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**PORTOFINO RESOURCES INC.**  
**FINANCIAL STATEMENTS**  
**AS AT**  
**MAY 31, 2018 AND 2017**  
**(Expressed in Canadian dollars)**

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## **INDEPENDENT AUDITORS' REPORT**

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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, 2018 and 2017, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, 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 based on 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, 2018 and 2017, and its financial performance and its cash flows for the years then ended 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, 2018

**PORTOFINO RESOURCES INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT MAY 31, 2018 AND 2017**  
(Expressed in Canadian dollars)

	Note	2018	2017
		\$	\$
<b>ASSETS</b>			
CURRENT			
Cash		164,707	194,282
Amounts receivable	9	77,425	-
Taxes receivable		12,848	17,058
Prepaid expenses	9	75,304	126,985
Promissory notes	8	224,249	105,200
		554,533	443,525
NON-CURRENT			
Exploration and evaluation asset	6	278,034	260,034
Equipment	5	882	1,386
		833,449	704,945
<b>LIABILITIES</b>			
CURRENT			
Accounts payable and accrued liabilities	9	120,264	91,296
<b>EQUITY</b>			
SHARE CAPITAL	7	3,231,243	1,704,862
CONTRIBUTED SURPLUS	7	634,250	525,813
DEFICIT		(3,152,308)	(1,617,026)
		713,185	613,649
		833,449	704,945

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)  
COMMITMENTS (Notes 6 and 13)  
SUBSEQUENT EVENTS (Note 14)

Approved and authorized for issue on behalf of the Board on September 26, 2018

/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, 2018 AND 2017**  
(Expressed in Canadian dollars)

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		\$	\$
<b>EXPENSES</b>			
Advertising and promotion		769	5,666
Amortization		504	294
Consulting fees		337,740	110,125
Due diligence costs	9, 13	559,287	115,003
Investor communications		93,245	4,250
Management fees	9	197,125	127,250
Office		26,373	28,280
Professional fees	9	127,799	73,235
Rent		15,353	33,320
Share-based payments	7, 9	120,129	80,454
Transfer agent and filing fees		19,800	21,454
Travel and promotion		48,600	10,750
<b>LOSS BEFORE OTHER ITEM</b>		<b>(1,546,724)</b>	<b>(610,081)</b>
<b>OTHER ITEM:</b>			
Interest income	8	11,442	450
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>(1,535,282)</b>	<b>(609,631)</b>
<b>LOSS PER SHARE – Basic and diluted</b>		<b>(0.05)</b>	<b>(0.03)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>		<b>30,279,937</b>	<b>19,989,616</b>

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, 2018 AND 2017**  
(Expressed in Canadian dollars)

	<b>Common Shares</b>		<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
	<b>Number of Shares</b>	<b>Amount</b>			
		\$	\$	\$	\$
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
Shares issued for cash	19,432,000	1,555,062	(28,855)	-	1,526,207
Shares issued for mineral property	100,000	13,000	-	-	13,000
Share-based payments	-	-	120,129	-	120,129
Share issuance costs	-	(41,681)	17,163	-	(24,518)
Net loss and comprehensive loss	-	-	-	(1,535,282)	(1,535,282)
<b>Balance, May 31, 2018</b>	<b>51,952,000</b>	<b>3,231,243</b>	<b>634,250</b>	<b>(3,152,308)</b>	<b>713,185</b>

The accompanying notes are an integral part of these financial statements

**PORTOFINO RESOURCES INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MAY 31, 2018 AND 2017**  
(Expressed in Canadian dollars)

	2018	2017
	\$	\$
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(1,535,282)	(609,631)
Adjusted for items not affecting cash:		
Amortization	504	294
Accrued interest	(11,442)	(450)
Share-based payments	120,129	80,454
	(1,426,091)	(529,333)
Changes in non-cash working capital balances:		
Amounts receivable	(77,425)	-
Taxes receivable	4,210	(15,073)
Prepaid expenses	51,681	(121,785)
Accounts payable and accrued liabilities	28,968	53,814
Cash used in operating activities	(1,418,657)	(612,377)
<b>INVESTING ACTIVITY</b>		
Advances of promissory notes	(168,936)	(149,750)
Receipt of promissory note	61,329	45,000
Purchase of equipment	-	(1,680)
Exploration and evaluation asset	(5,000)	-
Cash used in investing activities	(112,607)	(106,430)
<b>FINANCING ACTIVITIES</b>		
Shares issued for cash	1,526,207	989,000
Share issuance costs	(24,518)	(88,626)
Cash provided by financing activities	1,501,689	900,374
INCREASE (DECREASE) IN CASH	(29,575)	181,567
CASH, BEGINNING OF YEAR	194,282	12,715
CASH, END OF YEAR	164,707	194,282
<b>SUPPLEMENTAL CASH DISCLOSURES:</b>		
Interest paid	-	-
Income taxes paid	-	-
<b>NON-CASH INVESTING AND FINANCING TRANSACTIONS:</b>		
Fair value of shares issued for exploration and evaluation assets	13,000	9,000
Fair value of finder warrants issued	17,163	49,977

The accompanying notes are an integral part of these financial statements

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**PORTOFINO RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2018 AND 2017**  
(Expressed in Canadian dollars)

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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, 2018, 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 \$3,152,308 as at May 31, 2018 (2017: \$1,617,026), 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, 2018.

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.

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**PORTOFINO RESOURCES INC.**  
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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).



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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 rates 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.

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**PORTOFINO RESOURCES INC.**  
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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, 2018, the Company has classified amounts receivable and 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, 2018, 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.

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**PORTOFINO RESOURCES INC.**  
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(Expressed in Canadian dollars)

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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, 2018, 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 determination of the net realizable value related to write-down of the mineral property;
- ii. the determination of fair values of share-based payments and finder's warrants; and
- iii. the measurement of deferred income tax assets and liabilities.

*Significant accounting judgments*

- i. the evaluation of the Company's ability to continue as a going concern;
- ii. the assessment of indications of impairment of the mineral property; and
- iii. the assessment of the collectability of the promissory notes.

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**PORTOFINO RESOURCES INC.**  
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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.

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.

The Company does not expect the new and amended standards noted above will have a significant impact on its financial statements.

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. The Company is evaluating any impact this standard may have on the Company's financial statements and this assessment has not been completed.

**PORTOFINO RESOURCES INC.**  
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(Expressed in Canadian dollars)

5. EQUIPMENT

The net book value as at May 31, 2018 was \$882 (2017: \$1,386).

6. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	Exploration Costs	Total
	\$	\$	\$
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
Acquisition costs	18,000	-	18,000
<b>Balance, May 31, 2018</b>	<b>69,000</b>	<b>209,034</b>	<b>278,034</b>

During the year, the Company issued 100,000 (2017: 90,000) common shares with a fair value of \$13,000 (2017: \$9,000) and paid \$5,000 in cash.

**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") originally comprised of seven mineral claims located in the Peachland region of British Columbia. During the year three claim blocks were allowed to lapse, reducing the Property from 2,247 Ha to 1,812 Ha, as the 435 Ha had previously returned limited results and would not be subject to further exploration activity by the Company.

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 (paid and issued)	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
<b>Total</b>	<b>275,000</b>	<b>100,000</b>	<b>1,000,000</b>

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.

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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 no common shares held in escrow as at May 31, 2018 (2017: 1,677,000).

c) Issued and Outstanding as at May 31, 2018: 51,952,000 common shares

During the year ended May 31, 2018:

(i) The Company issued 8,937,500 units for gross proceeds of \$715,000. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.12 per share for the first year and \$0.15 per share for the second year. The Company issued 220,500 finder's warrants with a fair value of \$17,163. Each finder's warrant entitles the holder to purchase one common share of the Company at \$0.12 per share for the first year and \$0.15 per share for the second year. The Company also paid \$17,640 in cash as finder's fees and incurred other costs of \$6,878.

(ii) The Company issued 10,494,500 common shares for gross proceeds of \$811,207 from the exercise of purchase warrants. A total fair value of \$28,855 was transferred from contributed surplus to common shares.

(iii) The Company issued 100,000 common shares with a fair value of \$13,000 to the Optionors of the Property (see Note 6).

During the year ended May 31, 2017:

(i) 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) The Company issued 90,000 common shares with a fair value of \$9,000 to the Optionors of the Property (see Note 6).

(iii) 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) 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.

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7. SHARE CAPITAL (continued)

c) Issued and outstanding (continued):

During the year ended May 31, 2017 (continued):

(v) 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 incurred share issuance costs of \$30,526 for the issuance of common shares during the year ended May 31, 2017.

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 December 29, 2017, the Company granted 1,600,000 stock options to certain officers, directors and consultants of the Company. Options vested on grant date, with exercise price of \$0.12 per share until December 28, 2022. The fair value of the option was \$120,129.

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.

The fair values of the stock options were estimated using the Black Scholes option pricing model with the following assumptions:

	2018	2017
Share price	\$0.10	\$0.10
Risk free interest rate	1.87%	1.21%
Expected life	5 years	5 years
Expected volatility	105%	92%
Expected dividend	Nil	Nil

During the year ended May 31, 2018, the Company has issued the following options:

	Number of Options	Weighted Average Exercise Price
		\$
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	0.12
Granted	1,600,000	0.10
Forfeited	(65,000)	0.10
Outstanding and exercisable, May 31, 2018	3,035,000	0.11

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7. SHARE CAPITAL (continued)

d) Stock Options (continued):

The following options were outstanding and exercisable at May 31, 2018:

Number of Options	Weighed average Exercise Price	Expiry Date	Remaining Life (in years)
1,600,000	\$ 0.12	December 29, 2022	4.58
1,435,000	\$ 0.10	January 12, 2022	3.62
3,035,000	\$ 0.11		4.13

e) Warrants

During the year ended May 31, 2018, the Company issued 220,500 (2017: 1,162,000) finder's warrants in connection with the private placements disclosed in Note 7 (c). The fair value of \$17,163 (2017: \$49,977) was estimated using the Black Scholes option-pricing model with the following assumptions:

	2018	2017
Share price	\$0.13	\$0.05 - \$0.09
Risk free interest rate	1.48%	0.54% to 0.74%
Expected life	2 years	2 years
Expected volatility	113%	94% to 115%
Expected dividend	Nil	Nil

During the year ended May 31, 2018, the Company has issued the following warrants:

	Number of Warrants	Weighted Average Exercise Price
		\$
Outstanding, May 31, 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
Issued of private placement warrants	8,937,500	0.12
Issuance of finder's warrants	220,500	0.12
Exercised of warrants	(10,494,500)	0.08
Outstanding and exercisable, May 31, 2018	19,605,500	0.10



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7. SHARE CAPITAL (continued)

e) Warrants (continued):

The following warrants were outstanding and exercisable at May 31, 2018:

Number of warrants	Exercise price	Expiry date	Remaining contractual life (in years)
676,500	\$0.075	August 15, 2018	0.21
2,440,000	\$0.075	September 1, 2018	0.26
5,774,000	\$0.08	April 16, 2019	0.88
1,557,000	\$0.08	May 25, 2019	0.99
9,158,000	\$0.12-\$0.15	November 16, 2019	1.46
19,605,500			1.60

8. PROMISSORY NOTES

(i) During the year ended May 31, 2018, the Company issued US\$ 127,206 (2017: US\$40,000) in promissory notes to a wholly owned subsidiary of a company with a common director. The notes are unsecured, bear interest at 1.5% per month until December 31, 2018. Interest rises to 2.5% per month on any unpaid balances after December 31, 2018. As at May 31, 2018, the amount outstanding was \$169,249. In addition, the Company has received repayment of \$61,329 related to the promissory note receivable from prior year.

(ii) As at May 31, 2018, the Company has promissory notes receivable of \$55,000 (2017: \$50,000) to a company with directors in common to the Company. The notes are unsecured, non-interest bearing and are due on demand.

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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 amounts receivable, accounts payable and accrued liabilities, promissory notes and prepaid expenses:

	<b>2018</b>	<b>2017</b>
	\$	\$
Amounts receivable	77,425	-
Accounts payable and accrued liabilities	9,081	4,687
Promissory notes	224,249	105,200
Prepaid expenses	3,945	6,185

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

The Company had the following related party transactions:

	<b>2018</b>	<b>2017</b>
	\$	\$
Due diligence costs	299,875	50,000
Professional fees	81,854	36,687
Total	381,729	86,687

The Company paid due diligence costs to companies with common officers and directors. Professional fees are paid to companies controlled by the chief financial officer and a director of the Company.

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:

	<b>2018</b>	<b>2017</b>
	\$	\$
Share-based payments	95,728	64,900
Management fees	197,125	100,000
	292,853	164,900

Management services were provided by companies controlled by two directors of the Company.

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10. INCOME TAXES

The Company has losses carried forward of \$2,750,000 available to reduce income taxes in future years which expire between 2032 and 2038.

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:

	<b>2018</b>	<b>2017</b>
Canadian statutory income tax rate	26%	26%
	\$	\$
Income tax recovery at statutory rate	399,173	158,504
Effect of income taxes of:		
Permanent differences and others	2,445	(6,446)
Change in deferred tax assets not recognized	(401,618)	(152,058)
Deferred income tax recoverable	-	-

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

	<b>2018</b>	<b>2017</b>
	\$	\$
Non-capital loss carry forwards	742,952	334,220
Exploration and evaluation assets	(32,882)	(31,664)
Share issuance costs	27,196	33,046
Equipment	(90)	(44)
Deferred tax assets not recognized	(737,176)	(335,558)
	-	-

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.

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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, 2018 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$	\$	\$	\$
Cash	164,707	-	-	164,707

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at May 31, 2018 because of the demand nature or short-term maturity of these instruments.

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

	2018	2017
	\$	\$
Cash(i)	164,707	194,282
Amounts receivable (ii)	77,425	-
Promissory notes (ii)	224,249	105,200
Accounts payable (iii)	107,314	84,547

(i) FVTPL

(ii) Loans and receivable

(iii) Other financial liabilities

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Fair value (continued)

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 and Pesos. The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada. Management does not hedge its exposure 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.

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13. COMMITMENT

Pursuant to the initial and amended letters 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 will pay a total of \$75,000 (paid) and issue up to 500,000 common shares of the Company upon the approval of the mining transaction by TSX-V.

14. SUBSEQUENT EVENTS

- (i) Subsequent to the year ended May 31, 2018, the Company entered into a definitive agreement with an optionor whereby the Company will earn a 100% interest in the Hombre Muerto West mining property, which is located at Salar del Hombre Muerto, Catamarca Province, Argentina. To earn the 100% interest, the Company is required to make total cash payments of US\$400,000 and issue 1,000,000 common shares by on or before the 4<sup>th</sup> anniversary of TSX-V approval. The agreement is subject to the TSX-V approval.
- (ii) Subsequent to the year ended May 31, 2018, the Company entered into a definitive agreement with an optionor whereby the Company will earn a 100% interest in the Rio Grande Sur mining property, which is located contiguous to the Salar Rio Grande, Catamarca Province, Argentina. To earn the 100% interest, the Company is required to make total cash payments of US\$780,000 and issue 840,000 common shares of the Company by on or before the 4<sup>th</sup> anniversary of TSX-V approval. The agreement is subject to the TSX-V approval.
- (iii) Subsequent to the year ended May 31, 2018, the Company advanced additional loan of US\$10,000 to the wholly owned subsidiary of a company with a common officer.