash Financing and Investing Activities	June 30, 2020	June 30, 2019
Shares issued for exploration and evaluation asset option payment	\$ 5,197	828,750
Shares issued to extinguish debt	63,882	-
Fair value of options and warrants expired/cancelled	1,854,864	353,498
Reduction of asset retirement obligation included in exploration and evaluation assets	60,325	31,437
Exploration and evaluation costs included in accounts payable	-	4,772

There were no cash flows for interest and income taxes during the years ended June 30, 2020 and 2019.