PORTOFINO RESOURCES INC.

FINANCIAL STATEMENTS

AS AT

MAY 31, 2017 AND 2016

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7
Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Portofino Resources Inc.

We have audited the accompanying financial statements of Portofino Resources Inc. which comprise the statements of financial position as at May 31, 2017 and 2016, and the statements of comprehensive loss, changes in equity and cash flows for the years ended May 31, 2017 and 2016, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Portofino Resources Inc. as at May 31, 2017 and 2016, and its financial performance and its cash flows for the years ended May 31, 2017 and 2016, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Portofino Resources Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
September 26, 2017

PORTOFINO RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2017 AND 2016
(Expressed in Canadian dollars)

	Note	2017	2016
		$	$
ASSETS			
CURRENT			
Cash		194,282	12,715
Taxes receivable		17,058	1,985
Prepaid expenses	6, 9	126,985	5,200
Promissory notes	8	105,200	-
		443,525	19,900
NON-CURRENT			
Exploration and evaluation asset	6	260,034	251,034
Equipment	5	1,386	-
		704,945	270,934
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	9	91,296	37,482
EQUITY			
SHARE CAPITAL	7	1,704,862	845,465
CONTRIBUTED SURPLUS	7	525,813	395,382
DEFICIT		(1,617,026)	(1,007,395)
		613,649	233,452
		704,945	270,934

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)
COMMITMENTS (Notes 6, 7 and 13)

Approved and authorized for issue on behalf of the Board on September 26, 2017

/s/ "David Tafel" CEO *"/s/ "*Jeremy Wright*"* CFO

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED MAY 31, 2017 AND 2016
(Expressed in Canadian dollars)

	Note	2017	2016
		$	$
EXPENSES			
Advertising and promotion		5,666	8,850
Amortization		294	-
Consulting fees		110,125	17,500
Due diligence costs	9, 13	115,003	-
Investor communications		4,250	-
Management fees	9	127,250	69,000
Office		27,830	26,227
Professional fees	9	73,235	42,171
Rent	9	33,320	18,356
Share-based payments	7, 9	80,454	-
Transfer agent and filing fees		21,454	10,196
Travel and promotion		10,750	-
NET LOSS AND COMPREHENSIVE LOSS		(609,631)	(192,300)
LOSS PER SHARE – Basic and diluted		(0.03)	(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		19,989,616	12,550,000

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MAY 31, 2017 AND 2016
(Expressed in Canadian dollars)

	Common Shares				
	Number of Shares	**Amount**	**Contributed Surplus**	**Deficit**	**Total**
		$	$	$	$
Balance, May 31, 2015	12,550,000	845,465	395,382	(815,095)	425,752
Net loss and comprehensive loss	-	-	-	(192,300)	(192,300)
Balance, May 31, 2016	12,550,000	845,465	395,382	(1,007,395)	233,452
Shares issued for cash	19,780,000	989,000	-	-	989,000
Shares issued for mineral property	90,000	9,000	-	-	9,000
Share-based payments	-	-	80,454	-	80,454
Share issuance costs	-	(138,603)	49,977	-	(88,626)
Net loss and comprehensive loss	-	-	-	(609,631)	(609,631)
Balance, May 31, 2017	**32,420,000**	**1,704,862**	**525,813**	**(1,617,026)**	**613,649**

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2017 AND 2016
(Expressed in Canadian dollars)

	2017	**2016**
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(609,631)	(192,300)
Adjusted for items not affecting cash:		
Amortization	294	-
Accrued interest	(450)	-
Share-based payments	80,454	-
	(529,333)	(192,300)
Changes in non-cash working capital balances:		
Taxes receivable	(15,073)	7,151
Prepaid expenses	(121,785)	1,300
Accounts payable and accrued liabilities	53,814	24,957
Cash used in operating activities	(612,377)	(158,892)
INVESTING ACTIVITY		
Advances of promissory notes	(149,750)	-
Receipt of promissory note	45,000	-
Purchase of equipment	(1,680)	-
Exploration and evaluation asset	-	32,233
Cash provided by (used in) investing activity	(106,430)	32,233
FINANCING ACTIVITIES		
Shares issued for cash	989,000	-
Share issuance costs	(88,626)	-
Cash provided by financing activities	900,374	-
INCREASE (DECREASE) IN CASH	181,567	(126,659)
CASH, BEGINNING OF YEAR	12,715	139,374
CASH, END OF YEAR	194,282	12,715
SUPPLEMENTAL CASH DISCLOSURES:		
Interest paid	-	-
Income taxes paid	-	-
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Fair value of shares issued for exploration and evaluation assets	9,000	-
Fair value of finder warrants issued	49,977	-

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Portofino Resources Inc. ("the Company") was incorporated on June 14, 2011 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is Suite 520, 470 Granville Street, Vancouver, British Columbia, Canada. The Company's shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "POR".

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at May 31, 2017, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for 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 the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a deficit of $1,617,026 as at May 31, 2017 (2016: $1,007,395), which has 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. These financial statements do not give affect 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 these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on September 26, 2017.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these 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 years presented in these financial statements.

c) Equipment

Equipment is recorded at cost less accumulated amortization. Equipment is amortized on a straight-line basis over 3 years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income 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, which exceeds three years. 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 development 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 future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development 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.

e) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are 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 is recorded as share capital and the related contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

The fair value of the stock options and agent warrants is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historical experience), expected dividends, expected forfeitures, and risk-free interest rate (based on government bonds).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss based on the pro-rata portion of the deferred premium. To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

g) Foreign currency

The Company's functional currency is the Canadian dollar. Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

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 at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. 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. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. 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 immaterial.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

j) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences, which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Financial assets

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. At May 31, 2017, the Company has classified promissory notes as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss, except for losses in value that are considered other than temporary which are recognized in earnings. At May 31, 2017, the Company has not classified any financial assets as available for sale.

Transactions 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable are 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. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At May 31, 2017, the Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these 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 financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position 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:

Significant accounting estimates

i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable;

ii. the determination of fair values of share-based payments and finder's warrants;

iii. the measurement of deferred income tax assets and liabilities; and

Significant accounting judgments

i. the evaluation of the Company's ability to continue as a going concern.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Corporation may have been excluded from the list below. The Company is evaluating any impact the standards noted below may have on the Company's financial statements and this assessment has not been completed.

Standards effective for annual periods beginning on or after January 1, 2018:

IFRS 15 *Revenue from Contracts with Customers* - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 *Financial Instruments* – In November 2009, as part of the IASB project the ASB intends to replace IAS 39 - Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flows characteristics. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 2 *Share-based Payment* - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

Standard is effective for annual periods beginning on or after January 1, 2019:

IFRS 16 *Leases* - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

(Expressed in Canadian dollars)

5. EQUIPMENT

During the year ended May 31, 2017, the Company acquired a computer of $1,680 and recorded amortization of $294 for the year.

6. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	**Exploration Costs**	**Total**
	$	$	$
Balance, May 31, 2015	42,000	241,267	283,267
Mining exploration tax credit	-	(32,233)	(32,233)
Balance, May 31, 2016	42,000	209,034	251,034
Acquisition costs	9,000	-	9,000
Balance, May 31, 2017	**51,000**	**209,034**	**260,034**

During the year, the Company issued 90,000 common shares with a fair value of $9,000.

Iron Horse-Bolivar Mineral Property

Pursuant to an option agreement dated February 28, 2012 and amended agreement dated September 15, 2017, with Rich River Exploration Ltd. ("Rich River") and Craig Alvin Lynes, collectively, the "Optionors", the Company was granted an option to acquire a 100% undivided interest in the Iron Horse-Bolivar Mineral Property (the "Property") comprised of seven mineral claims located in the Peachland region of British Columbia.

To earn the 100% interest, the Company agreed to issue 275,000 common shares of the Company to the Optionor, make cash payments totaling $100,000, and incur a total of $1,000,000 in exploration expenditures as follows:

	Number of Common Shares	**Cash**	**Exploration Expenditures**
		$	$
Upon execution of the agreement (paid)	-	10,000	-
On or before February 28, 2013 (incurred)	-	-	100,000
Upon listing of the Company's common shares on the TSX Venture Exchange (issued and paid)	85,000	15,000	-
On or before the December 5, 2015 (issued)	90,000	-	-
On or before the December 5, 2017	100,000	5,000	125,000
On or before the December 5, 2018	-	25,000	300,000
On or before December 5, 2019	-	45,000	475,000
Total	275,000	100,000	1,000,000

The Optionors will retain a 3% Net Smelter Returns royalty on the Property. The first 2% of the royalty may be purchased by the Company at $500,000 for each 1%. The purchase of the remaining 1% is negotiable after commercial production commences.

7. SHARE CAPITAL

a) Authorized:

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

b) Escrow Shares:

There were 1,677,000 common shares held in escrow as at May 31, 2017 (2016 - 3,354,000). 10% of the escrowed common shares were released from escrow upon the Company being listed on the TSX Venture Exchange on December 5, 2014 and the remainder will be released in six equal tranches of 15% on each of the 6, 12, 18, 24, 30 and 36 months subsequent to the listing date.

c) Issued and Outstanding as at May 31, 2017: 32,420,000 common shares

(i) On August 15, 2016, the Company issued 4,800,000 units for gross proceeds of $240,000. Each unit is comprised of one common share and one purchase warrant. Each warrant entitles the holder to purchase one common share at $0.075 per share until August 14, 2018. The Company issued 367,000 finder's warrants with a fair value of $14,687. Each finder's warrant entitles the holder to purchase one common share of the Company at $0.075 per share until August 15, 2018.

(ii) On August 24, 2016, the Company issued 90,000 common shares with a fair value of $9,000 to the Optionors of the Property (see Note 6).

(iii) On September 2, 2016, the Company issued 3,300,000 units for gross proceeds of $165,000. Each unit is comprised of one common share and one purchase warrant. Each warrant entitles the holder to purchase one common share at $0.075 per share until September 1, 2018. The Company paid a cash commission of $34,350 and issued 320,000 finder's warrants with a fair value of $17,958. Each finder's warrant entitles the holder to purchase one common share of the Company at $0.075 per share until September 2, 2018.

(iv) On April 18, 2017, the Company issued 9,220,000 units for gross proceeds of $461,000. Each unit is comprised of one common share and one purchase warrant. Each warrant entitles the holder to purchase one common share at $0.08 per share until April 17, 2019. The Company issued 398,000 finder's warrants with a fair value of $15,809. Each finder's warrant entitles the holder to purchase one common share of the Company at $0.08 per share until April 17, 2019.

(v) On May 26, 2017, the Company issued 2,460,000 units for gross proceeds of $123,000. Each unit is comprised of one common share and one purchase warrant. Each warrant entitles the holder to purchase one common share at $0.08 per share until May 25, 2019. The Company paid a cash commission of $23,750 and issued 77,000 finder's warrants with a fair value of $1,523. Each finder's warrant entitles the holder to purchase one common share of the Company at $0.08 per share until May 25, 2019.

In addition, the Company also incurred share issuance costs of $30,526 for the issuance of common shares noted in 7(c)(iii) and (v) above.

(vi) No common shares were issued for the year ended May 31, 2016

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

d) Stock Options:

The Company has an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares of the Company at any one time.

On January 13, 2017, the Company granted 1,500,000 stock options to certain officers, directors and consultants of the Company. Options vested on grant date, with exercise price of $0.10 per share until January 12, 2022. The fair value of the option was $80,454 and was estimated using the Black Scholes option pricing model with the following assumptions:

Risk free interest rate	1.21%
Expected life	5 years
Expected volatility	92%
Expected dividend	Nil

During the year ended May 31, 2017, the Company has issued the following options:

	Number of Options	Weighted Average Exercise Price
		$
Outstanding and exercisable, May 31, 2015	800,000	0.20
Expired	(200,000)	0.20
Outstanding and exercisable, May 31, 2016	600,000	0.20
Granted	1,500,000	0.10
Cancelled	(600,000)	0.20
Outstanding and exercisable, May 31, 2017	1,500,000	0.10

The following options were outstanding and exercisable at May 31, 2017:

Number of Options	Exercise Price	Expiry Date	Remaining Life
	$		
1,500,000	$ 0.10	January 12, 2022	4.62 years

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

e) Warrants

During the year ended May 31, 2017, the Company issued 1,162,000 finder's warrants in connection with the private placements disclosed in Note 7 with aggregate fair value of $49,977 which was estimated using the Black Scholes option pricing model with the following assumptions:

Risk free interest rate	0.54% to 0.74%
Expected life	2 years
Expected volatility	94% to 115%
Expected dividend	Nil

During the year ended May 31, 2017, the Company has issued the following warrants:

	Number of Warrants	Weighted Average Exercise Price
		$
Outstanding, May 31, 2015 and 2016	240,000	0.20
Issuance of private placements warrants	19,780,000	0.08
Issuance of finder's warrants	1,162,000	0.08
Expired	(240,000)	0.20
Outstanding and exercisable, May 31, 2017	20,942,000	0.08

The following warrants were outstanding and exercisable at May 31, 2017:

Number of warrants	Exercise price	Expiry date	Remaining contractual life (in years)
	$		
5,167,000	0.075	August 15, 2018	1.21
3,620,000	0.075	September 1, 2018	1.26
9,618,000	0.08	April 16, 2019	1.88
2,537,000	0.08	May 25, 2019	1.99
20,942,000	0.08		1.60

(Expressed in Canadian dollars)

8. PROMISSORY NOTES

On May 15, 2017, the Company issued a promissory note receivable of US$40,000 to the wholly owned subsidiary of a company with a common officer. The note is unsecured, bears interest at 1.5% per month and is due on November 30, 2017. Interest rises to 2.5% per month on any unpaid balances after November 30, 2017. As of May 31, 2017, the amount outstanding was $55,200 which included $450 of accrual interest.

On January 4, 2017, February 6, 2017 and April 10, 2017, the Company issued promissory notes for the amounts of $45,000, $25,000 and $25,000 respectively to a company with common directors of the Company. The notes are unsecured, non-interest bearing and are due on demand. As of May 31, 2017, the Company received repayment of $45,000 and the balance outstanding was $50,000.

9. RELATED PARTY BALANCES AND 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. 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 or obligations between related parties.

The following related parties' amounts have been included in accounts payable and accrued liabilities and prepaid expenses:

	2017	2016
	$	$
Accounts payable and accrued liabilities	4,687	36,841
Prepaid expenses	6,185	-

The amounts are due to or advance to companies controlled by directors of the Company. The accounts payable and accrued liabilities are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions:

	2017	2016
	$	$
Rent	-	9,000
Professional fees	36,687	21,950
Total	36,687	30,950

Professional fees are paid to companies controlled by the chief financial officer of the Company. During the year ended May 31, 2016, the Company paid rent of $9,000 and professional fees of $21,950 to a company controlled by a former director of the Company.

(Expressed in Canadian dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the officers and directors of the Company. The remuneration of key management is as follows:

	2017	2016
	$	$
Share-based payments	64,900	-
Management fees	100,000	69,000
	164,900	69,000

Management services were provided by companies controlled by two directors of the Company. During the year ended May 31, 2016, the amount of $69,000 was paid to the companies controlled by former directors of the Company.

10. INCOME TAXES

The Company has losses carried forward of $1,285,000 available to reduce income taxes in future years which expire between 2032 and 2037.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

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

	2017	2016
Canadian statutory income tax rate	26%	26%
	$	$
Income tax recovery at statutory rate	158,504	50,000
Effect of income taxes of:		
Permanent differences and others	(6,446)	3,000
Change in deferred tax assets not recognized	(152,058)	(53,000)
Deferred income tax recoverable	-	-

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	2017	2016
	$	$
Non-capital loss carry forwards	334,220	184,500
Exploration and evaluation assets	(31,664)	(23,000)
Share issuance costs	33,046	22,000
Equipment	(44)	-
Deferred tax assets not recognized	(335,558)	(183,500)
	-	-

11. 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 its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. 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 new shares or dispose of assets or adjust the amount of cash.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash, which is classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at May 31, 2017 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Cash	194,282	-	-	194,282

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at May 31, 2017 because of the demand nature or short-term maturity of these instruments.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Fair value (continued)

The following table summarizes the carrying value of the Company's financial instruments:

	2017	**2016**
	$	$
FVTPL (i)	194,282	12,715
Other financial liabilities (ii)	84,547	37,482

(i) Cash
(ii) Accounts payable

Financial risk management objectives and policies

The Company's financial instruments include cash, promissory notes and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company is exposed to foreign currency risk related to cash payments and exploration expenditures that are denominated in US dollars. The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada. Management does not hedge its explore to foreign exchange risk and the Company's net exposure is limited.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution. The fair value interest rate risk on cash is insignificant due to their short-term nature.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *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 of cash and promissory notes. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

13. COMMITMENT

On November 25, 2016, the Company entered into a letter of intent with Centurion Minerals Ltd. ("Centurion"), a public company having common directors with the Company. Centurion will assist the Company with due diligence, structuring and negotiating a mining transaction on behalf of the Company. As consideration, the Company paid $50,000 on signing the letter of intent and will issue up to 1,000,000 common shares of the Company to Centurion upon the approval of the mining transaction by TSX-V.