



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**THREE MONTHS ENDED SEPTEMBER 30, 2020**

*(Unaudited – Expressed in Canadian dollars)*

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Pure Energy Minerals Limited have been prepared by and are the responsibility of management. These condensed consolidated interim financial statements for the three months ended September 30, 2020 have not been reviewed or audited by the Company's independent auditors.

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

As at	Notes	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		\$ 215,040	\$ 309,641
GST receivable		1,986	2,283
Prepaid expenses		34,076	11,031
		251,102	322,955
Property and equipment	4	845	1,127
Reclamation bonds	5	89,809	91,755
Exploration and evaluation assets	5	34,230,303	34,243,194
<b>TOTAL ASSETS</b>		<b>\$ 34,572,059</b>	<b>\$ 34,659,031</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable	6	\$ 63,074	\$ 72,556
Accrued liabilities	5, 6	115,111	112,567
Asset retirement obligation	5	89,809	91,755
		267,994	276,878
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	58,072,766	58,050,173
Reserves	7	3,711,641	3,652,082
Accumulated other comprehensive income		46,587	60,991
Deficit		(27,526,929)	(27,381,093)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>34,304,065</b>	<b>34,382,153</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 34,572,059</b>	<b>\$ 34,659,031</b>

Nature of Business and Going Concern (note 1)

Subsequent Events (note 7)

Approved and authorized for issue on behalf of the Board on November 24, 2020

"Mary Little"  
Director

"Frank Wells"  
Director

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

**PURE ENERGY MINERALS LIMITED**

Condensed Consolidated Interim Statements of Comprehensive Loss  
For the three months ended September 30, 2020 and 2019  
(Unaudited – Expressed in Canadian dollars)

	Notes	September 30, 2020	September 30, 2019
<b>EXPENSES</b>			
Amortization	4	\$ 282	\$ 282
Bank charges and interest		152	213
Consulting		-	3,697
Investor relations		460	675
Management fees and salaries	6	49,535	99,327
Office and general		7,440	9,161
Professional fees	6	3,072	37,699
Property maintenance		2,388	16
Share-based compensation	6, 7	70,277	-
Transfer agent and filing fees		10,364	7,492
<b>LOSS BEFORE OTHER ITEMS</b>		<b>(143,970)</b>	<b>(158,562)</b>
<b>OTHER ITEMS</b>			
Gain on extinguishment of debt		-	53,097
Foreign exchange gain (loss)		(1,866)	3,447
<b>TOTAL OTHER ITEMS</b>		<b>(1,866)</b>	<b>56,544</b>
<b>NET LOSS FOR THE PERIOD</b>		<b>(145,836)</b>	<b>(102,018)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Item that may be reclassified subsequently to loss for the period			
Foreign currency translation adjustment		(14,404)	11,841
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>\$ (160,240)</b>	<b>\$ (90,177)</b>
<b>Loss per share, basic and diluted</b>		<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
Weighted average number of common shares outstanding		31,990,394	31,918,831

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

**PURE ENERGY MINERALS LIMITED**

Condensed Consolidated Interim Statements of Changes in Equity  
(Unaudited – Expressed in Canadian dollars)

	Share capital			Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
	Number of Common Shares without Par Value	Amount	Reserves			
Balance at June 30, 2019	31,780,104	\$ 57,981,094	\$ 5,429,713	\$ 28,535	\$ (28,732,150)	\$ 34,707,192
Shares issued to extinguish debt	152,099	63,882	-	-	-	63,882
Reclassification of fair value of expired/cancelled stock options and warrants	-	-	(630,921)	-	630,921	-
Net loss and comprehensive loss for the period	-	-	-	11,841	(102,018)	(90,177)
Balance, September 30, 2019	31,932,203	58,044,976	4,798,792	40,376	(28,203,247)	34,680,897
Shares issued for property acquisition	21,653	5,197	-	-	-	5,197
Share-based compensation	-	-	77,233	-	-	77,233
Reclassification of fair value of expired/cancelled stock options and warrants	-	-	(1,223,943)	-	1,223,943	-
Net loss and comprehensive loss for the period	-	-	-	20,615	(401,789)	(381,174)
Balance at June 30, 2020	31,953,856	58,050,173	3,652,082	60,991	(27,381,093)	34,382,153
Shares issued on exercise of stock options	39,583	11,875	-	-	-	11,875
Share-based compensation	-	-	70,277	-	-	70,277
Reclassification of fair value of exercised stock options	-	10,718	(10,718)	-	-	-
Net loss and comprehensive loss for the period	-	-	-	(14,404)	(145,836)	(160,240)
Share consolidation adjustment	(20)	-	-	-	-	-
Balance at September 30, 2020	31,993,419	\$ 58,072,766	\$ 3,711,641	\$ 46,587	\$ (27,526,929)	\$ 34,304,065

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

**PURE ENERGY MINERALS LIMITED**

Condensed Consolidated Interim Statements of Cash Flows  
For the three months ended September 30, 2020 and 2019  
(Unaudited – Expressed in Canadian dollars)

	September 30, 2020	September 30, 2019
Cash provided by (used in):		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (145,836)	\$ (102,018)
Items not involving cash:		
Amortization	282	282
Share-based payments	70,277	-
Gain on extinguishment of debt	-	(53,097)
	(75,277)	(154,833)
Net changes in non-cash working capital items		
GST receivable	297	(259,187)
Prepaid expenses	(23,045)	13,448
Accounts payable and accrued liabilities	(6,938)	13,855
Net cash used in operating activities	(104,963)	(386,717)
<b>INVESTING ACTIVITY</b>		
Exploration and evaluation expenditures	-	(2,116)
Net cash used in investing activities	-	(2,116)
<b>FINANCING ACTIVITY</b>		
Issuance of common shares	11,875	-
Net cash provided by financing activities	11,875	-
Effect of exchange rate changes on cash	(1,513)	4,218
Change in cash during the period	(94,601)	(384,615)
Cash, beginning of the period	309,641	683,774
Cash, end of the period	\$ 215,040	\$ 299,159

Supplementary cash flow information (note 10)

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

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited – 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 “AHG1”. The address of its head office is 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6.

At September 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 three months ended September 30, 2020, the Company incurred a net loss of \$145,836 (September 30, 2019 - \$102,018), which was funded by the issuance of equity. At September 30, 2020, the Company has working capital deficiency of \$16,892 (June 30, 2020 - \$46,077 working capital) and an accumulated deficit of \$27,526,929 (June 30, 2020 - \$27,381,093). 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 recent outbreak of the coronavirus, also known as COVID-19, continues to impact worldwide economic activity. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and, as such, the Company cannot determine their long-term financial impact at this time. Federal, provincial and local governments have issued public health orders in response to COVID-19, which may cause some delay in the Company’s operations.

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 condensed consolidated interim 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 condensed consolidated interim financial statements.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited – Expressed in Canadian dollars)

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## 2. BASIS OF PRESENTATION

### a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the fiscal year ended June 30, 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements were authorized for issue by the Company’s Audit Committee on behalf of the Board of Directors on November 24, 2020.

### b) Basis of presentation

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. In addition, these condensed consolidated interim 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 condensed consolidated interim financial statements.

### c) Consolidation

The condensed consolidated interim 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 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 condensed consolidated interim 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 condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. These condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim 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 Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited – Expressed in Canadian dollars)*

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

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

*Critical accounting estimates*

- The inputs used in valuing share-based compensation;
- 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.

## 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 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 condensed consolidated interim 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 condensed consolidated interim statement of financial position presented are translated at the closing rate at the date of that condensed consolidated interim 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.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited – Expressed in Canadian dollars)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual consolidated financial statements for the fiscal year ended June 30, 2020.

**4. PROPERTY AND EQUIPMENT**

	Property and equipment
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<b>Cost</b>	
<hr/>	
Balance, September 30, 2020 and June 30, 2020	\$ 21,558
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<b>Accumulated amortization</b>	
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Balance, June 30, 2020	\$ 20,431
Amortization	282
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Balance, September 30, 2020	\$ 20,713
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<b>Carrying amounts</b>	
<hr/>	
At June 30, 2020	\$ 1,127
At September 30, 2020	\$ 845
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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

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

	Clayton Valley Claims		Terra Cotta Claims		Total
<b>Acquisition costs</b>					
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
Impact of foreign exchange		(1,957)		-	-
Balance, September 30, 2020	\$	19,790,161	\$	-	\$ 19,790,161
<b>Exploration and evaluation</b>					
Balance, June 30, 2019	\$	14,487,977	\$	-	\$ 14,487,977
Asset retirement obligation		(60,325)		-	(60,325)
Reimbursements and other		(1,721)		-	(1,721)
Impact of foreign exchange		25,145		-	25,145
Balance, June 30, 2020		14,451,076		-	14,451,076
Impact of foreign exchange		(10,934)		-	(10,934)
Balance, September 30, 2020	\$	14,440,142	\$	-	\$ 14,440,142
Total June 30, 2020	\$	34,243,194	\$	-	\$ 34,243,194
Total September 30, 2020	\$	34,230,303	\$	-	\$ 34,230,303

**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 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.

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 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 5,403,623<sup>(1)</sup> shares and converted convertible debt of US\$400,000 and interest of \$19,765 representing 920,618<sup>(1)</sup> shares of Pure Energy. These transactions resulted in a 19.8% interest in Pure Energy held by SLB at September 30, 2020.

**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited – Expressed in Canadian dollars)***5. EXPLORATION AND EVALUATION ASSETS (continued)****Clayton Valley Claims (continued)****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 <sup>(1)</sup>
Within one year (paid/issued)	250,000	750,000	29,485 <sup>(1)</sup>
Within two years (paid/issued)	250,000	1,000,000	29,485 <sup>(1)</sup>
Within three years (superseded)	250,000	2,000,000	29,485 <sup>(1)</sup>
Within four years (superseded)	250,000	Pre-feasibility study or commercial production	29,485 <sup>(1)</sup>
<b>Total</b>	<b>1,100,000</b>	<b>3,750,000</b>	<b>284,607<sup>(1)</sup></b>

<sup>(1)</sup> Adjusted retroactively to reflect the 6 for 1 share consolidation

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.

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 <sup>(1)</sup>
Within one year (paid/issued)	\$35,000	2,380 <sup>(1)</sup>
Within two years (paid/issued)	\$35,000	2,564 <sup>(1)</sup>
Within three years (paid/issued)	\$35,000	6,369 <sup>(1)</sup>
Within four years (paid by SLB, issued)	\$35,000	21,653 <sup>(1)</sup>
Within five years and each year thereafter <sup>(2)</sup>	US\$75,000	-

<sup>(1)</sup> Adjusted retroactively to reflect the 6 for 1 share consolidation

<sup>(2)</sup> 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.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited – Expressed in Canadian dollars)*

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**5. EXPLORATION AND EVALUATION ASSETS (continued)****Clayton Valley Claims (continued)****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 3,339,697<sup>(1)</sup> common shares at a fair value of \$12,022,909 and 337,048<sup>(1)</sup> 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 595,238<sup>(1)</sup> units of the Company at a cash purchase price of \$3.36<sup>(1)</sup> 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:

*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) 208,333<sup>(1)</sup> common shares on the closing date of the May 10, 2017 agreement (issued);
- (vii) 208,333<sup>(1)</sup> common shares on or before May 30, 2018 (issued);
- (viii) 125,000<sup>(1)</sup> common shares within five days of the August 10, 2018 amendment (issued);
- (ix) 125,000<sup>(1)</sup> common shares within five days following the date of acceptance of the October 1, 2018 amendment by the Exchange (issued); and
- (x) Issuance of 416,667<sup>(1)</sup> 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.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited – Expressed in Canadian dollars)*

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

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 September 30, 2020, the Company has recorded reclamation bonds of \$89,809 (September 30, 2019 - \$145,474) relating to its Clayton Valley claims. The total asset retirement obligation has been estimated as the value of reclamation bond requirements, which total \$89,809 (September 30, 2019 - \$145,474) as at September 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.

**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<sup>(1)</sup> common shares (the “Consideration Shares”), with 816,667<sup>(1)</sup> Consideration Shares issued to Advantage and 350,000<sup>(1)</sup> 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.

<sup>(1)</sup> Adjusted retroactively to reflect the 6 for 1 share consolidation

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited – Expressed in Canadian dollars)*

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**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 three months ended:	September 30, 2020	September 30, 2019
Management fees and salaries	\$ 49,535	\$ 99,327
Share-based compensation – officers and management	30,700	-
Share-based compensation – directors	23,476	-
<b>Total</b>	<b>\$ 103,711</b>	<b>\$ 99,327</b>

During the three months ended September 30, 2020, the Company incurred professional fees of \$3,072 (2019 - \$nil) and share-based compensation of \$4,515 (2019 - \$nil) to a company controlled by an officer.

At September 30, 2020, accounts payable and accrued liabilities include \$114,659 (June 30, 2020 - \$103,977) owing to directors and officers of the Company and a company controlled by an 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. SHARE CAPITAL**

## a) Authorized

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

## b) Issued and outstanding

On November 23, 2020, the Company completed a six old for one new share consolidation. All share figures in these condensed consolidated interim financial statements for the three months ended September 30, 2020 have been retroactively adjusted to reflect the share consolidation.

Share capital activity for the three months ended September 30, 2020 is described as follows:

- (i) On July 14, 2020, the Company issued 39,583 common shares pursuant to the exercise of stock options for proceeds of \$11,875.

Share capital activity for the year ended June 30, 2020 is described as follows:

- (i) On July 9, 2019, the Company issued 152,099 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 were recognized.
- (ii) On April 20, 2020, the Company issued 21,653 common shares at a fair value of \$0.24 pursuant to a property option agreement (note 5).

## 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

**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

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

## c) Stock options (continued)

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 three months ended September 30, 2020 and year ended June 30, 2020 is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, June 30, 2019	1,257,500	2.94
Granted	716,667	0.30
Expired/Cancelled	(453,333)	(3.36)
Balance, June 30, 2020	1,520,834	1.62
Exercised	(39,583)	(0.30)
<b>Balance, September 30, 2020</b>	<b>1,481,251</b>	<b>1.63</b>
Fully vested and exercisable at September 30, 2020	1,122,918	2.06

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

Expiry Date	Exercise Price (\$)	Options Outstanding	Weighted Average Remaining Life of Options (Years)	Options Exercisable
October 23, 2020 <sup>(1)</sup>	4.02	50,000	0.06	50,000
February 4, 2021	3.42	66,667	0.35	66,667
April 19, 2022	3.00	54,167	1.55	54,167
July 11, 2022	3.42	200,000	1.78	200,000
February 26, 2023	2.22	391,667	2.41	391,667
May 21, 2023	1.62	41,667	2.64	41,667
June 8, 2025 <sup>(2) (3)</sup>	0.30	677,083	4.69	318,750
		<b>1,481,251</b>		<b>1,122,918</b>

<sup>(1)</sup> Subsequent to September 30, 2020, 50,000 stock options expired unexercised.

<sup>(2)</sup> Subsequent to September 30, 2020, the Company issued 50,000 common shares pursuant to the exercise of stock options for proceeds of \$15,000.

<sup>(3)</sup> Subsequent to September 30, 2020, 83,333 stock options were granted to a new director of the Company.



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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited – Expressed in Canadian dollars)*

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**7. SHARE CAPITAL (continued)**

## d) Warrants

A summary of the changes in the Company's warrants for the three months ended September 30, 2020 and for the year ended June 30, 2020 is presented below.

	Agent Warrants		Financing Warrants	
	Number of Warrants	Weighted Average Exercise Price (\$)	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, June 30, 2019	128,017	2.64	4,986,234	4.08
Expired	(16,158)	(4.50)	(2,695,401)	(4.68)
Balance, June 30, 2020 and September 30, 2020	111,859	2.37	2,290,833	3.37

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

Expiry Date	Exercise Price (\$)	Warrants Outstanding
February 6, 2021	2.40	111,859
February 6, 2021	3.30	2,290,833
		2,402,692

Financing warrants granted are valued using the residual value method. No financing warrants were granted during the three months ended September 30, 2020 and for the year ended June 30, 2020.

**8. MANAGEMENT OF CAPITAL**

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may 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 September 30, 2020, the Company's financial instruments consist of cash, 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.

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For the three months ended September 30, 2020 and 2019

*(Unaudited – Expressed in Canadian dollars)*

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**9. FINANCIAL INSTRUMENTS (continued)**

- 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 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.

**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.

**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. 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 was 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 September 30, 2020.

At September 30, 2020, the Company, through its wholly owned subsidiaries, had a foreign currency cash balance of US\$156,736, reclamation bonds of US\$67,328, asset retirement obligation of US\$67,328, and accounts payable and accrued liabilities in foreign currencies of US\$85,270. 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 \$18,513, 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 September 30, 2020, the Company does not hold any liabilities that are subject to interest.

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**PURE ENERGY MINERALS LIMITED**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2020 and 2019

*(Unaudited – Expressed in Canadian dollars)*

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

**10. SUPPLEMENTARY CASH FLOW INFORMATION**

Non-cash Financing and Investing Activities	September 30, 2020	September 30, 2019
Shares issued to extinguish debt	\$ -	\$ 63,882
Fair value of options and warrants expired/cancelled	\$ -	\$ 630,921
Fair value of options exercised	\$ 10,718	\$ -

There were no cash flows for interest and income taxes during the three months ended September 30, 2020 and 2019.