Condensed Interim Financial Statements
(Expressed in Canadian dollars)

# VENDETTA MINING CORP.

Nine months ended February 28, 2019 and 2018

(Unaudited – prepared by management)

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements they must be accompanied by a notice indicating that these condensed interim financial statements have not been reviewed by the Company's auditors.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

# VENDETTA MINING CORP.

Condensed Interim Statement of Financial Position
(Unaudited – expressed in Canadian dollars)

| | As at February 28, 2019 | As at May 31, 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 19,947 | $ 1,073,041 |
| GST / HST receivable | 35,262 | 67,182 |
| Prepaid expenses and advances (Note 4) | 103,099 | 55,274 |
| | **158,308** | **1,195,497** |
| Equipment (Note 5) | 2,465 | 3,178 |
| Exploration and evaluation assets (Note 6) | 2,807,695 | 1,753,316 |
| | **$ 2,968,468** | **$ 2,951,991** |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 605,259 | $ 475,863 |
| | **605,259** | **475,863** |
| Shareholders' equity: | | |
| Share capital (Note 7) | 16,849,192 | 14,765,061 |
| Subscriptions receivable (Note 7) | - | (20,000) |
| Reserves (Note 7) | 1,757,203 | 1,267,910 |
| Deficit | (16,243,186) | (13,536,843) |
| | **2,363,209** | **2,476,128** |
| | **$ 2,968,468** | **$ 2,951,991** |

Nature of operations and going concern (Note 1)
Subsequent event (Note 11)

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

Approved on behalf of the Board:

**"Michael J. Williams"** Director

**"Peter Voulgaris"** Director

# VENDETTA MINING CORP.

Condensed Interim Statement of Loss and Comprehensive Loss
(Unaudited – expressed in Canadian dollars)

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **Feb 28, 2019** | **Feb 28, 2018** | **Feb 28, 2019** | **Feb 28, 2018** |
| Expenses: | | | | |
| Accounting and legal (Note 9) | $ 12,931 | $ (3,454) | $ 71,521 | $ 50,382 |
| Amortization (Note 5) | 235 | 340 | 713 | 1,021 |
| Business development | - | - | 2,500 | - |
| Consulting (Note 9) | 13,750 | 15,270 | 48,000 | 47,020 |
| Director fees (Note 9) | 8,250 | 11,250 | 24,750 | 32,750 |
| Exploration expenditures (Notes 6 and 9) | 166,843 | 337,105 | 1,641,664 | 4,179,269 |
| Filing and transfer agent fees | 2,920 | 9,449 | 10,773 | 17,376 |
| Foreign exchange | (96) | 20,661 | 19,392 | 59,993 |
| Insurance | 3,715 | 4,548 | 11,229 | 13,643 |
| Investor relations | 76,701 | 39,996 | 177,037 | 260,582 |
| Management fees (Note 9) | 37,500 | 37,500 | 112,500 | 112,500 |
| Office and administration (Note 9) | 20,848 | 21,922 | 73,256 | 75,360 |
| Share-based payments (Notes 7 and 9) | 147,885 | 210,074 | 489,293 | 407,366 |
| Travel and meals | 4,621 | 23,446 | 23,715 | 87,591 |
| | (496,103) | (728,107) | (2,706,343) | (5,344,853) |
| Interest income | - | 4 | - | 7,933 |
| Realized gain on cash equivalents | - | - | - | (1,191) |
| Loss and comprehensive loss for the period | **$ (496,103)** | **$ (728,103)** | **$ (2,706,343)** | **$ (5,338,111)** |
| Loss per share - basic and diluted | $ (0.00) | $ (0.01) | $ (0.02) | $ (0.05) |
| Weighted average number of shares outstanding | 156,960,612 | 121,067,880 | 151,512,993 | 115,407,352 |

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

# VENDETTA MINING CORP.

Condensed Interim Statement of Changes in Equity
(Unaudited – expressed in Canadian dollars)

| | Number of shares (Note 7) | Share capital (Note 7) | Share subscriptions receivable | RESERVES Share option reserves | RESERVES Warrant and other reserves | Deficit | Total equity |
|---|---|---|---|---|---|---|---|
| May 31, 2017 | 107,316,491 | $ 11,015,419 | $ (5,000) | $ 491,083 | $ 169,869 | $ (6,940,463) | $ 4,730,908 |
| Options exercised | 25,000 | 5,585 | - | (1,835) | - | - | 3,750 |
| Warrants exercised | 15,630,000 | 1,563,000 | - | - | - | - | 1,563,000 |
| Share subscriptions received | - | - | 5,000 | - | - | - | 5,000 |
| Share-based payments | - | - | - | 407,366 | - | - | 407,366 |
| Loss and comprehensive loss for the period | - | - | - | - | - | (5,338,111) | (5,338,111) |
| February 28, 2018 | 122,971,491 | 12,584,004 | - | 896,614 | 169,869 | (12,278,574) | 1,371,913 |
| Warrants exercised | 21,890,000 | 2,219,300 | (20,000) | - | - | - | 2,199,300 |
| Share issuance costs | - | (38,243) | - | - | - | - | (38,243) |
| Share-based payments | - | - | - | 201,427 | - | - | 201,427 |
| Loss and comprehensive loss for the period | - | - | - | - | - | (1,258,269) | (1,258,269) |
| May 31, 2018 | 144,861,491 | 14,765,061 | (20,000) | 1,098,041 | 169,869 | (13,536,843) | 2,476,128 |
| Private placement | 12,099,121 | 2,177,842 | - | - | - | - | 2,177,842 |
| Share subscriptions received | - | - | 20,000 | - | - | - | 20,000 |
| Share issuance costs | - | (93,711) | - | - | - | - | (93,711) |
| Share-based payments | - | - | - | 489,293 | - | - | 489,293 |
| Loss and comprehensive loss for the period | - | - | - | - | - | (2,706,343) | (2,706,343) |
| February 28, 2019 | **156,960,612** | **$ 16,849,192** | **$ -** | **$ 1,587,334** | **$ 169,869** | **$ (16,243,186)** | **$ 2,363,209** |

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

# VENDETTA MINING CORP.

Condensed Interim Statement of Cash Flows
(Unaudited – expressed in Canadian dollars)

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | Feb 28, 2019 | Feb 28, 2018 | Feb 28, 2019 | Feb 28, 2018 |
| Cash flows used in operating activities: | | | | |
| Loss for the period | $ (496,103) | $ (3,267,267) | $ (2,706,343) | $ (5,338,111) |
| Items not affecting cash: | | | | |
| Amortization | 235 | 341 | 713 | 681 |
| Share-based payments | 147,885 | 138,222 | 489,293 | 197,292 |
| Changes in non-cash working capital: | | | | |
| GST / HST receivable | 18,778 | (48,294) | 31,920 | (230,468) |
| Prepaid expenses | (6,754) | 42,115 | (47,825) | (422) |
| Accounts payable and accrued liabilities | 22,751 | (19,239) | 107,927 | 101,018 |
| | **(313,208)** | **(3,154,122)** | **(2,124,315)** | **(5,270,010)** |
| Cash flows used in investing activities: | | | | |
| Exploration and evaluation asset acquisition | 132 | - | (1,054,379) | - |
| | **132** | **-** | **(1,054,379)** | **-** |
| Cash flows from financing activities: | | | | |
| Private placement | - | - | 2,177,842 | - |
| Warrants exercised | - | 1,120,000 | - | 1,208,000 |
| Subscriptions received | 10,000 | - | 20,000 | 5,000 |
| Share issuance costs | 102,596 | - | (72,242) | - |
| | **112,596** | **1,120,000** | **2,125,600** | **1,213,000** |
| Increase (decrease) in cash | (200,480) | (2,034,122) | (1,053,094) | (4,057,010) |
| Cash, beginning of period | 220,427 | 3,897,781 | 1,073,041 | 3,897,781 |
| Cash, end of period | **$ 19,947** | **$ 1,863,659** | **$ 19,947** | **$ (159,229)** |

There was no cash paid for income taxes or interest for the years presented.

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

### 1. Nature of operations and going concern:

Vendetta Mining Corp. ("the Company" or "Vendetta") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on December 14, 2009. The Company is in the business of exploration and evaluation of mineral resources in Australia. Its common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol VTT. The Company's registered address is: Suite 1500 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

The Company is an exploration stage company and engages principally in the acquisition and exploration of resource properties. The recoverability of the amounts shown for exploration and evaluation assets is ultimately dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, entering into agreements with others to explore and develop the resource properties, and upon future profitable production or proceeds from disposition of the resource properties. The amounts shown as exploration and evaluation assets represent net costs incurred to date, less amounts recovered from third parties and/or written-off, and do not necessarily represent present or future values.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business.

The Company has a history of losses with no operating revenue other than interest income and has an accumulated deficit. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and evaluation activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business. The Company estimates that it does not have sufficient funding for the ensuing 12 months of operations. These matters indicate the existence of material uncertainties that raise substantial doubt about the Company's ability to continue as a going concern.

These condensed interim financial statements do not reflect adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

### 2. Significant accounting policies:

(a) Basis of presentation:

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Unless otherwise stated, amounts are expressed in Canadian dollars.

**2. Significant accounting policies (continued):**

(a) Basis of presentation:

These condensed interim financial statements were authorized for issuance by the Board of Directors on April 29, 2019.

(b) Use of estimates and judgments:

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

*Critical accounting estimates*

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:

Share-based payments

The Company has granted certain employees of the Company performance share units (“PSU”) to be settled in shares of the Company. The fair value of the estimated number of PSUs that will eventually vest, determined at the date of grant, is recognized as share-based payment expense over the vesting period, with a corresponding amount recorded as equity. The fair value of the PSUs is estimated using the market value of the underlying shares as well as assumptions related to the performance conditions at the grant date.

Deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

*Critical accounting judgments*

Examples of significant judgments, apart from those involving estimation, include:

Exploration and evaluation assets

Management is required to make judgments on the status of each resource property and the future plans with respect to finding commercial reserves. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful, and some assets are likely to become impaired in future periods.

**2. Significant accounting policies (continued):**

(b) Use of estimates and judgments (continued):

*Critical accounting judgments (continued)*

<u>Functional currency</u>

The Company applied judgment in determining its functional currency. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

(c) Foreign currency transactions:

The presentation currency and functional currency of the Company is the Canadian dollar. Transactions of the Company denominated in other currencies are translated into the relevant functional currency using the exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date and the related foreign exchange gains or losses are recognized in profit or loss.

(d) Accounting standards adopted in the current period:

On June 1, 2018, the Company adopted IFRS 9, Financial Instruments ("IFRS 9") which replaced IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities. Prior periods were not restated and no material changes resulted from adopting this new standard. The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings.

**3. New standards and interpretations yet to be adopted:**

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual audited financial statements for the year ended May 31, 2018, other than standards adopted in the current period (note 2(d)).

Certain pronouncements were issued by the IASB or IFRS Interpretations Committee that are not mandatory for future accounting periods. They have not been early adopted in these condensed interim financial statements, and they are not expected to affect the Company in the period of initial application, other than additional disclosure. In all cases the Company intends to apply these standards from application date as indicated below.

The following standard has been issued for annual periods beginning on or after January 1, 2019 but is not yet effective:

(Unaudited – expressed in Canadian dollars)

**3. New standards and interpretations yet to be adopted (continued):**

IFRS 16, Leases, provides a single lessee accounting model for recognition, measurement, presentation and disclosure, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, substantially unchanged from IAS 17, the predecessor to IFRS 16. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The change in accounting standard is unlikely to have a significant impact on the Company's condensed interim financial statements.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

**4. Prepaid expenses and advances:**

Included in prepaid expenses and advances are:

| | February 28, 2019 | May 31, 2018 |
|---|---|---|
| Prepaid expenses | $ 43,599 | $ 1,524 |
| Advances to vendors | 6,099 | 1,516 |
| Prepaid expenses and advances to related parties | 53,401 | 52,234 |
| | $ 103,099 | $ 55,275 |

**5. Equipment:**

| | Computer equipment |
|---|---|
| Cost, May 31, 2017 | $ - |
| Additions | 4,953 |
| Cost, May 31, 2018 and February 28, 2019 | 4,953 |
| | |
| Accumulated amortization, May 31, 2017 | $ (413) |
| Amortization for the year | (1,362) |
| Accumulated amortization, May 31, 2018 | (1,775) |
| Amortization for the period | (713) |
| Accumulated amortization, February 28, 2019 | (2,488) |
| | |
| Net book value, May 31, 2018 | $ 3,178 |
| Net book value, February 28, 2019 | $ 2,465 |

(Unaudited – expressed in Canadian dollars)

## 6. Exploration and evaluation assets:

The Company's resource property with associated acquisition-related costs that has been capitalized and reflected on the Condensed Interim Statement of Financial Position is as follows:

| | Pegmont, Queensland, Australia |
|---|---|
| Balance, May 31, 2017 | $ 1,203,063 |
| Additions – option payment | 513,162 |
| Additions – other | 37,091 |
| Balance, May 31, 2018 | 1,753,316 |
| Additions – option payment | 1,039,355 |
| Additions – other | 15,044 |
| Balance, February 28, 2019 | 2,807,695 |

*Pegmont Property, Queensland, Australia*

In August 2014 the Company entered into an agreement, subsequently amended in December 2015, February 2018, November 2018 and March 2019 with Pegmont Mines Limited ("Pegmont") whereby the Company has an option to acquire 100% of the Pegmont property comprising of certain mining leases and exploration tenements by a combination of cash payments, exploration commitments and advanced royalty payments.

Pursuant to the amended agreement, cash option payments totaling AUD$2.25 million are as follows:

- AUD$250,000 (paid CAD$254,950) within 2 days of approval of the TSX-V of the transaction;
- AUD$150,000 (paid CAD$150,330 on February 29, 2016);
- AUD$350,000 (paid CAD$357,000 on February 28, 2017);
- AUD$500,000 on March 31, 2018 (paid CAD$513,162 or AUD$510,000, of which $CAD10,062 or AUD$10,000 is an extension fee); and
- AUD$1,000,000 on November 6, 2018 (paid CAD$944,850).

In addition, the Company reimbursed Pegmont for AUD$350,000 (paid CAD$356,681) of exploration expenses that they incurred during 2014; these expenditures will be applied to the overall expenditure requirements.

Exploration expenditures for the property comprise a minimum of AUD$800,000 per year or meeting minimum requirements by the State of Queensland (whichever is greater) by August 10th of each year during the first 3 years of the option for a minimum commitment of AUD$3.0 million (completed). A minimum 17,000 m of drilling must be completed by August 2018 (completed).

In the event of the Company exercising the option and as part of the final transfer of project titles, the Company has also agreed to pay an advance royalty to Pegmont of AUD$3 million, originally due on November 6, 2018. The Company will receive a royalty credit of the cash option payments of AUD$2.25 million and advanced royalty for a total of AUD$5.25 million, to be credited against future royalty payments. Pursuant to the amended agreement, the Company may extend the due date of the advance royalty payment by completing additional cash payments and accepting reductions to the total future royalty credit as follows:

- AUD$50,000 cash payment and a reduction of the total future royalty credit from AUD$5.25 million to A$5.0 million to extend to November 29, 2018 (paid CAD$47,180 on November 5, 2018);
- AUD$50,000 cash payment to extend to March 31, 2019 (paid CAD$48,555 on November 29, 2018);

(Unaudited – expressed in Canadian dollars)

**6. Exploration and evaluation assets (continued):**

*Pegmont Property, Queensland, Australia (continued)*

- AUD$300,000 cash payment to extend to May 6, 2019 (paid A$50,000 (CAD$48,505) subsequent to period end on March 28, 2019 to extend due date of A$300,000 payment to May 6, 2019); and
- AUD$350,000 cash payment by May 6, 2019 and a reduction of the total future royalty credit from AUD$5.0 million to AUD$4.5 million to extend to November 6, 2019.

Pegmont will retain a royalty right on future concentrate production from the property of 1.25% of net smelter return, subject to the credit of AUD$5.0 million in favour of the Company. In the case where ore is sold rather than concentrate, a separate royalty formula allows for a royalty of AUD$1.05 per tonne of ore sold, indexed to lead prices and to be conveyed to Pegmont, again subject to the AUD$5.0 million credit. Where ore that is sold contains silver at concentrations above 64 ppm, an additional royalty amount is payable, starting at AUD$0.06 per gram, indexed to the price of silver.

Exploration expenditures are as follows:

| | Nine months ended February 28, 2019 | Nine months ended February 28, 2018 |
|---|---|---|
| Analysis | $ 87,718 | $ 158,613 |
| Drilling | 382,692 | 2,884,206 |
| Field supplies and equipment | 48,098 | 146,137 |
| Geological consulting | 304,682 | 778,122 |
| Geophysics | 12,438 | 7,310 |
| Maps and reports | 219,873 | - |
| Meals and accommodations | 50,491 | 36,064 |
| Permitting | 4,764 | - |
| Preliminary economic analysis | 413,114 | - |
| Project management | 33,197 | 74,020 |
| Staking | 43,000 | |
| Transportation | 41,597 | 94,797 |
| **Total for the period** | **$ 1,641,664** | **$ 4,179,269** |

During the nine months ended February 28, 2019, finders' fees of $15,044 (AUD$15,625) (year ended May 31, 2018 - $37,091 or AUD$37,500) were paid in connection with the acquisition of the Pegmont property. The Company may pay an additional AUD$46,875 in finders' fees over the course of the option agreement.

**7. Share capital:**

(a) Authorized:

Unlimited common shares without par value.

(Unaudited – expressed in Canadian dollars)

**7. Share capital (continued):**

(b) Share issuances:

*2019 transactions*

During the period ended February 28, 2019, the Company completed a non-brokered private placement of 12,099,121 units for gross proceeds of $2,177,842. Each unit is comprised of one common share and one-half share purchase warrant, each whole warrant exercisable into one additional common share at a price of $0.30 per share for a period of two years.

*2018 transactions*

During the year ended May 31, 2018, the Company issued 37,545,000 common shares upon the exercise of options and warrants for gross proceeds of $3,787,885, of which $20,000 was recorded as subscriptions receivable.

(c) Warrants:

At February 28, 2019, the following warrants were outstanding:

| Number outstanding May 31, 2018 | Granted | Exercised | Expired/ Cancelled | Number outstanding Feb 28, 2019 | Exercise price per share | Expiry date |
|---|---|---|---|---|---|---|
| 11,263,328 | - | - | - | 11,263,328 | 0.30 | May 1, 2019 |
| - | 6,049,561 | - | - | 6,049,561 | 0.30 | Sept 21, 2020 |
| 11,263,328 | 6,049,561 | - | - | 17,312,889 | | |
| $0.30 | $0.30 | - | - | $0.30 | (weighted average exercise price) | |

| Number outstanding May 31, 2017 | Granted | Exercised | Expired/ Cancelled | Number outstanding May 31, 2018 | Exercise price per share | Expiry date |
|---|---|---|---|---|---|---|
| 4,326,887 | - | - | 4,326,887 | - | $ 0.35 | Aug 28, 2017 |
| 1,010,000 | - | 1,010,000 | - | - | 0.13 | Sept 9, 2018 |
| 36,510,000 | - | 36,510,000 | - | - | 0.10 | May 5, 2018 |
| 11,263,328 | - | - | - | 11,263,328 | 0.30 | May 1, 2019 |
| 53,110,215 | - | 37,520,000 | - | 11,263,328 | | |
| $0.16 | - | $0.10 | $0.35 | $0.30 | (weighted average exercise price) | |

(d) Stock options:

The Company has a stock option plan, which authorizes the Board of Directors to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option may not be less than market price of the Company's stock calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's stock option plan contains no vesting requirements but permits the board of directors to specify a vesting schedule in its discretion.

(Unaudited – expressed in Canadian dollars)

**7. Share capital (continued):**

(d) Stock options (continued):

Details of activity in share purchase options for the nine months ended February 28, 2019 are as follows:

| Number outstanding May 31, 2018 | Granted | Exercised | Expired/ Cancelled | Number outstanding Feb 28, 2019 | Number exercisable | Exercise price per share | Expiry date |
|---|---|---|---|---|---|---|---|
| 1,125,000 | - | - | 1,125,000 | - | - | $ 0.25 | Oct 20, 2018 |
| 5,075,000 | - | - | - | 5,075,000 | 3,800,000 | 0.15 | Dec 15, 2021 |
| 4,850,000 | - | - | - | 4,850,000 | 2,425,000 | 0.30 | Oct 17, 2022 |
| 6,225,000 | - | - | 1,125,000 | 9,925,000 | 4,862,500 | | |
| $0.23 | - | - | $0.25 | $0.22 | $0.21 | (weighted average exercise price) | |

The fair values of the stock options used to calculate compensation expense for both employees and non-employees for the options granted is estimated using the Black-Scholes pricing model. The weighted average fair value per option granted during the nine months ended February 28, 2019 was $Nil (2018 – $0.14). During the nine months ended February 28, 2019, the Company recognized $246,785 (2018 - $197,292) in share-based payments for the fair value of the vesting portion of the stock options that were granted in current and prior periods. The following weighted average assumptions used in the calculation of fair value are as follows:

| | Nine months ended February 28, 2019 | Nine months ended February 28, 2018 |
|---|---|---|
| Risk-free interest rate | N/A | 1.48% |
| Expected volatility | N/A | 101.16% |
| Expected life of options | N/A | 2.5 years |
| Expected dividend yield | N/A | Nil |
| Forfeiture rate | N/A | Nil |

(e) Performance share units:

During the year ended May 31, 2018, the Company granted 2,700,000 PSU to the Company's directors. The PSU represent the right to receive common shares of the Company upon vesting of the PSU based on performance milestones approved by the Board of Directors related to the Company's development of its Pegmont property. The PSU expire on May 10, 2020.

| | PSU |
|---|---|
| Balance outstanding, May 31, 2017 | - |
| Granted | 2,700,000 |
| Balance outstanding, May 31, 2018 and February 28, 2019 | 2,700,000 |
| Balance exercisable, February 28, 2019 | 540,000 |

As the performance conditions of the PSU granted were not market-related, the fair value per PSU used to calculate compensation expense for the PSU granted is determined to be $0.20, equal to the market price on the date of grant. During the nine months ended February 28, 2019, the Company recognized $242,508 (2018 - $nil) in share-based payments for the fair value of the vesting portion of the PSU that were granted in current and prior periods.

(Unaudited – expressed in Canadian dollars)

**8. Segmented information:**

The Company's business consists of one reportable segment being resource exploration. Details about geographic areas as at February 28, 2019 and May 31, 2018 are as follows:

| Non-current assets | February 28, 2019 | May 31, 2018 |
|---|---|---|
| Australia | $ 2,807,827 | $ 1,753,316 |
| Total | $ 2,807,827 | $ 1,753,316 |

**9. Related party transactions:**

(a) Key management personnel consist of directors and senior management including the President and Chief Executive Officer, Chief Financial Officer, and Corporate Secretary.

The Company paid or accrued the following amounts to key management personnel or companies controlled by them:

| | Nine months ended February 28, 2019 | Nine months ended February 28, 2018 |
|---|---|---|
| Management fees, consulting fees, office administration and accounting fees to key management personnel or companies controlled by key management personnel | $ 148,500 | $ 157,000 |
| Directors fees to directors or companies controlled by directors | 24,750 | 32,750 |
| Geological consulting fees to a company controlled by a director | 135,000 | 124,000 |
| Office, administration, rent and accounting costs to companies controlled by key management | 40,575 | 34,282 |
| Share-based compensation related to stock options | 198,990 | 333,708 |
| Share-based compensation related to PSU | 242,508 | - |
| Total | $ 790,323 | $ 681,740 |

(b) Amounts due to related parties at the reporting dates include:

| | February 28, 2019 | May 31, 2018 |
|---|---|---|
| Amounts due to key management personnel or companies controlled by key management personnel | $ 45,545 | $ 29,235 |
| Amounts due to related parties | $ 45,545 | $ 29,235 |

Amounts due to related parties are unsecured, have no fixed terms of repayment, are non-interest bearing, and are included in accounts payable and accrued liabilities. Prepaid amounts are disclosed in note 4.

**10. Financial instruments:**

IFRS 7, Financial Instruments: Disclosures ("IFRS 7") establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company's cash is classified as Level 1 of the fair value hierarchy. The carrying values of GST/HST receivable and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

(a) Financial risk factors and capital management:

*Credit risk*

Credit risk arises from the possibility that counterparties may be unable to fulfill their commitments to the Company. The Company's credit risk is primarily attributable to its liquid financial assets of cash. The carrying value of this instrument represents the Company's maximum exposure to credit risk. The Company manages and limits exposure to credit risk by maintaining its cash with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

*Liquidity risk*

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure, as outlined in note 10(b) of these condensed interim financial statements. The Company's expenditure commitments, pursuant to option agreements related to resource properties, are disclosed in note 6. The Company is exposed to liquidity risk.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

The Company's interest-bearing financial assets is comprised of cash, which bears interest at fixed and variable rates. The Company is not exposed to material interest rate risk.

**10. Financial instruments (continued):**

(a) Financial risk factors and capital management (continued):

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company's functional and presentation currency is the Canadian dollar. The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of shareholders' equity. The Company's main risks are associated with fluctuations in the Australian dollar and assets and liabilities are translated based on the foreign currency translated method described in note 2(c). The Company does not enter into any foreign exchange hedging contracts.

(b) Capital management:

The Company's objectives of capital management are intended to safeguard the Company's ability to support the Company's exploration and evaluation of its resource properties and support any expansion plans. The capital of the Company consists of the items included in shareholders' equity.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its financial objectives. The Company may issue new shares or seek debt financing to ensure that there is sufficient working capital to meet its short-term business requirements. The Company is not subject to externally imposed capital requirements.

**11. Subsequent event:**

On April 12, 2019, the Company entered into a non-binding term sheet for a proposed financing transaction with Nebari Holdings LLC ("Nebari"). The proceeds of the proposed financing are planned to be used to pay the final Pegmont property payment of A$3,000,000 (Note 6) and in doing so complete the Company's acquisition of a 100% interest in the Pegmont project. The material terms of the financing, as set forth in the term sheet, include the following:

- Nebari will lend the Company a principal amount of US$2,556,818 for a term of 24 months, to be secured against the Company's assets.
- Interest will be calculated at 6% plus 3-month London interbank offered rate ("LIBOR"), with a 3-month LIBOR floor of 2.5%. Interest will be payable on a quarterly basis in cash beginning 6 months following the commencement of the loan, in any amount from 50% to 100% of the amount due, at the Company's discretion; any remaining unpaid interest will be capitalized and added to the principal amount of the loan, payable upon maturity.
- The Company may repay the loan plus accrued interest, in whole or in part, at any time without penalty.
- Upon repayment of the loan, a repayment bonus equal to 20% of the financed amount indexed to the increase in market capitalization will be due to Nebari.

The transaction is subject to regulatory approval.