



PURE ENERGY MINERALS LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
NINE MONTHS ENDED MARCH 31, 2019

(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 financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Pure Energy Minerals Limited (the "Company") have been prepared by and are the responsibility of management. These condensed consolidated interim financial statements for the nine months ended March 31, 2019 have not been reviewed or audited by the Company's independent auditors.

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

| As at | Notes | March 31, 2019 (Unaudited) | June 30, 2018 (Audited) |
|---|--------------|---|--|
| ASSETS | | | |
| CURRENT | | | |
| Cash | | \$ 37,898 | \$ 72,539 |
| GST/HST receivable | | 3,454 | 8,304 |
| Amounts receivable | | 23,845 | 19,752 |
| Prepaid expenses | | 24,572 | 46,928 |
| | | 89,769 | 147,523 |
| Deposits | | - | 714 |
| Property and equipment | | 2,535 | 3,380 |
| Reclamation bond | 5 | 177,792 | 175,198 |
| Exploration and evaluation assets | 5 | 34,314,692 | 32,542,877 |
| | | | |
| TOTAL ASSETS | | \$ 34,584,788 | \$ 32,869,692 |
| LIABILITIES | | | |
| CURRENT | | | |
| Accounts payable | 6 | \$ 692,277 | \$ 317,248 |
| Accrued liabilities | 6 | 324,770 | 43,871 |
| Asset retirement obligation | 5 | 177,792 | 175,198 |
| | | 1,194,839 | 536,317 |
| Convertible debt | 8 | 818,398 | - |
| Derivative Liability | 8 | 73,668 | - |
| | | 2,086,905 | 536,317 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 7 | 55,581,460 | 54,684,409 |
| Contributed surplus | 7 | 5,725,712 | 5,667,313 |
| AOCI | | 25,154 | 36,900 |
| Deficit | | (28,834,443) | (28,055,247) |
| TOTAL SHAREHOLDERS' EQUITY | | 32,497,883 | 32,333,375 |
| | | | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$ 34,584,788 | \$ 32,869,692 |

Nature of Business and Continuing Operations (Note 1)

Subsequent Events (Note 12)

Approved and authorized for issue on behalf of the Board on May 28, 2019

“Michael Dake”
Director

“Mary Little”
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 and nine months ended March 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

| | Notes | Three months ended March 31, 2019 | Three months ended March 31, 2018 | Nine months ended March 31, 2019 | Nine months ended March 31, 2018 |
|---|-------|---|---|--|--|
| EXPENSES | | | | | |
| Amortization | | \$ 282 | \$ 282 | \$ 845 | \$ 845 |
| Bank charges and interest | | 13,536 | 2,538 | 36,899 | 3,327 |
| Business development | | - | 24,500 | 9,889 | 24,500 |
| Consulting | | - | 12,582 | 13,007 | 38,322 |
| Investor relations | | 3,481 | 129,298 | 61,855 | 339,215 |
| Management fees and salaries | 6 | 19,321 | 186,964 | 310,471 | 555,441 |
| Office and rent | | 13,843 | 38,842 | 63,667 | 101,726 |
| Professional fees | | 29,108 | 137,326 | 187,704 | 441,197 |
| Project evaluation | | 17 | - | 174 | - |
| Share based compensation | 6, 7 | 1,168 | 289,670 | 115,898 | 856,365 |
| Transfer agent and filing fees | | 11,462 | 45,722 | 44,163 | 90,309 |
| Travel | | 2,089 | 85,447 | 20,802 | 230,811 |
| LOSS BEFORE OTHER ITEM | | (94,307) | (953,171) | (865,374) | (2,682,058) |
| OTHER ITEM: | | | | | |
| Accretion | | (15,141) | - | (39,143) | - |
| Change in value of derivative liability | | (53,371) | - | 4,482 | - |
| Gain on extinguishment of debt | | 20,596 | - | 20,596 | - |
| Foreign exchange gain (loss) | | 12,203 | 2,151 | (6,813) | (960) |
| TOTAL OTHER ITEM | | (35,713) | 2,151 | (20,878) | (960) |
| NET LOSS FOR THE PERIOD | | \$ (130,020) | \$ (951,020) | \$ (886,252) | \$ (2,683,018) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | |
| Items that may be reclassified subsequently to loss for the period | | | | | |
| Foreign currency translation adjustment | | \$ (1,783) | \$ 66,317 | \$ (11,746) | \$ 29,483 |
| COMPREHENSIVE LOSS FOR THE PERIOD | | \$ (131,803) | \$ (884,703) | \$ (897,998) | \$ (2,653,535) |
| Loss per share, basic and diluted | | \$ (0.00) | \$ (0.01) | \$ (0.01) | \$ (0.02) |
| Weighted average number of common shares outstanding | | 151,973,443 | 134,238,249 | 149,642,552 | 126,457,476 |

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

For the nine months ended March 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

| | Share capital | | | | | Total Shareholders' Equity |
|---|---|---------------|---------------------|-------------|-----------------|----------------------------|
| | Number of Common Shares without Par Value | Amount | Contributed Surplus | AOCI | Deficit | |
| Balance, June 30, 2017 | 119,838,056 | \$ 44,035,161 | \$ 5,354,374 | \$ (14,546) | \$ (21,515,341) | \$ 27,859,648 |
| Shares issued for property acquisition | 8,815,382 | 3,990,075 | - | - | - | 3,990,075 |
| Shares issued for cash: | | | | | | |
| Private placement, net of issuance costs | 16,070,000 | 6,070,266 | 114,608 | - | - | 6,184,874 |
| Exercise of options | 720,000 | 339,204 | (165,154) | - | - | 174,050 |
| Exercise of warrants | 315,898 | 47,385 | - | - | - | 47,385 |
| Share based compensation | - | - | 856,365 | - | - | 856,365 |
| Reclassification of fair value of expired/cancelled stock options | - | - | (694,157) | - | 694,157 | - |
| Currency translation adjustment | - | - | - | 29,483 | - | 29,483 |
| Net loss and comprehensive loss for the period | - | - | - | - | (2,683,018) | (2,683,018) |
| Balance, March 31, 2018 | 145,759,336 | 54,482,091 | 5,466,036 | 14,937 | (23,504,202) | 36,458,862 |
| Balance, 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 to extinguish debt | 683,011 | 68,301 | - | - | - | 68,301 |
| Issuance of convertible debt | - | - | 49,557 | - | - | 49,557 |
| Share based compensation | - | - | 115,898 | - | - | 115,898 |
| Reclassification of fair value of expired/cancelled stock options | - | - | (107,056) | - | 107,056 | - |
| Currency translation adjustment | - | - | - | (11,746) | - | (11,746) |
| Net loss and comprehensive loss for the period | - | - | - | - | (886,252) | (886,252) |
| Balance, March 31, 2019 | 152,530,562 | \$ 55,581,460 | \$ 5,725,712 | \$ 25,154 | \$ (28,834,443) | \$ 32,497,883 |

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 nine months ended March 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

| | March 31, 2019 | March 31, 2018 |
|--|-------------------|---------------------|
| Cash provided by (used in): | | |
| OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (886,252) | \$ (2,683,018) |
| Items not involving cash: | | |
| Amortization | 845 | 845 |
| Share based compensation | 115,898 | 856,365 |
| Gain on extinguishment of debt | 20,596 | - |
| Unrealized foreign exchange gain | - | (2,527) |
| Convertible debt accretion | 39,143 | - |
| Change in value of derivative liability | (4,482) | - |
| | (714,252) | (1,828,335) |
| Net changes in non-cash working capital items: | | |
| Amounts receivable and GST/HST receivable | 757 | 30,931 |
| Prepaid expenses | 22,356 | (33,206) |
| Accounts payable and accrued liabilities | 697,798 | 69,265 |
| Net cash provided by (used in) operating activities | 6,659 | (1,761,345) |
| INVESTING ACTIVITY: | | |
| Deposits | 714 | 985 |
| Reclamation bonds | - | (133,618) |
| Exploration and evaluation expenditures | (926,965) | (4,234,201) |
| Net cash used in investing activity | (926,251) | (4,366,834) |
| FINANCING ACTIVITIES: | | |
| Issuance of common shares | - | 6,881,935 |
| Share issuance costs | - | (475,626) |
| Issuance of convertible debt, net of deferred financing fees | 918,598 | - |
| Net cash provided by financing activities | 918,598 | 6,406,309 |
| Effect of exchange rate changes on cash | (33,647) | 69,675 |
| Change in cash, during the period | (34,641) | 347,805 |
| Cash, beginning of the year | 72,539 | 1,886,036 |
| Cash, end of the period | \$ 37,898 | \$ 2,233,841 |

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

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

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

Pure Energy Minerals Limited was incorporated on May 10, 2007 under the British Columbia Business Corporations Act. The Company's principal business activities are the acquisition, exploration and development of mineral properties. The Company is domiciled in Canada and is a reporting issuer with its common shares publicly traded on the TSX-Venture Exchange under the stock symbol "PE". The address of its head office is 2100 – 1055 West Hastings Street, Vancouver, B.C., V6E 3P3.

At March 31, 2019, 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.

For the nine months ended March 31, 2019, the Company incurred a net loss of \$886,252 (March 31, 2018 – \$2,683,018) increasing the accumulated deficit to \$28,834,443 (June 30, 2018 - \$28,055,247). The loss was funded by the issuance of equity and a convertible note. At March 31, 2019, the Company has a working capital deficit of \$1,105,070 (June 30, 2018 - \$388,794). 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 creates material uncertainty that raises 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 in other than the normal course of business, and the amounts realized could differ materially from those reflected in the accompanying condensed consolidated interim financial statements.

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, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed consolidated interim financial statements were authorized for issue by a resolution from the Company's Board of Directors on May 28, 2019.

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.

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (CONTINUED)

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, Pure Energy Argentina S.A., 1056625 B.C. Ltd., 1061582 B.C. Ltd., and LT Capital Holdings, LLC (collectively referred to as the "Group"). Subsidiaries are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. Inter-company balances and transactions are eliminated on consolidation.

d) Significant accounting estimates and judgments

The preparation of these 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 which, 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, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to the following:

Critical accounting estimates

- 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 (note 5); 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 Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (CONTINUED)

e) Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and may differ from the currency in which the entity enters transactions. The functional currency of the Company, 0891884 B.C. Ltd., 1056625 B.C. Ltd., 1061582 B.C. Ltd., and LT Capital Holdings, LLC is the Canadian dollar. The functional currency of Esmeralda Minerals, LLC and Pure Energy Argentina S.A., is the US dollar ("US"). The presentation currency of the consolidated entity is the Canadian dollar.

Transactions in currencies other than the functional currency of each entity are translated to the functional currency at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated to the functional currency using the exchange rate prevailing on the date of the statement of financial position, while non-monetary assets and liabilities are translated at historical rates.

Exchange gains and losses arising from the translation of foreign currency-denominated transactions or balances are recorded as a component of 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position; expenses are translated at exchange rates prevailing at the dates of the transactions, all resulting exchange differences are recognized in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

With the exception of the recently adopted accounting policies (note 4), 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, 2018.

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

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

The following new accounting policies were adopted during the nine months ended March 31, 2019:

Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of July 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(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 Company completed a detailed assessment of its financial assets and liabilities as at July 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

| Financial assets/liabilities | Original classification IAS 39 | New classification IFRS 9 |
|--|--------------------------------|---------------------------|
| Cash | FVTPL | FVTPL |
| Accounts receivable | Amortized cost | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost | Amortized cost |
| Due to related parties | Amortized cost | Amortized cost |

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated other comprehensive income on July 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at 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 at FVTPL 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.

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)**Changes in significant accounting policies and adoption of new accounting standards (continued)**

(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 generally recognized in the consolidated statements of loss.

Accounting standards anticipated to be effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after July 1, 2018, or later periods. Some updates which are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 16 Leases

IFRS 16, Leases, specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The Company does not anticipate the adoption of this standard, which is effective for the fiscal year beginning on July 1, 2019, to have a significant impact on the Company's consolidated financial statements.

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

*(Unaudited - 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 |
| Impact of foreign exchange | 1,321 | 741 | 2,062 |
| Balance, March 31, 2019 | \$ 19,785,127 | \$ 50,741 | \$ 19,835,868 |
| 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 |
| Drilling | 84,384 | - | 84,384 |
| Environmental | 195 | - | 195 |
| Processing and engineering | 24,667 | - | 24,667 |
| Legal | 28,845 | - | 28,845 |
| Other | 4,448 | 1,006 | 5,454 |
| Impact of foreign exchange | 8,186 | 17 | 8,203 |
| Balance, March 31, 2019 | \$ 14,477,801 | \$ 1,023 | \$ 14,478,824 |
| Total, March 31, 2019 | \$ 34,262,928 | \$ 51,764 | \$ 34,314,692 |

| | Clayton Valley Claims | Terra Cotta Claims | Total |
|--------------------------------------|----------------------------------|-------------------------------|----------------------|
| Acquisition costs | | | |
| Balance, June 30, 2017 | \$ 15,085,749 | \$ 306,906 | \$ 15,392,655 |
| Shares issued | 3,281,075 | 911,318 | 4,192,393 |
| Cash option payment | 83,653 | 1,468,783 | 1,552,436 |
| Staking costs | - | 27,523 | 27,523 |
| Other | 9,078 | 16,769 | 25,847 |
| Write down | - | (2,716,794) | (2,716,794) |
| Impact of foreign exchange | 2,211 | 35,495 | 37,706 |
| Balance, June 30, 2018 | \$ 18,461,766 | \$ 50,000 | \$ 18,511,766 |
| Exploration and evaluation | | | |
| Balance, June 30, 2017 | \$ 10,735,591 | \$ 47,431 | \$ 10,783,022 |
| Assay and laboratory | 12,860 | 51,683 | 64,543 |
| Claims renewal and maintenance costs | 299,459 | - | 299,459 |
| Drilling | - | 616,313 | 616,313 |
| Environmental | 54,808 | 7,589 | 62,397 |
| Geophysics | 154,959 | - | 154,959 |
| Hydrogeology | 78,739 | 126,016 | 204,755 |
| Processing and engineering | 2,241,732 | - | 2,241,732 |
| Legal | 193,710 | - | 193,710 |
| Other | 200,786 | 310,558 | 511,344 |
| Asset retirement obligation | 58,410 | - | 58,410 |
| Write down | - | (1,199,550) | (1,199,550) |
| Impact of foreign exchange | 57 | 39,960 | 40,017 |
| Balance, June 30, 2018 | \$ 14,031,111 | \$ - | \$ 14,031,111 |
| Total June 30, 2018 | \$ 32,492,877 | \$ 50,000 | \$ 32,542,877 |

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

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

The Company holds the following option agreements within the Clayton Valley area:

CV and DB claims in Clayton Valley, Esmeralda County, Nevada

On May 12, 2014, the Company entered into a definitive option agreement with GeoXplor to earn a 100% interest in the CV and DB claims in Clayton Valley Esmeralda County, Nevada ("the Property"). Under the agreement, GeoXplor was the operator, and the Company had an option to earn a 100% interest for the following consideration:

| Date | Cash Payment US\$ | Expenditure Requirement US\$ | Share Issuance |
|---------------------------------|----------------------|---|------------------|
| Effective date (paid/issued) | 100,000 | - | 1,000,000 |
| Within one year (paid/issued) | 250,000 | 750,000 | 176,912 |
| Within two years (paid/issued) | 250,000 | 1,000,000 | 176,912 |
| Within three years (superseded) | 250,000 | 2,000,000 | 176,912 |
| Within four years (superseded) | 250,000 | Pre-feasibility study or commercial production | 176,912 |
| Total | 1,100,000 | 3,750,000 | 1,707,648 |

The agreement was subject to a gross overriding royalty of 5%, which could have been reduced to 2.5% upon cash payment of US\$7,000,000 to the vendor.

On May 10, 2017, the Company entered into a new option agreement with GeoXplor (described below). The new option agreement supersedes the May 12, 2014 agreement mentioned above and is detailed further below under "LIX Claims".

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

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

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

On May 31, 2015 ("Effective date"), the Company entered into an option and lease agreement whereby the Company acquired an exclusive lease and exploration license to conduct exploration and evaluation work on certain unpatented placer mining claims located in Esmeralda County, Nevada. Consideration for this acquisition is as follows:

| Date | Cash Payment CAD\$ | Share Issuance |
|--|-----------------------|----------------------------|
| Effective date (paid/issued) | 35,000 | 226,620 issued Nov 2, 2015 |
| Within one year (paid/issued) | 35,000 | 14,277 issued Aug 3, 2016 |
| Within two years (paid/issued) | 35,000 | 15,382 issued July 7, 2017 |
| Within three years (paid/issued) | 35,000 | 38,215 issued May 31, 2018 |
| Within four years | 35,000 | 40,000 estimated |
| Within five years and each year thereafter | US \$75,000 | |

The estimated share issuance is calculated as the value of the difference between the United States and Canadian dollar exchange rates multiplied by the cash payment amount, when due, and divided by the market value of the Company's shares on the date the payment is required.

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

LIX Claims

On May 10, 2017, the Company entered into an agreement to acquire Lithium X Energy Corp.'s ("Lithium X") subsidiaries holding certain Clayton Valley properties and property options in exchange for 20,038,182 common shares and 2,022,290 common share purchase warrants. Each warrant entitles the holder to purchase one additional share at a price of \$0.75 per share for a period of 3 years. There are acceleration provisions attached to the warrants.

The transaction resulted in 100% acquisition of three new subsidiaries 1056625 BC Ltd., 1061582 BC Ltd., and LT Capital Holdings, LLC. The acquired subsidiaries did not meet the definition of businesses in accordance with IFRS 3, Business Combinations, and, as such, this transaction was accounted for under IFRS 2, *Share-Based Payments* and IFRS 6, *Exploration for and Evaluation of Mineral Resources*. The Company determined that the fair value of the subsidiaries could not be estimated reliably and, therefore, were to be measured with reference to the fair value of the equity instruments granted. The fair value of the shares and warrants issued, along with the costs incurred to complete the transaction, were capitalized in accordance with the Company's accounting policy over its evaluation and exploration assets.

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

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

The Company issued 20,038,182 common shares at a fair value of \$12,022,909, 2,022,290 share purchase warrants measured at a fair value of \$724,223 and incurred \$55,163 in legal fees to complete the transaction. On acquisition, the Company also assumed and recognized an asset retirement obligation, measured at a fair value of \$81,381.

In addition, Lithium X acquired 3,571,429 Units of the Company at a cash purchase price of \$0.56 per Unit for gross proceeds of \$2,000,000. Each Unit consists of one common share and one half of a share purchase warrant. Each warrant entitles the holder to purchase one additional share at a price of \$0.75 per share for a period of 3 years. There are acceleration provisions attached to the warrants.

On May 10, 2017, the Company also entered into a new option agreement with GeoXplor, closing June 5, 2017. The new option agreement supersedes the May 12, 2014 agreement (CV + DB claims). Under the new option agreement, the Company decreases its royalty obligations and assumes operatorship over an expanded group of optioned mineral claims. The Company also entered into amending agreements dated June 8, 2018, August 10, 2018, and October 1, 2018. Consideration under the amended option agreement includes:

Cash consideration:

- (i) US\$375,000 on the closing date of the May 10, 2017 agreement (paid);
- (ii) US\$37,500 within 5 days of the June 8, 2018 amendment (paid);
- (iii) US\$75,000 on or before November 1, 2018 (paid);
- (iv) US\$300,000 on or before February 21, 2019 (paid); and
- (v) US\$250,000 on or before May 30, 2019.

Share consideration:

- (vi) 1,250,000 common shares on the closing date of the May 10, 2017 agreement (issued);
- (vii) 1,250,000 common shares on or before May 30, 2018 (issued);
- (viii) 750,000 common shares within 5 days of the August 10, 2018 amendment (issued);
- (ix) 750,000 common shares within 5 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 or issuance of common shares with a value of US\$250,000; and
- (xiii) payment of US\$4,500,000 or issuance of common shares with a value of US\$4,500,000 after the earlier of either securing debt or equity financing of at least US\$20,000,000 related to the optioned mineral claims or 18 months after the date of filing the feasibility study on SEDAR.

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

- (i) a 3% royalty on all minerals produced and extracted from the property;
- (ii) payment of an advance royalty of US\$250,000 on the fourth and fifth anniversaries of the May 10, 2017 option agreement (creditable against the production royalty in (i) above); and
- (iii) payment of an advance royalty of US\$500,000 on each anniversary thereafter (creditable against the production royalty in (i) above).

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

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

The royalty can be purchased by the Company for US\$10,000,000 at any time after the eighth anniversary and prior to the ninth anniversary of the closing date.

Under the Bureau of Land Management of the United States (the "Bureau"), the Company is required to hold reclamation bonds that cover the estimated cost to reclaim the ground disturbed. As at March 31, 2019, the Company has recorded reclamation bonds of \$177,792 (June 30, 2018 - \$175,198) relating to its Clayton Valley claims. These bonds were transferred to the Company during the prior year. The total asset retirement obligation has been estimated as the value of reclamation bond requirements, which total \$177,792 (June 30, 2018 – \$175,198) as at March 31, 2019.

NE Claims

On November 8, 2017, the Company entered into an asset purchase agreement (the "Agreement") with Advantage Lithium Corp. ("Advantage") and Nevada Sunrise Gold Corporation ("Nevada Sunrise", and together, the "Vendors") to acquire the Clayton NE claim blocks ("Acquired Claims") located in Esmeralda County, Nevada.

Pursuant to the Agreement, Pure Energy issued to the Vendors an aggregate of 7,000,000 common shares (the "Consideration Shares"), with 4,900,000 Consideration Shares issued to Advantage and 2,100,000 Consideration Shares issued to Nevada Sunrise. In addition, in respect of certain of the Acquired Claims, the Company has agreed to assume a 3% gross over-riding royalty granted in favour of a prior owner.

The Agreement requires that the Vendors will not, directly or indirectly, sell or transfer any of the Consideration Shares except in accordance with a release schedule whereby 25% of the Consideration Shares may be sold after 18 months from closing, and a further 25% every three months thereafter. The Vendors have also agreed to vote the Consideration Shares at the Company's shareholder meetings in favour of the certain matters recommended by management for a period of 24 months. The Company and each of the Vendors are at arm's length. No finder's fees were paid or are payable in connection with the transaction.

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)**Terra Cotta Claims**

On March 9, 2017, and as amended on September 26, 2017 and May 3, 2018, the Company entered into a property option agreement to acquire up to a 100% interest in a 32,000-acre property on the Pocitos Salar in Salta, Argentina (the Terra Cotta project). Consideration for a 100% interest in the claims (first option) is:

- (i) Cash payment of US\$25,000 (paid);
- (ii) Cash payment of US\$175,000, (paid) within 5 days of the Agreement;
- (iii) Cash payment of US\$200,000 (paid) and issuance of 600,000 common shares (issued) within 5 days of TSX Venture Exchange approval;
- (iv) Issuance of 900,000 common shares within 7 days of the September 26, 2017 amendment (issued);
- (v) Cash payment of US\$150,000 on October 2, 2017 (paid);
- (vi) Cash payment of US\$450,000 on December 2, 2017 ⁽¹⁾ (paid);
- (vii) Cash payment of US\$250,000 (paid) and issuance of 800,000 common shares (issued) within 5 days of the May 3, 2018 amendment;
- (viii) Cash payment of US\$750,000 and issuance of 700,000 common shares within 90 days of the May 3, 2018 amendment ⁽²⁾; and
- (ix) Cash payment of US\$2,000,000 and issuance of 3,000,000 common shares within 24 months of the agreement ⁽²⁾.

⁽¹⁾ Interest and deferral charges of US\$100,000 were applied to this payment due to late payment.

⁽²⁾ On July 16, 2018, the Company entered into an amending agreement to delay the payments under (viii) and (ix) above for a period of one year.

The Company also entered into a finder's fee agreement whereby the Company was required to pay and issue the following:

- (i) \$20,000 (paid) and finder's common shares of 100,000 (issued) within 5 days of TSX Venture Exchange approval; and
- (ii) 200,000 (issued) finders' common shares to be issued in subsequent stages.

Upon full execution of the option, the Company will obtain a 100% beneficial interest in the property, and if the Company elects to proceed with a feasibility study or to commence production, an additional cash bonus payment of US\$1,000,000 will be paid to the vendors.

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

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

6. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties consist of the Directors and executive officers and companies owned in whole or in part by them as follows:

| Name | Position and nature of transactions |
|-------------------|---|
| Mike Dake | Director |
| Scott Shellhaas | Former Director (resigned October 11, 2018) |
| Mary Little | Director |
| Frank Wells | Director (appointed interim CFO October 31, 2018) |
| Bassam Moubarak | Former Director (resigned May 21, 2018) |
| Patrick Highsmith | Director, Former CEO (resigned October 31, 2018) – Salaries |
| Paul Zink | Former CFO (resigned October 31, 2018) – Salaries |
| Walter Weinig | VP of Projects and Permitting (resigned December 31, 2018) – Salaries |
| Dianne Szigety | Corporate Secretary – Management fees |

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

Compensation of Key Management Personnel

| For the nine months ended | March 31, 2019 | March 31, 2018 |
|--------------------------------------|-------------------|---------------------|
| Management fees and salaries | \$ 308,872 | \$ 551,550 |
| Share-based compensation – officers | 42,146 | 344,188 |
| Share-based compensation – directors | 52,550 | 327,767 |
| Total | \$ 403,568 | \$ 1,223,505 |

Included in accounts payable and accrued liabilities at March 31, 2019 is \$453,294 (June 30, 2018 - \$57,782) owing to directors and officers of the Company for accrued and unpaid management fees, salaries and expense reimbursements. These amounts are unsecured, non-interest bearing and due on demand.

As at March 31, 2019, convertible debt of US\$300,000 (note 8) was owed to a director of the company (June 30, 2018 - \$Nil).

7. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

Share capital activity for the nine months ended March 31, 2019 is described as follows:

- (i) 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).
- (ii) 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).
- (iii) On November 23, 2018, the Company issued 750,000 common shares pursuant to the Clayton Valley claims agreement (note 5).
- (iv) On January 10, 2019, the Company issued 2,500,000 shares to GeoXplor Corp pursuant to the terms of the Option Agreement dated May 10, 2017, as amended (note 5).
- (v) On January 23, 2019, the Company issued 262,530 common shares to settle debt of US\$34,129 with a contractor.

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

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

b) Issued and outstanding (continued)

(vi) On February 22, 2019, the Company issued 420,481 common shares to settle debt of US\$41,118 with a contractor.

c) Stock options

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan") which complies with the rules and policies of the TSX Venture Exchange. Under the Plan, the exercise price of each option may not be less than the Discounted Market Price (as defined). The aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares. The options are subject to vesting provisions as determined by the Board of Directors, and the maximum term is 10 years.

The continuity of stock options for the nine months ended March 31, 2019 and year ended June 30, 2018 is as follows:

| | Number of Options | Weighted Average Exercise Price \$ |
|--|----------------------|--|
| Balance, June 30, 2017 | 5,495,000 | 0.57 |
| Granted | 6,100,000 | 0.44 |
| Exercised | (720,000) | (0.24) |
| Expired/Cancelled | (1,530,000) | (0.70) |
| Balance, June 30, 2018 | 9,345,000 | 0.49 |
| Expired/Cancelled | (550,000) | (0.46) |
| Balance, March 31, 2019 | 8,795,000 | 0.49 |
| Fully vested and exercisable at March 31, 2019 | 8,795,000 | 0.49 |

A summary of the Company's options outstanding as at March 31, 2019 is as follows:

| Expiry Date | Exercise price \$ | Options outstanding | Weighted average remaining life (years) | Options exercisable |
|-------------------|----------------------|------------------------|---|------------------------|
| July 24, 2019 | 0.75 | 950,000 | 0.32 | 950,000 |
| October 3, 2019 | 0.245 | 150,000 | 0.51 | 150,000 |
| December 2, 2019 | 0.71 | 200,000 | 0.67 | 200,000 |
| March 11, 2020 | 0.27 | 270,000 | 0.95 | 270,000 |
| October 23, 2020 | 0.67 | 300,000 | 1.57 | 300,000 |
| November 5, 2020 | 0.54 | 400,000 | 1.60 | 400,000 |
| February 4, 2021 | 0.57 | 400,000 | 1.85 | 400,000 |
| April 19, 2022 | 0.50 | 575,000 | 3.05 | 575,000 |
| July 11, 2022 | 0.57 | 1,900,000 | 3.28 | 1,900,000 |
| February 26, 2023 | 0.37 | 3,400,000 | 3.91 | 3,400,000 |
| May 21, 2023 | 0.27 | 250,000 | 4.14 | 250,000 |
| | | 8,795,000 | 2.84 | 8,795,000 |

No stock options were exercised during the nine months ended March 31, 2019. The Company's weighted average share price at the dates of exercise during the nine months ended March 31, 2019 was \$Nil (2018 - \$0.50).

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

d) Share-based payments

During the nine months ended March 31, 2019, the Company did not grant any stock options.

During the nine months ended March 31, 2019, previously granted stock options vested during the period as follows:

- (i) On February 26, 2018, the Company granted 3,700,000 stock options to directors, officers, and consultants. All of the options vest quarterly in four equal tranches, with the first tranche vesting on the issuance date. The options are exercisable at an exercise price of \$0.37 per common share for a period of five years. During the nine months ended March 31, 2019, 1,850,000 stock options vested and share-based payment expense of \$102,252 was recognized in net loss.
- (ii) On May 21, 2018, the Company granted 250,000 stock options to a director. The options vest quarterly in four equal tranches, with the first tranche vesting on the issuance date. The options are exercisable at an exercise price of \$0.27 per common share for a period of five years. During the nine months ended March 31, 2019, 125,000 stock options vested and share-based payment expense of \$13,646 was recognized in net loss.

During the nine months ended March 31, 2019, the Company expensed \$115,898 (2018 - \$856,365) relating to options granted and vested. Share-based payment expense to be recognized on unvested options is \$Nil (2018 - \$319,144).

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

| | March 31, 2019 | March 31, 2018 |
|--------------------------|---------------------------|---------------------------|
| Risk free interest rate | 1.83% | 1.46% |
| Expected dividend yield | - | - |
| Stock price volatility | 72.87% | 79.75% |
| Expected life of options | 2.00 years | 2 years |
| Forfeiture rate | - | - |
| Share price | \$0.34 | \$0.45 |
| Exercise price | \$0.36 | \$0.46 |

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

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

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

e) Warrants

A summary of the changes in the Company's warrants for the nine months ended March 31, 2019 and the year ended June 30, 2018, is presented below.

| | Finder Warrants | | Financing Warrants | |
|--------------------------------|--------------------|---------------------------------|--------------------|---------------------------------|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Balance, June 30, 2017 | 642,060 | \$ 0.57 | 16,432,954 | \$ 0.77 |
| Granted | 768,100 | 0.44 | 14,907,500 | 0.57 |
| Exercised | - | - | (315,898) | (0.15) |
| Expired, unexercised | - | - | (35,150) | (0.15) |
| Balance, June 30, 2018 | 1,410,160 | 0.50 | 30,989,406 | 0.68 |
| Expired, unexercised | (575,910) | (0.55) | - | - |
| Balance, March 31, 2019 | 834,250 | \$ 0.47 | 30,989,406 | \$ 0.68 |

A summary of the Company's warrants outstanding as at March 31, 2019 is as follows:

| Expiry Date | Exercise price | Warrants outstanding |
|-------------------------------|----------------|----------------------|
| April 28, 2019 ⁽¹⁾ | 0.75 | 1,138,150 |
| July 20, 2019 | 0.80 | 11,201,902 |
| September 26, 2019 | 0.75 | 1,259,450 |
| May 30, 2020 | 0.75 | 3,808,004 |
| February 6, 2021 | 0.40 | 671,150 |
| February 6, 2021 | 0.55 | 13,745,000 |
| | | 31,823,656 |

⁽¹⁾ Subsequent to March 31, 2019, 1,138,150 warrants expired unexercised.

Financing warrants granted are valued using the residual value method and have a fair value of \$Nil (June 30, 2018 - \$Nil), unless otherwise noted in Note 7b.

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

| | March 31, 2019 | March 31, 2018 |
|--------------------------|----------------|----------------|
| Risk free interest rate | n/a | 0.60% |
| Expected dividend yield | n/a | 0% |
| Stock price volatility | n/a | 96% |
| Expected life of options | n/a | 2 years |
| Forfeiture rate | n/a | - |
| Share price | n/a | \$0.70 |
| Exercise price | n/a | \$0.57 |

Expected volatility was calculated based solely on historical volatility.

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

f) Contributed Surplus

As at March 31, 2019 and June 30, 2018, contributed surplus consisted of the following:

| | March 31, 2019 | June 30, 2018 |
|--|---------------------------|--------------------------|
| Loan forgiveness | \$ 2,449,536 | \$ 2,449,536 |
| Stock options | 2,136,404 | 2,127,562 |
| Warrants issued pursuant to property option agreements | 724,223 | 724,223 |
| Finder warrants | 365,992 | 365,992 |
| Convertible debt | 49,557 | - |
| Total Contributed Surplus | \$ 5,725,712 | \$ 5,667,313 |

8. 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.

The following convertible promissory notes were issued during the nine months ended March 31, 2019:

- i) On August 10, 2018, the Company closed a private placement offering of a \$295,043 (US\$225,000) Senior Convertible Promissory Note with a related party. The outstanding principal of the promissory note shall be paid to holder on or before the maturity date of October 4, 2019, unless previously prepaid or converted, at the option of the holder, into fully paid and non-assessable shares at US\$0.10 per share. The promissory note bears interest at 10% per annum, accruing daily and payable in quarterly installments on November 15, 2018, February 15, 2019, May 15, 2019, and at the maturity date of October 4, 2019.

The initial fair value of the derivative component was determined using the Black-Scholes 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 pro-rated 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 derivative component was revalued at March 31, 2019, at \$54,139 using the following Black-Scholes Model assumptions: US\$0.06 stock price, US\$0.10 exercise price, 0.53 years of expected life, 159.94% annualized volatility and a 1.56% discount rate. For the nine months ended March 31, 2019, a \$1,938 decrease in the value of the derivative liability was recognize in the net loss.

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

8. CONVERTIBLE DEBT (continued)

- 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 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 bears interest at 10% per annum, accruing daily and payable in quarterly installments 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 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 pro-rated 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 derivative component was revalued at March 31, 2019, at \$19,529 using the following Black-Scholes Model assumptions: US\$0.06 stock price, US\$0.10 exercise price, 0.63 years of expected life, 154.26% annualized volatility and a 1.56% discount rate. For the nine months ended March 31, 2019, a \$2,545 decrease in the value of the derivative liability was recognize in the net loss.

- 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 CAD\$0.10 per share. Pursuant to the offering, the note will bear 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 determine to be \$475,779, with the remaining \$52,061 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. For the nine months ended March 31, 2019, the Company recorded accrued interest of \$8,602 and the accretion of deferred financing fees of \$3,127 related to this note.

For the nine months ended March 31, 2019, accretion for the debt was \$39,143. Interest accrued for the nine months ended March 31, 2019, was \$24,024 and is included in accounts payable and accrued liabilities. 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, 2017 and 2018 | \$ - | \$ - | \$ - |
| Issuance of debt | 792,322 | 76,719 | 869,041 |
| Accretion of liability | 39,143 | - | 39,143 |
| Revaluation of conversion option | - | (4,483) | (4,483) |
| Change in foreign exchange | (13,067) | 1,432 | (11,635) |
| Balance, March 31, 2019 | \$ 818,398 | \$ 73,668 | \$ 892,066 |

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

*(Unaudited - Expressed in Canadian dollars)***9. MANAGEMENT OF CAPITAL**

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash. There has been no change to how capital is managed from the prior year.

10. FINANCIAL INSTRUMENTS*Fair value*

As at March 31, 2019, the Company's financial instruments consist of cash, amounts receivable, reclamation bond, deposits, accounts payable and accrued liabilities, and asset retirement obligation. The fair values of these financial instruments approximate their carrying values because of their current nature.

IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 13 prioritizes the inputs into three levels that may be used to measure fair value:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.
- Level 2: Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e., quoted prices for similar assets or liabilities).
- Level 3: Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial assets and liabilities recorded at fair value as of March 31, 2019 and June 30, 2018, were calculated as follows:

| | Level 1 | Level 2 | Level 3 | March 31, 2019 |
|-------------------------------|------------------|-------------|-------------|------------------|
| Financial assets: | | | | |
| Cash | \$ 37,898 | \$ - | \$ - | \$ 37,898 |
| Accounts receivable | 23,845 | - | - | 23,845 |
| Total financial assets | \$ 61,743 | \$ - | \$ - | \$ 61,743 |

| | | | | |
|--|---------------------|-------------|------------------|---------------------|
| Financial liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 1,017,047 | \$ - | \$ - | \$ 1,017,047 |
| Derivative liability | - | - | 73,668 | 73,668 |
| Total financial liabilities | \$ 1,017,047 | \$ - | \$ 73,668 | \$ 1,090,715 |

| | Level 1 | Level 2 | Level 3 | June 30, 2018 |
|-------------------------------|------------------|-------------|-------------|------------------|
| Financial assets: | | | | |
| Cash | \$ 72,539 | \$ - | \$ - | \$ 72,539 |
| Accounts receivable | 19,752 | - | - | 19,752 |
| Total financial assets | \$ 92,291 | \$ - | \$ - | \$ 92,291 |

| | | | | |
|--|-------------------|-------------|-------------|-------------------|
| Financial liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 361,119 | \$ - | \$ - | \$ 361,119 |
| Total financial liabilities | \$ 361,119 | \$ - | \$ - | \$ 361,119 |

PURE ENERGY MINERALS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited - Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS (continued)*Credit Risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk, the Company places these instruments with a high quality financial institution.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (see note 1). The Company manages liquidity risk through the management of its capital structure as outlined above.

The Company monitors its ability to meet its short-term exploration and administrative expenditure requirements by raising additional funds through share issuance when required. The Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company's asset retirement obligation would become due in the event the Company chose to abandon its held claims, giving rise to the obligation to reclaim any disturbance. This obligation is partially offset by its reclamation bond. The Company has no current plans to drop such claims. The Company does not have investments in any asset backed securities.

Foreign Exchange Risk

The Company is exposed to currency fluctuations. From time to time, the Company has US dollar, Argentine peso ("ARS"), and UK pound ("GBP") balances in cash, amounts receivable, reclamation bonds, and accounts payable and accrued liabilities and is therefore exposed to gains or losses on foreign exchange. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar, ARS and/ or GBP could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations at March 31, 2019.

At March 31, 2019, the Company, through its wholly owned subsidiaries, had foreign currency cash balances of US\$25,045 and ARS\$48,602, refundable deposit of US\$15,000, reclamation bonds of US\$133,048, asset retirement obligation of US\$133,048, convertible debt of US\$700,000, accounts payable and accrued liabilities in foreign currencies of US\$342,206 and ARS\$290,150. The Company is committed to certain property payments and exploration and evaluation expenditures which are denominated in US dollars. A 10% change in the Canadian dollar versus the US dollar would give rise to a gain/loss of approximately \$74,995, based on the Company's current net exposure. A 10% change in the Argentine peso would have an immaterial impact on the Company's net credit exposure. In practice, the actual results may differ from this sensitivity analysis, and the difference may be material. Management considers foreign exchange to be a significant risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest earned on cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. At March 31, 2019, the Company does not hold any liabilities subject to floating interest rates.

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 Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian dollars)

11. SUPPLEMENTARY CASH FLOW INFORMATION

| Non-cash Financing and Investing Activities | March 31, 2019 | March 31, 2018 |
|---|---------------------------|---------------------------|
| Shares issued for exploration and evaluation asset option payment | \$ 425,000 | \$ 3,990,075 |
| Warrants issued for finders' fees | - | 114,608 |
| Fair value of options exercised | - | 165,154 |
| Shares issued for debt | 68,301 | - |
| Fair value of options expired/cancelled | 107,056 | 694,157 |
| Exploration and evaluation costs included in accounts payable | 238,563 | 687,946 |

There were no cash inflows and outflows for interest and taxes during the nine months ended March 31, 2019 and 2018.

12. SUBSEQUENT EVENTS

The following events and transactions occurred subsequent to March 31, 2019:

- i) On April 4, 2019, the Company issued 204,615 common shares to settle debt of US\$20,000 with a contractor.
- ii) At the May 28, 2019 Annual General Meeting, Pure Energy's shareholders will vote on an Earn-In Agreement, (the "Agreement") with Schlumberger Technology Corporation ("SLB"), a subsidiary of Schlumberger Corporation, for the option and sale of the Company's Clayton Valley lithium brine ("CV Project"), Nevada, for terms of:
 - a. A Private Placement of US\$1.5 million to the Company for 32,421,737 common shares on closing by Schlumberger Canada Limited;
 - b. The full construction and testing of a Pilot Plant for CV Project lithium brines subject to test flow, recovery and minimum production criteria during a 3 year option period, after which the CV Property interests will transferred to SLB; and
 - c. Upon exercise, a 3% net smelter returns production royalty (the "NSR") on all Clayton Valley Properties held by the Company, payable quarterly, subject to advance minimum royalty payments of US\$400,000 annually commencing in 2021 until the production royalty is triggered.

Pursuant to the Agreement, the advance minimum royalty payable to the Company will be non-refundable and fully credited against any future payments under the NSR. SLB has the right to acquire the NSR for US\$14 million following 10 years of commercial production, or for US\$9 million following 15 years of commercial production, as well as a right of first refusal in the event that the Company wishes to sell the NSR to any third party (the "Transaction").

SLB will also assume all property and regulatory responsibility relating to the CV Property, and will provide replacement security for reclamation bonds. The Agreement may be terminated at any time by SLB with 30 days' notice, provided that all underlying property payments and contractual obligations are assumed for the current calendar year. SLB will be the manager of the CV Project. It is the Company's understanding that SLB intends to continue the development of the project including the construction of a Pilot Plant and ultimately the construction of a commercial facility.