
PURE ENERGY MINERALS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30,
2016 AND 2015

(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

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

	Note	September 30, 2016	June 30, 2016
		\$	\$
ASSETS			
CURRENT			
Cash		6,344,856	2,255,187
GST/HST receivable		49,278	33,063
Amounts receivable	7	-	16,000
Prepaid expenses		2,405	3,275
		6,396,539	2,307,525
PROPERTY AND EQUIPMENT	4	5,351	5,633
EXPLORATION AND EVALUATION ASSETS	5	7,332,676	5,557,059
		13,734,566	7,870,217
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	6	608,604	401,456
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	7	27,638,764	21,202,278
CONTRIBUTED SURPLUS	7	6,852,553	6,219,489
DEFICIT		(21,365,355)	(19,953,006)
		13,125,962	7,468,761
		13,734,566	7,870,217

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)
SUBSEQUENT EVENTS (Note 13)

Approved and authorized for issue on behalf of the Board on November 28, 2016

"Michael Dake"

Director

"Robert Mintak"

Director

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

PURE ENERGY MINERALS LIMITED

Consolidated Statements of Comprehensive Loss

For the three months ended September 30, 2016 and 2015

*(Expressed in Canadian dollars)**(Unaudited)*

	Note	2016	2015
		\$	\$
EXPENSES			
Amortization	4	282	1,765
Bank charges and interest		486	1,540
Consulting	6	125,443	309,112
Investor relations	6	118,197	163,645
Management fees	6	122,182	131,690
Office and rent		60,971	22,706
Professional fees	6	154,448	96,795
Share based compensation	6	668,983	77,203
Transfer agent and filing fees		52,869	44,856
Travel and entertainment		109,232	25,451
LOSS BEFORE OTHER ITEMS		(1,413,093)	(874,763)
OTHER ITEMS			
Foreign exchange gain		744	11,957
Gain on recovery of exploration expenses		-	25,000
		744	36,957
NET AND COMPREHENSIVE INCOME (LOSS)		(1,412,349)	(837,806)
LOSS PER SHARE, BASIC AND DILUTED		(0.02)	(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		87,690,486	55,424,239

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

PURE ENERGY MINERALS LIMITED

Consolidated Statements of Changes in Equity

For the three months ended September 30, 2016 and 2015

(Expressed in Canadian dollars)(Unaudited)

	Share Capital		Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
	# of Common Shares without Par Value	Amount			
		\$	\$	\$	\$
Balance at June 30, 2015	53,683,945	14,785,382	5,342,643	(16,373,839)	3,754,186
Shares issued for cash	6,065,765	1,146,235	-	-	1,146,235
Shares issued for services	910,547	250,999	-	-	250,999
Share based compensation	-	-	77,203	-	77,203
Net loss and comprehensive loss for the three months	-	-	-	(837,806)	(837,806)
Balance at September 30, 2015	60,660,257	16,182,616	5,419,846	(17,211,645)	4,390,817
Balance June 30, 2016	78,010,562	21,202,278	6,219,489	(19,953,006)	7,468,761
Shares issued for property acquisition	364,277	298,781	-	-	298,781
Shares issued for cash:					
Private placement	11,201,902	6,161,046	-	-	6,161,046
Exercise of options	925,000	577,824	(274,524)	-	303,300
Exercise of warrants	432,089	93,612	-	-	93,612
Shares issuance costs	-	(694,777)	238,605	-	(456,172)
Share based compensation	-	-	668,983	-	668,983
Net loss and comprehensive loss for the three months	-	-	-	(1,412,349)	(1,412,349)
Balance at September 30, 2016	90,933,830	27,638,764	6,852,553	(21,365,355)	13,125,962

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

PURE ENERGY MINERALS LIMITED
Consolidated Statements of Cash Flows
For the three months ended September 30, 2016 and 2015
(Expressed in Canadian dollars)
(Unaudited)

	2016	2015
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net (loss) for the period	(1,412,349)	(837,806)
Items not affecting cash:		
Amortization	282	1,765
Share based compensation	668,983	77,203
Non-cash consulting and management fees	-	250,999
	(743,084)	(507,839)
Changes in non-cash working capital balances		
Amounts receivable and GST/HST receivable	(215)	369,558
Prepaid expenses	870	-
Accounts payable and accrued liabilities	207,148	918
	(535,281)	(137,363)
INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(1,476,836)	(101,448)
	(1,476,836)	(101,448)
FINANCING ACTIVITIES		
Issuance of common shares	6,557,958	1,146,235
Share issuance costs	(456,172)	-
	6,101,786	1,146,235
CHANGE IN CASH , during the period	4,089,669	907,424
CASH , beginning of period	2,255,187	741,501
CASH , end of period	6,344,856	1,648,925

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

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

*(Expressed in Canadian dollars)**(Unaudited)*

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

Pure Energy Minerals Limited was incorporated on May 10, 2007 under the British Columbia Business Corporations Act. The Company's principal business activities are the acquisition, exploration and development of mineral properties. The Company is domiciled in Canada and is a reporting issuer with its common shares publicly traded on the TSX-Venture Exchange under the stock symbol "PE". The address of its head office is 1400-111 West Georgia Street, Vancouver, B.C., V7M 1E8.

At September 30, 2016, 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 deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, and the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production from the mineral properties or proceeds from the disposition of the mineral properties.

At September 30, 2016, the Company has incurred a net loss for the three months ended of \$1,396,862 (2015 – loss \$837,806) and accumulated a deficit of \$21,349,868 (2015 - \$17,211,645) which have been funded by the issuance of equity. 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 and the necessity that the Company raise sufficient funds to carry out its exploration plan creates material uncertainty that raises significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations committee ("IFRIC").

The consolidated financial statements were authorized for issue in accordance with a resolution from the Board of Directors on November 28, 2016.

b) Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

*(Expressed in Canadian dollars)**(Unaudited)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Consolidation

The consolidated financial statements include the accounts of the Company and its 100% wholly owned subsidiaries, 0891884 BC Ltd., from the date of acquisition October 18, 2012 and Esmeralda Minerals LLC, from the date of incorporation December 23, 2014 (collectively referred to as the "Group"). Inter-company balances and transactions are eliminated on consolidation.

d) Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes could differ from these estimates.

Significant assumptions about the future that management has made and other sources of estimation uncertainty at the reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates

- i. The inputs used in accounting for share based compensation expense in profit or loss;

Critical accounting judgments

- i. The determination of categories of financial assets and financial liabilities.
- ii. The assessment of indications of impairment of the exploration and evaluation assets.
- iii. The determination of the functional currency of each entity within the Group.

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 and its subsidiaries is the Canadian dollar.

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

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

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

*(Expressed in Canadian dollars)**(Unaudited)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". The property is tested for impairment before it is transferred to development properties. Upon commencement of commercial production, the related accumulated costs are amortized using the units of production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and evaluation costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and evaluation costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

g) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is determined using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

*(Expressed in Canadian dollars)**(Unaudited)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is insignificant.

i) Share-based compensation

Share-based compensation to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and expensed over the vesting periods. Share-based compensation to non-employees is measured at the fair value of the goods or services received or the fair value of the equity instruments issued if the fair value of the goods or services cannot be reliably measured, and is recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options or warrants is recorded as share capital and the related contributed surplus is transferred to share capital. Charges for options or warrants that are forfeited before vesting are reversed from contributed surplus.

j) Share capital and warrants

When the Company issues units during a private placement, which include both common shares and share purchase warrants, the warrants are valued by comparing the total unit price to the fair value of the shares on the day of the announcement of the private placement. Any premium above the fair value of the shares issued would be allocated to the warrants and credited to the warrant reserve. The warrant reserve is a component of contributed surplus.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

*(Expressed in Canadian dollars)**(Unaudited)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

l) Impairment of non-financial assets

At the end of each reporting period, the Company assesses each asset to determine whether there is any indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

m) Financial instruments

i) Financial assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity, or available-for-sale.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company has classified its cash as FVTPL.

Financial assets classified as loans and receivables are measured at amortized cost, less impairment. The Company has classified the amounts receivable as loans and receivables.

Financial assets classified as held-to-maturity are measured at amortized cost, using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period. The Company has no financial assets classified as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has no financial assets classified as available-for-sale.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

*(Expressed in Canadian dollars)**(Unaudited)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

ii) Financial liabilities

Financial liabilities are initially recorded at fair value and designed upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through profit or loss. The Company has no financial liabilities classified as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest rate method. The Company has classified its accounts payable and accrued liabilities as other financial liabilities.

n) Property and equipment

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

Equipment	20%	declining balance
Leasehold improvement	20%	straight line

o) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

3. RECENT ACCOUNTING PRONOUNCEMENTS

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, 2016, or later periods. Some updates which are not applicable or are not consequential to the Company may have been excluded from the list below.

Accounting standards anticipated to be effective January 1, 2018*Financial instruments*

IFRS 9, *Financial Instruments*, addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The Company has not yet considered the potential impact of the adoption of IFRS 9 on its consolidated financial statements.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

4. PROPERTY AND EQUIPMENT

	Furniture and equipment \$	Leasehold improvements \$	Total \$
Cost			
Balance, June 30, 2015	21,558	28,253	49,811
Additions	-	-	-
Balance, September 30, 2015	21,558	28,253	49,811
Balance, June 30, 2016	21,558	-	21,558
Additions	-	-	-
Balance, September 30, 2016	21,558	-	21,558
Accumulated amortization			
Balance, June 30, 2015	14,517	26,373	40,890
Amortization for the period	352	1,413	1,765
Balance, September 30, 2015	14,869	27,786	42,655
Balance, June 30, 2016	15,925	-	15,925
Amortization for the period	282	-	282
Balance, September 30, 2016	16,207	-	16,207
Carrying amounts			
At September 30, 2015	6,689	467	7,156
At September 30, 2016	5,351	-	5,351

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

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

	Cypress Claims	CV/DB Claims	CE/CD Claims	Total
	\$	\$	\$	\$
Acquisition costs				
Balance, June 30, 2015	-	786,006	35,000	821,006
Shares issued	-	-	-	-
Cash option payment	-	-	-	-
Staking costs	-	-	-	-
Write-down	-	-	-	-
Balance, September 30, 2015	-	786,006	35,000	821,006
Exploration and evaluation				
Balance, June 30, 2015	-	1,890,443	28,156	1,918,599
Claims renewal and maintenance costs	-	74,519	26,929	101,448
Balance, September 30, 2015	-	1,964,962	55,085	2,020,047
Total September 30, 2015	-	2,750,968	90,085	2,841,053

Acquisition costs

Balance, June 30, 2016	-	1,295,532	194,641	1,490,173
Shares issued	290,500	-	8,281	298,781
Cash option payment	97,065	-	-	97,065
Staking costs	-	-	-	-
Balance, September 30, 2016	387,565	1,295,532	202,922	1,886,019

Exploration and evaluation

Balance, June 30, 2016		4,011,801	55,085	4,066,886
Claims renewal and maintenance costs	17,828	26,898	26,831	71,557
Drilling	-	692,517	-	692,517
Assay and Laboratory	-	3,023	-	3,023
Processing and engineering	-	612,674	-	612,674
Write-down	-	-	-	-
Balance, September 30, 2016	17,828	5,346,913	81,916	5,446,657
Total September 30, 2016	405,393	6,642,445	284,838	7,332,676

AF Claims

Pursuant to an Option agreement (the "Option Agreement") between 0891884 BC Ltd. and GeoXplor Corp. ("GeoXplor") dated June 10, 2011, as amended on August 3, 2012, 0891884 BC Ltd. was granted an option to acquire an 80% interest in certain placer mining claims situated in Esmeralda County, Nevada (the "Property"). Under the terms of the Option Agreement and prior to the acquisition by Pure Energy, 0891884 BC Ltd made a cash payment of US\$75,000, issued 250,000 common shares and incurred exploration expenditures in excess of US\$150,000.

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

*(Expressed in Canadian dollars)**(Unaudited)*

5. EXPLORATION AND EVALUATION ASSETS (continued)**AF Claims (continued)**

The Company was required to make the following cash payments and share issuances: on or before October 10, 2012, cash payment of US\$50,000 (paid) and issuance of 125,000 shares (issued); June 10, 2013 US\$100,000 (paid) and 125,000 shares (issued); and June 10, 2014 US\$100,000 (paid) and 187,500 shares (issued). If the Company prepares a pre-feasibility study which recommends putting the property into production, the Company shall pay GeoXplor an additional payment of US\$500,000, to be paid in cash or shares at GeoXplor's discretion. In addition, the Company committed to a work program spending a minimum of US\$1,600,000 over a five year period as to not less than US\$250,000 in year two, US\$350,000 in year three, US\$500,000 in year four and US\$500,000 in year five. After five years GeoXplor and the Company were to form a joint venture where each party would be responsible for its proportionate share of future costs.

On January 18, 2013, the Company amended its option agreement with GeoXplor Corp. The amended option agreement entitled the Company to acquire a 100% interest in an additional 2,240 acres of land in Esmeralda County. The Company paid \$50,640 (US\$50,000) for this amendment. The terms of the original option agreement with GeoXplor, dated June 10, 2011, as amended on August 3, 2012, otherwise remain unchanged.

Management terminated the Option Agreement during a prior period and a write-off of the accumulated costs was recorded in the years ended June 30, 2015 and 2016.

CV and DB claims in Clayton Valley Esmeralda County, Nevada

In November 2013 the Company paid US\$40,000 for the exclusive right to conduct due diligence on the property.

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 will be the operator and the Company has 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	250,000	2,000,000	176,912
Within four years	250,000	Pre-feasibility study or commercial production	176,912
Total	1,100,000	3,750,000	1,707,648

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

*(Expressed in Canadian dollars)**(Unaudited)*

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

The agreement is subject to a gross overriding royalty of 5%, such royalty can be reduced to 2.5% upon cash payment of US\$7,000,000 to the vendor. GeoXplor Corp. is a private company that holds the CV and DB mineral claims, subject to the option agreement described above. GeoXplor also provides contract exploration services to Pure Energy at the Clayton Valley brine project.

During fiscal 2015 the Company staked additional claims contiguous to the CV and DB claims.

CE and CD claims in Clayton Valley Esmeralda County, Nevada

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

Date	Cash Payment	Share Issuance
	CAD\$	
Effective date (paid/issued)	35,000	226,620
Within one year (paid/issued)	35,000	14,277
Within two years	35,000	14,000 estimated
Within three years	35,000	14,000 estimated
Within four years	35,000	14,000 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.

Cypress Property Claims

On August 24, 2016, the Company entered into a property option agreement to acquire up to a 70% interest in a 1,520 acre mineral claim group which adjoins the Company's existing mineral claims. Consideration for 51% interest in the claims (first option) is:

- i. Cash and share payments of US\$75,000 and 350,000 shares within 5 business days of regulatory approval (paid and issued);
- ii. Exploration expenditures of at least US \$300,000, cash and payment of US \$100,000 and share payment of 750,000 shares before the end of the first year; and
- iii. Additional exploration expenditures of US \$500,000 before the end of the second year.

Consideration for the additional 19% interest in the claims (second option) is:

- i. Payment of 500,000 shares concurrent with giving notice of exercising the second option, which must be exercised within 60 days of having exercised the first option;
- ii. Additional exploration expenditures of US \$1,000,000 before the end of the fourth year; and
- iii. Payment of 500,000 shares before the end of the fourth year.

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Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

(Expressed in Canadian dollars)(Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

The vendor in an underlying agreement with the optionor retains a 3% royalty of which two thirds (2/3) of the royalty can be purchased at any time for US\$1,000,000.

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
Robert Mintak	Executive Chairman and Director – Management fees
Mike Dake	Director, Investor relations and Management fees
Grant Hall	former Director – Consulting fees
Gerhard Jacob	former Director – Consulting fees
Jeremy Poirier	former Director, Manager – Management fees
Patrick Highsmith	CEO, Director – Management fees
Mary Little	Director
J. W. Jardine & Company Ltd.	CFO – Professional fees
Dr. Andy Robinson	Chief Operating Officer, Director – Management fees
Alexi Zawadzki	former VP Business Development – Management fees

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6. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions have been measured at the exchange amount which is the amount agreed to by the parties.

Compensation of Key Management Personnel

Period ended	September 30, 2016	September 30, 2015
	\$	\$
Management fees	107,182	131,690
Professional fees	15,000	15,000
Share-based compensation	653,496	77,203
Total	775,678	223,893

Included in accounts payable and accrued liabilities is \$36,457 (2015 - \$55,087) owing to directors and companies controlled by directors and officers of the Company for accrued and unpaid fees and expenses. 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

- (i) On August 4, 2015, the Company entered into a Strategic Advisory Agreement with Haywood Securities Inc., whereby Haywood provided strategic advisory services to the Company in connection with certain discussions and transactions. Haywood was paid by the issuance of 800,000 units, with a fair value of \$200,000 (\$0.25 per unit). The fair value was determined by the market price of the services received. Each unit consists of one common share and one share purchase warrant entitling them to purchase one common share at a price of \$0.35 per share for each warrant held for a period of 12 months. The Units had vesting provisions however were released from escrow prior to the vesting dates as certain milestones were reached pursuant to terms of the Advisory Agreement.
- (ii) On August 19, 2015, the Company issued 110,547 shares at a fair value of \$26,999 (\$0.244 per share) to Luscar International pursuant to an advisory agreement dated November 1, 2014. The fair value was determined by the market price of the services received.
- (iii) During the period from July 1, 2015 to June 30, 2016, the Company issued:
 - 7,589,334 common shares pursuant to the exercise of warrants at \$0.15 per share;
 - 1,783,233 common shares pursuant to the exercise of warrants at \$0.24 per share;
 - 11,300,125 common shares pursuant to the exercise of warrants at \$0.30 per share; and
 - 800,000 common shares pursuant to the exercise of warrants at \$0.35 per share.
- (iv) On October 7, 2015, the Company issued 142,839 shares at \$0.51 per share pursuant to a private placement agreement for cash proceeds of \$72,848.
- (v) During the period from July 1, 2015 to June 30, 2016, the Company issued:
 - 87,500 common shares pursuant to the exercise of stock options at \$0.40 per share;
 - 458,000 common shares pursuant to the exercise of stock options at \$0.245 per share;
 - 350,000 common shares pursuant to the exercise of stock options at \$0.20 per share;
 - 200,000 common shares pursuant to the exercise of stock options at \$0.23 per share; and
 - 150,000 common shares pursuant to the exercise of stock options at \$0.235 per share.

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*(Expressed in Canadian dollars)**(Unaudited)*

7. SHARE CAPITAL (continued)

- (vi) On November 2, 2015, the Company issued 226,620 shares at a fair value of \$0.55 per share pursuant to the CE and CD property option agreement. (Note 5)
- (vii) On November 2, 2015, the Company issued 127,625 shares at a fair value of \$0.024 per share and 23,882 shares at a fair value of \$0.27 per share pursuant to consulting agreements with a director and an officer (amounts are included in Note 6 as part of management fees).
- (viii) On May 5, 2016, the Company issued 176,912 shares at a fair value of \$0.85 per share pursuant to the CV and DB property option agreement. (Note 5)
- (ix) During the period from July 1, 2016 to September 30, 2016, the Company issued:
 - 112,089 common shares pursuant to the exercise of warrants at \$0.15 per share;
 - 320,000 common shares pursuant to the exercise of warrants at \$0.24 per share;
- (x) During the period from July 1, 2016 to September 30, 2016, the Company issued:
 - 35,000 common shares pursuant to the exercise of stock options at \$0.40 per share;
 - 290,000 common shares pursuant to the exercise of stock options at \$0.245 per share;
 - 400,000 common shares pursuant to the exercise of stock options at \$0.235 per share;
 - 75,000 common shares pursuant to the exercise of stock options at \$0.54 per share; and
 - 125,000 common shares pursuant to the exercise of stock options at \$0.67 per share.
- (xi) On July 20, 2016, the Company issued 11,201,902 units pursuant to a brokered private placement at \$0.55 per unit. Each unit consists of one share and one share purchase warrant entitling the holder to acquire one additional share at a cost of \$0.80 per share to July 19, 2019. Agents were paid a cash commission of \$322,915 and were issued an aggregate of 575,910 Agents' warrants with a fair value of \$238,605. Each Agent warrant entitles the holder to acquire one common share at a cost of \$0.55 for a period of 36 months. There was additional issue cost of \$133,258.
- (xii) On August 3, 2016, the Company issued 14,277 common shares at a fair value of \$0.58 pursuant to a property option agreement.
- (xiii) On September 2, 2016, the Company issued 350,000 common shares at a fair value of \$0.83 pursuant to a property option agreement.

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 period ended September 30, 2016 is as follows:

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

(Expressed in Canadian dollars)(Unaudited)

	Number of Options	Weighted Average Exercise Price \$
Balance, June 30, 2015	3,910,000	0.26
Granted	210,000	0.235
Exercised	(10,000)	(0.245)
Balance September 30, 2015	4,010,000	0.26
Balance, June 30, 2016	5,074,500	0.44
Granted	1,850,000	0.75
Exercised	(925,000)	(0.33)
Balance, September 30, 2016	5,999,500	0.55
Fully vested and exercisable at September 30, 2016	5,178,667	0.53

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

*(Expressed in Canadian dollars)**(Unaudited)*

7. SHARE CAPITAL (continued)

c) Stock options (continued)

A summary of the Company's options outstanding as at September 30, 2016 is as follows:

Expiry Date	Exercise price	Options outstanding	Weighted average remaining life of options (years)	Options exercisable
January 29, 2017	0.400	402,500	0.33	402,500
October 3, 2019	0.245	977,000	3.01	977,000
November 13, 2017	0.235	400,000	1.12	400,000
March 11, 2020	0.270	310,000	3.45	310,000
July 21, 2017	0.235	60,000	0.81	60,000
October 23, 2020	0.670	1,125,000	4.07	1,125,000
November 5, 2020	0.540	475,000	4.10	475,000
February 4, 2021	0.570	400,000	4.35	300,000
July 25, 2019	0.750	1,600,000	2.82	1,066,667
March 27, 2018	0.760	250,000	1.49	62,500
		5,999,500		5,178,667

Stock options were exercised throughout the period. The Company's weighted average share price during the three months ended September 30, 2016 was \$0.80. During the three months ended September 30, 2015 stock options were exercised when the share price was \$0.51.

d) Share-based payments

During the year ended June 30, 2016, the Company granted 210,000 stock options of which 60,000 vested on July 21, 2015, and 150,000 vested on November 21, 2015. These stock options are exercisable at \$0.235 per share for period of 2 years and had a fair value of \$34,366 or \$0.16 per option.

During the year ended June 30, 2016, the Company granted 1,250,000 fully vested stock options. These stock options are exercisable at \$0.67 per share for a period of 5 years and had a fair value of \$681,390 or \$0.55 per option.

During the year ended June 30, 2016, the Company granted 550,000 stock options of which 233,333 vested on November 5, 2015, 158,333 vested on February 5, 2016 and 158,334 vested on May 5, 2016. These stock options are exercisable at \$0.54 per share for a period of 5 years and have a fair value of \$218,825 or \$0.40 per option.

During the year ended June 30, 2016, the Company granted 400,000 stock options, 100,000 of which vested immediately, 100,000 vested on May 4, 2016, 100,000 vested on August 4, 2016 and 100,000 vest on November 4, 2016. These stock options are exercisable at \$0.57 per share for a period of 5 years and have a fair value of \$152,471 or \$0.38 per option.

During the three months ended September 30, 2016, the Company granted 1,600,000 stock options, 533,333 vested on August 25, 2016, 533,333 vested on September 25, 2016 and 533,334 vest on October 25, 2016. These stock options are exercisable at \$0.75 per share for a period of 3 years and have a fair value of \$614,719 or \$0.38 per option.

During the three months ended September 30, 2016, the Company granted 250,000 stock options, 62,500 vested on September 27, 2016, 62,500 vested on November 27, 2016, 62,500 vest on January 27, 2017 and 62,500 vest on March 27, 2017. These stock options are

PURE ENERGY MINERALS LIMITED

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(Expressed in Canadian dollars)(Unaudited)

7. SHARE CAPITAL (continued)

d) Share-based payments (continued)

exercisable at \$0.76 per share for a period of 18 months and have a fair value of \$61,948 or \$0.25 per option.

The Company expensed \$668,983 (2015 - \$77,203) relating to the options granted and vested during the three month periods ended September 30, 2016 and 2015.

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

	2016	2015
Risk free interest rate	0.58%	0.43%
	-	-
Expected dividend yield		
Stock price volatility	138%	130%
Expected life of options	2 years	2 years
Forfeiture rate	-	-
Share price	\$0.75	\$0.24
Exercise price	\$0.75	\$0.24
Fair value	\$0.38	\$0.11

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

PURE ENERGY MINERALS LIMITED

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

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

e) Warrants

On July 10, 2015 the Company issued 3,128,233 warrants pursuant to a warrant incentive exercise program. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.24 per share. The warrants expire on December 16, 2016.

A summary of the changes in the Company's warrants for the period ended September 30, 2016 and September 30, 2015 is presented below.

	Agent Warrants		Financing Warrants	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
		\$		\$
Balance, June 30, 2015	191,762	0.27	19,730,834	0.23
Granted			3,928,233	0.26
Exercised	(191,762)	0.27	(5,864,003)	(0.19)
Balance, September 30, 2015	-	-	17,795,064	0.26
Balance, June 30, 2016	-	-	2,378,137	0.20
Granted	575,910	0.55	11,201,902	0.80
Exercised	-	-	(432,089)	(0.22)
Balance, September 30, 2016	575,910	0.55	13,147,950	0.70

A summary of the Company's warrants outstanding as at September 30, 2016 is as follows:

Expiry Date	Exercise price	Warrants outstanding
May 30, 2017 – September 5, 2017	0.15	921,048
December 16, 2016	0.24	1,025,000
July 19, 2019	0.80	11,201,902
July 19, 2019	0.55	575,910
		13,723,860

Financing warrants granted are valued using the residual value method and have a fair value of \$Nil (2015: \$Nil), unless otherwise noted in Note 7.a).

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

	2016	2015
Risk free interest rate	0.59%	1.04%
Expected dividend yield	-	-
Stock price volatility	137%	165%
Expected life of options	2 years	2 years
Forfeiture rate	-	-
Share price	\$0.72	\$0.21
Exercise price	\$0.55	\$0.27
Fair value	\$0.24	\$0.14

Expected volatility was calculated based solely on historical volatility.

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Notes to the Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015

*(Expressed in Canadian dollars)**(Unaudited)*

7. SHARE CAPITAL (continued)

f) Contributed Surplus

As at September 30, 2016 and September 30, 2015, contributed surplus consisted of the following

	2016	2015
Expired options, warrants and agent warrants	\$ 2,568,132	\$ 1,939,907
Loan forgiveness	2,449,536	2,449,536
Stock options	1,596,280	996,385
Agent warrants	238,605	27,174
Total Contributed Surplus	\$ 6,852,553	\$ 5,413,002

8. INCOME TAXES

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

	2016	2015
Combined statutory tax rate	26.00%	26.00%
Income tax recovery at combined statutory rate	\$ 930,600	\$ 873,800
Foreign tax and foreign exchange rates	900	-
Non-deductible expenses and other	(274,200)	(181,200)
Loss carry forwards expired	-	(39,000)
Adjustment to prior years provision versus statutory tax returns	29,800	-
Change in unrecognized deferred tax assets	(687,100)	(653,600)
Income tax expense	\$ -	\$ -

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

	2016	2015
Share issue costs	\$ 30,900	\$ 48,600
Property and equipment	11,500	-
Canadian eligible capital	100	-
Exploration and evaluation assets	867,600	1,111,800
Non-capital and capital loss carry-forwards	2,570,800	1,633,400
Total deferred income tax assets	3,480,900	2,793,800
Unrecognized deferred tax assets	(3,480,900)	(2,793,800)
Net deferred tax assets	\$ -	\$ -

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For the three months ended September 30, 2016 and 2015

(Expressed in Canadian dollars)(Unaudited)

8. INCOME TAXES (continued)

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

	2016	Expiry Date Range	2015	Expiry Date Range
Exploration and evaluation assets	\$ 3,336,700	No expiry date	\$ 4,276,200	No expiry date
Property and equipment	44,200	No expiry date	-	No expiry date
Canadian eligible capital (CEC)	400	No expiry date	-	No expiry date
Share issue costs	118,800	2017-2019	186,900	2016-2019
Allowable capital losses	512,200	No expiry date	512,200	No expiry date
Non-capital losses available for future period	9,372,400	2026-2036	5,770,100	2026-2035

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

	Canada	USA	Total
2036	\$ 2,460,300	\$ 8,100	\$ 2,468,400
2035	1,261,300	-	1,261,300
2034	579,900	-	579,900
2033	802,000	-	802,000
2032	1,369,200	-	1,369,200
2031	1,561,600	-	1,561,600
2030	701,100	-	701,100
2029	160,500	-	160,500
2028	142,600	-	142,600
2027	182,800	-	182,800
2026	143,000	-	143,000
	\$ 9,364,300	\$ 8,100	\$ 9,372,400

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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 September 30, 2016, the Company's financial instruments consist of cash, amounts receivable and accounts payable and accrued liabilities. 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 fair values of the Company's financial assets and liabilities as of September 30, 2016 and 2015 were calculated as follows:

	Level 1	Level 2	Level 3	September 30, 2016
Cash	\$ 6,344,856	\$ -	\$ -	\$ 6,344,856

	Level 1	Level 2	Level 3	September 30, 2015
Cash	\$ 1,648,925	\$ -	\$ -	\$ 1,648,925

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*(Expressed in Canadian dollars)**(Unaudited)*

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 risks 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 (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 expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

The Company is exposed to currency fluctuations. The Company has US dollar balances in cash, amounts receivable, accounts payable and accrued liabilities and is therefore exposed to gains or losses on foreign exchange. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations at September 30, 2016.

At September 30, 2016, the Company, through its wholly owned subsidiaries, had a cash balance of USD \$2,786, amounts receivable of USD \$Nil and accounts payable of USD \$441,414. 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 \$44,000. Management considers foreign exchange to be a significant risk.

On December 14, 2015 Company entered into a 60 day hedging arrangement for \$750,000 US at a conversion rate of 1.3729. Management may elect to use such instruments in the future.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances. The interest earned on cash approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. 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.

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Notes to the Consolidated Financial Statements

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*(Expressed in Canadian dollars)**(Unaudited)*

11. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash Financing and Investing Activities	2016	2015
	\$	\$
Exploration and evaluation asset option payment	298,781	250,999
Warrants issued for finders fees	-	-
Fair value of options exercised	274,524	-
Fair value of warrants exercised	-	-
Exploration and evaluation costs included in accounts payable	351,384	-

There were no cash inflows and outflows for interest and taxes during the three months ended September 30, 2016 and 2015.

12. COMMITMENT

During the year ended June 30, 2015, the Company entered into an agreement with Tenova Bateman Technologies ("Tenova"), whereby Tenova will conduct lithium recovery process tests. Pursuant to the terms of the Agreement, the Company is required to pay a total of USD\$450,000 as follows:

- 50% or USD\$225,000 upon execution of the agreement (paid);
- 35% or USD\$157,500 8 weeks from commencement of work (paid subsequent to year end); and
- 15% or USD\$67,500 upon submission of the final report.

13. SUBSEQUENT EVENTS

(a) Subsequent to September 30, 2016, the Company issued:

- 25,000 common shares pursuant to the exercise of stock options at \$0.245 per share;
- 43,616 common shares in exchange for services with a fair value of \$27,857;
- 50,000 common shares pursuant to the exercise of warrants at \$0.24 per share and
- 100,000 common shares pursuant to the exercise of warrants at \$0.15 per share.