PORTOFINO RESOURCES INC.

FINANCIAL STATEMENTS

AS AT

MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

17th floor, 1030 West Georgia St., Vancouver, BC, Canada V6E 2Y3

Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Portofino Resources Inc.

Opinion

We have audited the financial statements of Portofino Resources Inc. (the "Company") which comprise the statements of financial position as at May 31, 2019 and 2018, and the statements of operating and 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2019 and 2018, 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.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Fernando Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
September 26, 2019

PORTOFINO RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2019 AND 2018
(Expressed in Canadian dollars)

	Note	2019	2018
		$	$
ASSETS			
CURRENT			
Cash		1,987	164,707
Amounts receivable	10	58,209	77,425
Taxes receivable		15,972	12,848
Prepaid expenses	10	46,334	75,304
Promissory notes	9	283,875	224,249
		406,377	554,533
NON-CURRENT			
Exploration and evaluation asset	7	-	278,034
Equipment	6	378	882
		406,755	833,449
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	10	115,197	120,264
EQUITY			
SHARE CAPITAL	8	3,757,407	3,231,243
CONTRIBUTED SURPLUS	8	739,791	634,250
DEFICIT		(4,205,640)	(3,152,308)
		291,558	713,185
		406,755	833,449

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)
COMMITMENTS (Notes 7 and 14)
SUBSEQUENT EVENTS (Note 15)

Approved and authorized for issue on behalf of the Board on September 26, 2019

/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, 2019 AND 2018
(Expressed in Canadian dollars)

	Note	2019	2018
		$	$
EXPENSES			
Advertising and promotion		791	769
Amortization		504	504
Consulting fees		119,299	337,740
Due diligence costs	10, 14	161,386	559,287
Investor communications		85,284	93,245
Management fees	10	162,750	197,125
Office		24,608	26,373
Professional fees	10	119,980	127,799
Rent		15,259	15,353
Share-based payments	8, 10	74,054	120,129
Transfer agent and filing fees		21,122	19,800
Travel and promotion		31,960	48,600
LOSS BEFORE OTHER ITEM		(816,997)	(1,546,724)
OTHER ITEM:			
Interest income	9	41,699	11,442
Impairment of exploration and evaluation assets		(278,034)	-
NET LOSS AND COMPREHENSIVE LOSS		(1,053,332)	(1,535,282)
LOSS PER SHARE – Basic and diluted		(0.06)	(0.20)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		16,852,113	7,569,984

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, 2019 AND 2018
(Expressed in Canadian dollars)

	Common Shares				
	Number of Shares	**Amount**	**Contributed Surplus**	**Deficit**	**Total**
		$	$	$	$
Balance, May 31, 2017	8,105,000	1,704,862	525,813	(1,617,026)	613,649
Shares issued for cash	4,858,000	1,555,062	(28,855)	-	1,526,207
Shares issued for mineral property	25,000	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)
Balance, May 31, 2018	12,988,000	3,231,243	634,250	(3,152,308)	713,185
Shares issued for cash	11,013,684	606,457	-	-	606,457
Share-based payments	-	-	74,054	-	74,054
Share issuance costs	-	(80,293)	31,487	-	(48,806)
Net loss and comprehensive loss	-	-	-	(1,053,332)	(1,053,332)
Balance, May 31, 2019	**24,001,684**	**3,757,407**	**739,791**	**(4,205,640)**	**291,558**

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018
(Expressed in Canadian dollars)

	2019	2018
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(1,053,332)	(1,535,282)
Adjusted for items not affecting cash:		
Amortization	504	504
Accrued interest	(41,699)	(11,442)
Foreign exchange	(9,950)	-
Impairment of exploration and evaluation	278,034	-
Share-based payments	74,054	120,129
	(752,389)	(1,426,091)
Changes in non-cash working capital balances:		
Amounts receivable	19,216	(77,425)
Taxes receivable	(3,124)	4,210
Prepaid expenses	28,970	51,681
Accounts payable and accrued liabilities	(5,067)	28,968
Cash used in operating activities	(712,394)	(1,418,657)
INVESTING ACTIVITY		
Advances of promissory notes	(22,477)	(168,936)
Receipt of promissory note	14,500	61,329
Exploration and evaluation asset	-	(5,000)
Cash used in investing activities	(7,977)	(112,607)
FINANCING ACTIVITIES		
Shares issued for cash	606,457	1,526,207
Share issuance costs	(48,806)	(24,518)
Cash provided by financing activities	557,651	1,501,689
CHANGE IN CASH	(162,720)	(29,575)
CASH, BEGINNING OF YEAR	164,707	194,282
CASH, END OF YEAR	1,987	164,707
SUPPLEMENTAL CASH DISCLOSURES:		
Interest paid	-	-
Income taxes paid	-	-
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Fair value of shares issued for exploration and evaluation assets	-	13,000
Fair value of finder warrants issued	31,487	17,163

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". On October 10, 2018, the Company incorporated under the laws of Argentina, Portofino Argentina which is a non-active with no transactions occurring during the year ended May 31, 2019, the subsidiary is owned 95% by the Company and 5% by the Company's CEO.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at May 31, 2019, 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 $4,205,640 as at May 31, 2019 (2018: $3,152,308), 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, 2019.

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 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.

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 instruments

IFRS 9, Financial Instruments

IFRS 9 is a standard effective for fiscal years beginning on or after January 1, 2018, which is principles-based and less complex than IAS 39, *Financial Instruments: Recognition and Measurement*, which IFRS 9 has replaced. IFRS 9 was adopted by the Company on June 1, 2018. IFRS 9 includes new guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost, at fair value through profit or at fair value through other comprehensive income (loss). The classification and measurement are based on the Company's business model for managing financial assets and on the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. The adoption of the standard did not have any material impact on the Company's reporting.

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

IFRS 9, Financial Instruments (continued)

i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
ii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company has implemented the following classifications for financial instruments:

- The Company's financial assets are cash, amounts receivable and promissory notes. Cash is classified as fair value through profit or loss and any changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur. Amounts receivable and promissory notes are classified as amortized cost.

- Financial liabilities comprise accounts payable. These financial liabilities are classified as and are measured at amortized cost using the effective interest method. Interest expense is recorded in profit or loss, as applicable.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The following table summarizes the classification of the Company's financial instruments under IAS 39 and the new measurement under FIRS 9:

	IAS 39 Classification	IFRS 9 Classification
Financial assets		
Cash	FVTPL	FVTPL
Amounts receivable	Amortized cost	Amortized cost
Promissory notes	Amortized cost	Amortized cost
Financial liabilities		
Accounts payable	Amortized cost	Amortized cost

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

IFRS 9, Financial Instruments (continued)

IFRS 9 uses an expected credit loss model impairment model as opposed to an incurred credit loss model under IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The adoption of the new expected credit loss impairment model had a negligible impact on the carrying amounts of financial assets recognized at amortized cost.

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.

4. NEW ACCOUNTING STANDARDS ADOPTED EFFECTIVE JUNE 1, 2018

IFRS 9 Financial Instruments IFRS 9, “Financial Instruments” replaced IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”) and all previous versions of IFRS 9. The Company elected to apply IFRS 9 using a full retrospective approach. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification, and measurements of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The application of IFRS 9 did not impact the Company’s classification and measurement of financial assets and liabilities, and there was also no impact to the carrying value of any of the Company’s financial assets or liabilities on the date of transition. Note 2 discloses additional information required for the adoption of IFRS 9.

5. 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.

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 has evaluated the potential impact of this standard on the Company’s financial statements and does not anticipate any material impact on the Company’s financial statements from the adoption of this standard.

6. EQUIPMENT

The net book value as at May 31, 2019 was $378 (2018: $882).

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	**Exploration Costs**	**Total**
	$	$	$
Balance, May 31, 2017	51,000	209,034	260,034
Acquisition costs	18,000	-	18,000
Balance, May 31, 2018	69,000	209,034	278,034
Acquisition costs	-	-	-
Impairment	(69,000)	(209,034)	(278,034)
Balance, May 31, 2019	**-**	**-**	**-**

During the year, the Company issued Nil (2018: 100,000) common shares with a fair value of $Nil (2018: $13,000) and paid $Nil (2018: $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 (pre-consolidation) 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 (pre-consolidation)	**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
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.

On April 26, 2019 the Company announced that Rich River and the Company agreed to terminate the Iron Horse-Bolivar mineral property option agreement, as a result the previously capitalized acquisition costs have been written off to $Nil.

7. EXPLORATION AND EVALUATION ASSET (continued)

Argentina, Catamarca Province

Hombre Muerto West Lithium Brine Project

Pursuant to an option agreement date September 6, 2018 with a private Argentine concession owner (the "Hombre Muerto Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Hombre Muerto West lithium brine project in Catamarca, Argentina. The Hombre Muerto West project is comprised of two claim blocks totalling 1,804-hectares located within the Salar del Hombre Muerto.

To acquire a 100% interest in the properties, the Company has agreed to make annual escalating payments to the Hombre Muerto Optionor over a four-year period totalling US$400,000 and 250,000 common shares as follows:

a) An initial US$15,000 deposit (paid)
b) Within 30 days of execution of a definitive agreement-pay US$7,000 (paid)
c) Upon TSX-V Exchange approval – issue 25,000 shares
d) By the first anniversary of TSX-V Exchange approval – issue 50,000 shares and pay US$14,000,
e) By the 2nd anniversary of approval- issue 50,000 shares and pay US$44,000,
f) By the 3rd anniversary- issue 125,000 shares and pay US$100,000, and
g) By the 4th anniversary- pay US$220,000.

Rio Grande Sur Lithium Brine Project

Pursuant to an option agreement dated September 6, 2018 with a private Argentine concession owner (the "Rio Grande Sur Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Rio Grande Sur lithium brine project in Catamarca, Argentina. The Rio Grande Sur project comprised of 3 claim blocks totaling 8,500 hectares located within the province of Catamarca.

To acquire a 100% interest in the properties, the Company has agreed to make annual escalating payments to the Rio Grande Sur Optionor over a four-year period totaling US$780,000 and 210,000 common shares as follows:

a) An initial US$14,000 (paid)
b) Within 14 days of execution of the agreement – US$26,000
c) Upon TSX-V Exchange approval – issue 30,000 shares
d) By the first anniversary of TSX-V Exchange approval – issue 40,000 shares and pay US$80,000
e) By the second anniversary of TSX-V Exchange approval – issue 40,000 shares and pay US$120,000
f) By the third anniversary of TSX-V Exchange approval – issue 100,000 shares and pay US$240,000
g) By the fourth anniversary of TSX-V Exchange approval – pay US$300,000

In December 2018 the option agreement between the Company and the Rio Grande Sur Optionor was terminated.

7. EXPLORATION AND EVALUATION ASSET (continued)

Argentina, Catamarca Province (continued)

Yergo Lithium Brine Project

Pursuant to an option agreement dated February 15, 2019 with a private Argentine concession owner (the "Yergo Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Yergo lithium brine project in Catamarca, Argentina. The concession area comprises approximately 2,932 hectares encompassing the full salar.

To acquire a 100% interest in the property, the Company has agreed to make annual escalating payments to the Yergo Optionor over a four-year period totaling US$370,000 as follows:

a) US$10,000 on signing (paid),
b) By the 1st anniversary of approval- US$20,000,
c) By the 2nd anniversary of approval- US$70,000,
d) By the 3rd anniversary of approval- US$120,000, and
e) By the 4th anniversary- US$150,000.

During 2019 the capitalized acquisition costs of both the Hombre Muerto West Lithium Brine Project and the Yergo Lithium Brine Project have been written down to $Nil to reflect their economic value.

8. 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, 2019 and 2018.

c) Issued and Outstanding as at May 31, 2019: 24,001,684 common shares

<u>During the year ended May 31, 2019</u>

(i) Company issued 2,875 common shares for gross proceeds of $863 from the exercise of agent warrants.

(ii) On January 4, 2019, the Company consolidated its outstanding share capital on a four-for-one basis. The effect of the share consolidation has been applied retrospectively throughout these financial statements.

(iii) The Company issued 11,010,809 units for gross proceeds of $605,595. 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 $0.08 for two years. The Company issued 799,940 finder's warrants with a fair value of $31,487. Each finder's warrant entitles to holder to purchase one common share of the Company at $0.08 per share for two years. The Company also paid $43,972 in cash as finder's fees and incurred other costs of $4,834.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

During the year ended May 31, 2018:

(i) The Company issued 2,234,375 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 $0.48 per share for the first year and $0.60 per share for the second year. The Company issued 55,125 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 $0.48 per share for the first year and $0.60 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 2,623,625 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 25,000 common shares with a fair value of $13,000 to the Optionors of the Property (see Note 7).

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 February 28 2019, 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 $0.08 per share until February 27, 2024. The fair value of the option was $74,054.
The fair values of the stock options were estimated using the Black Scholes option pricing model with the following assumptions:

	2019	**2018**
Share price	$0.065	$0.40
Risk free interest rate	1.83%	1.87%
Expected life	5 years	5 years
Expected volatility	108%	105%
Expected dividend	Nil	Nil

During the year ended May 31, 2019, the Company has issued the following options:

	Number of Options	Weighted Average Exercise Price
		$
Outstanding and exercisable, May 31, 2017	375,000	0.48
Granted	400,000	0.40
Cancelled	(16,250)	0.40
Outstanding and exercisable, May 31, 2018	758,750	0.44
Granted	1,500,000	0.08
Cancelled	(25,000)	0.48
Outstanding and exercisable, May 31, 2019	2,233,750	0.20

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

d) Stock Options (continued):

The following options were outstanding and exercisable at May 31, 2019:

Number of Options	Weighed average Exercise Price	Expiry Date	Remaining Life (in years)
375,000	$ 0.48	December 29, 2022	3.58
358,750	$ 0.40	January 12, 2022	2.62
1,500,000	$0.08	February 27, 2024	4.75
2,233,750	$ 0.20		4.21

e) Warrants

During the year ended May 31, 2019, the Company issued 799,490 (2018: 55,125) finder's warrants in connection with the private placements disclosed in Note 8 (c). The fair value of $31,487 (2018: $17,163) was estimated using the Black Scholes option-pricing model with the following assumptions:

	2019	2018
Share price	$0.065	$0.52
Risk free interest rate	1.89%	1.48%
Expected life	2 years	2 years
Expected volatility	128%	113%
Expected dividend	Nil	Nil

During the year ended May 31, 2019, the Company has issued the following warrants:

	Number of Warrants	Weighted Average Exercise Price
		$
Outstanding, May 31, 2017	5,235,500	0.32
Issuance of private placements warrants	2,234,375	0.48
Issuance of finder's warrants	55,125	0.48
Expired	(2,623,625)	0.32
Outstanding and exercisable, May 31, 2018	4,901,375	0.40
Issued of private placement warrants	11,010,809	0.08
Issuance of finder's warrants	799,490	0.08
Exercised of warrants	(2,875)	0.30
Expiration of warrants	(2,609,000)	0.31
Outstanding and exercisable, May 31, 2019	14,099,799	0.16

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

e) Warrants (continued)

The following warrants were outstanding and exercisable at May 31, 2019:

Number of warrants	Exercise price	Expiry date	Remaining contractual life (in years)
2,289,500	$0.48 - 0.60	November 16, 2019	0.49
11,810,299	$0.08	January 23, 2021	1.65
14,099,799	0.16		1.46

9. PROMISSORY NOTES

(i) During the year ended May 31, 2018, the Company issued US$ 127,206 in promissory notes to a wholly owned subsidiary of a company with a common officer. 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. During the year ended May 31, 2019 the Company made additional advances of $10,000 under the same terms. As at May 31, 2019, the principal and accrued interest outstanding was $233,875. In 2019 the Company has received repayments of $Nil (2018: $61,329) related to the promissory note receivable.

(ii) As at May 31, 2019, the Company has promissory notes receivable of $50,000 (2018: $55,000) to a company with directors in common to the Company. The notes are unsecured, non-interest bearing and are due on demand. See Subsequent Events note 15 (a) related to repayment of this note receivable.

10. 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:

	2019	**2018**
	$	$
Amounts receivable	58,209	77,425
Accounts payable and accrued liabilities	24,082	9,081
Promissory notes	283,875	224,249
Prepaid expenses	-	3,945

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.

(Expressed in Canadian dollars)

10. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

The Company had the following related party transactions:

	2019	2018
	$	$
Due diligence costs	51,308	299,875
Professional fees	65,451	81,854
Total	116,759	381,729

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:

	2019	2018
	$	$
Share-based payments	56,774	95,728
Management fees	162,750	197,125
	219,524	292,853

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

11. INCOME TAXES

The Company has losses carried forward of $3,513,000 available to reduce income taxes in future years which expire between 2032 and 2039.

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:

	2019	2018
Canadian statutory income tax rate	27%	26%
	$	$
Income tax recovery at statutory rate	286,160	399,173
Effect of income taxes of:		
Permanent differences and others	(8,684)	2,445
Change in deferred tax assets not recognized	(277,476)	(401,618)
Deferred income tax recoverable	-	-

(Expressed in Canadian dollars)

11. INCOME TAXES (continued)

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

	2019	**2018**
	$	$
Non-capital loss carry forwards	948,481	742,952
Exploration and evaluation assets	42,187	(32,882)
Share issuance costs	24,086	27,196
Equipment	(102)	(90)
Deferred tax assets not recognized	(1,014,652)	(737,176)
	-	-

12. 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.

13. 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).

(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

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, 2019 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	1,987	-	-	1,987

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at May 31, 2019 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:

	2019	**2018**
	$	$
Cash(i)	1,987	164,707
Amounts receivable (ii)	58,209	77,425
Promissory notes (ii)	283,875	224,249
Accounts payable (ii)	96,497	107,314

(i) FVTPL
(ii) Amortized cost

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Financial risk management objectives and policies

The Company's financial instruments include cash, amounts receivable, 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, exploration expenditures and its promissory notes 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.

14. 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 125,000 common shares of the Company upon the approval of the mining transaction by TSX-V.

15. SUBSEQUENT EVENTS

a) Following the year of May 31, 2019, the Company received repayment of the $50,000 promissory note receivable from a company with directors in common.

b) On September 26, 2019 the Company announced a binding term sheet for an option to acquire a 100% interest in the South of Otter property which will be subject to a 1.5% NSR on all mineral production. Under the binding term sheet, the Company will have the exclusive right and option to earn 100% interest in the property by issuing to the vendor a total of 500,000 common shares of the Company and making cash payments totaling $70,000. Under the binding term sheet 0.75% of the 1.5% NSR on all mineral production can be purchased by the Company for $400,000.