Financial Statements
(Expressed in Canadian dollars)

VENDETTA MINING CORP.

Years ended May 31, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Vendetta Mining Corp.

We have audited the accompanying financial statements of Vendetta Mining Corp., which comprise the statements of financial position as at May 31, 2018 and 2017 and the statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Vendetta Mining Corp. as at May 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Vendetta Mining Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

September 26, 2018

VENDETTA MINING CORP.

Statement of Financial Position
(Expressed in Canadian dollars)

		As at May 31, 2018		As at May 31, 2017
Assets				
Current assets:				
Cash	$	1,073,041	$	3,897,781
GST / HST receivable		67,182		55,989
Prepaid expenses and advances (Note 4)		55,274		31,614
		1,195,497		**3,985,384**
Equipment (Note 5)		3,178		4,540
Exploration and evaluation assets (Note 6)		1,753,316		1,203,063
	$	**2,951,991**	**$**	**5,192,987**
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	475,863	$	462,079
Shareholders' equity:				
Share capital (Note 7)		14,765,061		11,015,419
Subscriptions receivable (Note 7)		(20,000)		(5,000)
Reserves (Note 7)		1,267,910		660,952
Deficit		(13,536,843)		(6,940,463)
		2,476,128		**4,730,908**
	$	**2,951,991**	**$**	**5,192,987**

Nature of operations and going concern (Note 1)
Subsequent event (Note 12)

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

Approved on behalf of the Board:

"Michael J. Williams" Director

"Peter Voulgaris" Director

VENDETTA MINING CORP.

Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

		Years ended		
		May 31, 2018		**May 31, 2017**
Expenses:				
Accounting and legal (Note 9)	$	94,119	$	64,254
Amortization (Note 5)		1,362		413
Business development		-		10,000
Consulting (Note 9)		17,437		41,000
Director fees (Note 9)		42,000		33,000
Exploration expenditures (Notes 6 and 9)		4,720,395		2,009,915
Filing and transfer agent fees		20,109		17,197
Foreign exchange		30,798		26,046
Insurance		18,190		15,460
Investor relations		365,484		227,145
Management fees (Note 9)		457,000		150,000
Office and administration (Note 9)		116,707		108,645
Share-based payments (Notes 7 and 9)		608,793		178,449
Travel and meals		110,728		180,120
		(6,603,122)		(3,061,644)
Interest income		6,742		1,255
Loss and comprehensive loss for the year	**$**	**(6,596,380)**	**$**	**(3,060,389)**
Loss per share - basic and diluted	$	(0.05)	$	(0.04)
Weighted average number of shares outstanding		120,151,518		78,066,360

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

VENDETTA MINING CORP.

Statement of Changes in Equity
(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, 2016	72,635,396	$ 5,642,607	$ (15,000)	$ 312,634	$ 122,438	$ (3,880,074)	$ 2,182,605
Private placement shares issued	21,191,095	4,238,219	-	-	-	-	4,238,219
Warrants exercised	13,490,000	1,349,000	-	-	-	-	1,349,000
Share subscriptions received	-	-	10,000	-	-	-	10,000
Share issuance costs	-	(214,407)	-	-	47,431	-	(166,976)
Share-based payments	-	-	-	178,449	-	-	178,449
Loss and comprehensive loss for the year	-	-	-	-	-	(3,060,389)	(3,060,389)
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	37,520,000	3,782,300	(20,000)	-	-	-	3,762,300
Share subscriptions received	-	-	5,000	-	-	-	5,000
Share issuance costs	-	(38,243)	-	-	-	-	(38,243)
Share-based payments	-	-	-	608,793	-	-	608,793
Loss and comprehensive loss for the year	-	-	-	-	-	(6,596,380)	(6,596,380)
May 31, 2018	**144,861,491**	**$ 14,765,061**	**$ (20,000)**	**$ 1,098,041**	**$ 169,869**	**$ (13,536,843)**	**$ 2,476,128**

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

VENDETTA MINING CORP.

Statement of Cash Flows
(Expressed in Canadian dollars)

	Years ended	
	May 31, 2018	May 31, 2017
Cash flows used in operating activities:		
Loss for the year	$ (6,596,380)	$ (3,060,389)
Items not affecting cash:		
Amortization	1,362	413
Share-based payments	608,793	178,449
Changes in non-cash working capital:		
GST / HST receivable	(11,193)	(47,400)
Prepaid expenses	(23,660)	(15,999)
Accounts payable and accrued liabilities	(2,116)	66,737
	(6,023,194)	**(2,878,189)**
Cash flows used in investing activities:		
Exploration and evaluation asset acquisition	(550,253)	(396,189)
	(550,253)	**(396,189)**
Cash flows from financing activities:		
Warrants exercised	3,762,300	5,587,219
Options exercised	3,750	-
Subscriptions received	5,000	10,000
Share issuance costs	(22,343)	(166,976)
	3,748,707	**5,430,243**
Increase (decrease) in cash	(2,824,740)	2,155,865
Cash, beginning of year	3,897,781	1,741,916
Cash, end of year	$ **1,073,041**	$ **3,897,781**
Supplemental schedule of non-cash investing and financing activities:		
Agent warrants issued	$ -	$ 47,431
Equipment in accounts payable	$ -	$ 4,953
Share issuance costs in accounts payable	$ 15,900	$ -
Share subscription receivable	$ 20,000	-
Fair value of exercised options	$ 1,835	$ -

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

The accompanying notes are an integral part of these 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 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 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 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Unless otherwise stated, amounts are expressed in Canadian dollars.

These financial statements were authorized for issuance by the Board of Directors on September 26, 2018.

2. Significant accounting policies (continued):

(b) Cash:

The Company considers cash to include amounts held in banks and demand deposits. The Company holds its cash with financial institutions of high credit worthiness. Cash is measured at fair value through profit or loss (“FVTPL”).

(c) Property and equipment:

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment and amortized based on the component’s useful life.

The Company provides for amortization on its property and equipment on the following basis:

Asset	Basis	Rate
Computer equipment	Declining balance	30%

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit and loss. Residual values and estimated useful lives are reviewed at least annually.

(d) Exploration and evaluation expenditures:

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Exploration and evaluation expenditures are recognized in profit or loss. Costs incurred before the Company has obtained legal rights to explore areas of interest are also recognized in profit or loss. Expenditures incurred by the Company in connection with the development of mineral resources after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable are capitalized. Acquisition costs of resource properties, such as cash and share consideration and option payments, are capitalized on an individual prospect basis. Annual payments to maintain properties in good standing are not considered acquisition costs and accordingly are not capitalized. Amounts received for the sale of resource properties and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. The recoverability of the amounts capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof. Subsequent recovery of the resulting carrying value depends on successful development or sale of the resource property. If a resource property does not prove viable, all unrecoverable costs associated with the project net of any impairment provisions are written off.

2. Significant accounting policies (continued):

(d) Exploration and evaluation expenditures (continued):

Title to resource properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyance history characteristics of many mineral properties. The Company has investigated title to all of its resource properties and to the best of its knowledge the properties are in good standing.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Because option agreements are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

(e) Provision for closure and reclamation:

The Company recognizes statutory, contractual, legal, or other constructive obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for changes in the discount rate of the underlying future cash flows and for unwinding of the discount. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that no provision for closure and reclamation exists for the years presented.

(f) Income taxes:

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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 reporting date, and any adjustment to tax payable in respect of previous years.

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 not recognized for the following temporary differences: 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, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

2. Significant accounting policies (continued):

(f) Income taxes (continued):

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.

(g) Share capital:

The Company records proceeds from share issuances, net of issue costs and any tax effects, as share capital. Share capital issued for non-monetary consideration is recorded at fair value, being the quoted share price at the time of issuance.

(h) Share-based payments:

The cost of stock options granted to employees and directors for services received is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. Expected volatility is estimated with reference to the historical volatility of the share price of the Company. These estimates involve inherent uncertainties and the application of management judgment.

The cost of performance share units ("PSU") granted to employees and directors for services is measured using the estimated fair value at the date of the grant. If performance conditions are not market-related, the estimated fair value of the PSU at the date of grant is determined to be equal to the market price of the common share on date of grant.

The costs of stock options and PSU are recognized over the vesting period of the options or PSU. The total amount recognized as an expense is adjusted to reflect the number of options or PSU expected to vest at each reporting date.

The corresponding credit for these costs is recognized in the share-based payment reserve in shareholders' equity.

Share-based compensation arrangements in which the Company receives other goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

(i) Basic and diluted loss per share:

Basic loss per share is computed by dividing the loss for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year.

2. Significant accounting policies (continued):

(i) Basic and diluted loss per share (continued):

The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the loss per share. The dilutive effect of outstanding options and warrants and their equivalents is reflected by assuming that the proceeds would be used to purchase common shares at the average market price during the year.

Since the Company has losses, the effect of outstanding stock warrants and options has not been included in this calculation as it would be anti-dilutive.

(j) Use of estimates and judgments:

The preparation of the 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. The financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is 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.

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:

<u>Share-based payments</u>

The Company has granted certain employees of the Company PSU's 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.

<u>Deferred tax assets</u>

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.

2. Significant accounting policies (continued):

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

Critical accounting judgments

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

<u>Exploration and evaluation assets</u>

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.

<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.

(k) 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.

(l) Financial instruments:

Financial assets:

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

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

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss except for losses in value that provide objective evidence of impairment, which are recognized in profit or loss. The Company has no financial assets classified as loans and receivables.

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

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated present value of the future cash flows of the financial assets are less than their carrying values.

2. Significant accounting policies (continued):

(l) Financial instruments:

Financial liabilities:

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

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's financial liabilities consist of accounts payable and accrued liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held-for-trading and recognized at fair value with changes in fair value recognized in profit or loss, unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has no financial liabilities classified as FVTPL.

(m) Impairment of non-financial assets:

At the end of each reporting period the carrying amounts of the Company's long-lived assets, including exploration and evaluation assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(Expressed in Canadian dollars)

3. New standards and interpretations yet to be adopted:

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual audited financial statements for the year ended May 31, 2017.

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 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 standards have been issued for annual periods beginning on or after January 1, 2018 but are not yet effective:

IFRS 9, Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. 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. The standard is effective for annual periods beginning on or after January 1, 2018. The Company expects the impact of the amendments to be increased disclosure.

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

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 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:

	May 31, 2018	May 31, 2017
Prepaid expenses	$ 1,524	$ -
Advances to vendors	1,516	6,766
Prepaid expenses and advances to related parties	52,234	24,848
	$ 55,274	$ 31,614

(Expressed in Canadian dollars)

5. Equipment:

	Computer equipment
Cost, May 31, 2016	$ -
Additions	4,953
Cost, May 31, 2017 and May 31, 2018	4,953
Accumulated amortization, May 31, 2016	$ -
Amortization for the year	(413)
Accumulated amortization, May 31, 2017	(413)
Amortization for the year	(1,362)
Accumulated amortization, May 31, 2018	(1,775)
Net book value, May 31, 2017	$ 4,540
Net book value, May 31, 2018	$ 3,178

6. Exploration and evaluation assets:

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

	Pegmont, Queensland, Australia
Balance, May 31, 2016	$ 806,874
Additions - option payment	357,000
Additions – other	39,189
Balance, May 31, 2017	1,203,063
Additions – option payment	513,162
Additions – other	37,091
Balance, May 31, 2018	1,753,316

Pegmont Property, Queensland, Australia

In August 2014 the Company entered into an agreement, subsequently amended in December 2015 and February 2018, 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 $10,062 or AUD$10,000 is an extension fee); and AUD$1,000,000 on November 6, 2018. 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.

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued):

Pegmont Property, Queensland, Australia (continued)

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 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. 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$5.25 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$5.25 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:

		Year ended May 31, 2018		Year ended May 31, 2017
Analysis	$	180,948	$	84,602
Drilling		3,126,249		1,047,363
Field supplies and equipment		163,234		144,351
Geological consulting		904,036		470,455
Geophysics		17,880		68,249
Maps and reports		30,745		4,505
Meals and accommodations		53,505		69,762
Project management		75,658		88,492
Staking		50,963		-
Transportation		117,177		32,136
Total for the period	**$**	**4,720,395**	**$**	**2,009,915**

During the year ended May 31, 2018, finders' fees of $37,091 (AUD$37,500) (2017 - $39,189 or AUD$37,500) were paid in connection with the acquisition of the Pegmont property. The Company may pay an additional AUD$62,500 in finders' fees over the course of the option agreement.

7. Share capital:

(a) Authorized:

Unlimited common shares without par value.

(Expressed in Canadian dollars)

7. Share capital (continued):

(b) Share issuances:

2018 transactions

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.

2017 transactions

On May 2, 2017 the Company completed a private placement of 21,191,095 units at a price of $0.20 per unit for gross proceeds of $4,238,219. 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. In connection with the private placement, the Company paid $136,756 in finders' fees, issued 667,780 agent warrants valued at $47,431. The value of the finders' warrants has been determined using the Black-Scholes option pricing model under the following assumptions:

	Finders' Warrants
Risk-free interest rate	0.67%
Expected volatility	101.03%
Expected life of options	1.0 year
Expected dividend yield	Nil
Forfeiture rate	Nil

The Company issued 13,490,000 common shares upon the exercise of warrants for gross proceeds of $1,349,000.

(c) Warrants:

At May 31, 2018, the following warrants were outstanding:

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)	

Number outstanding May 31, 2016	Granted	Exercised	Expired/ Cancelled	Number outstanding May 31, 2017	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
50,000,000	-	13,490,000	-	36,510,000	0.10	May 5, 2018
-	11,263,328	-	-	11,263,328	0.30	May 1, 2019
55,336,887	11,263,328	13,490,000	-	53,110,215		
$0.12	$0.30	0.10	-	$0.16	(weighted average exercise price)	

(Expressed in Canadian dollars)

7. Share capital (continued):

(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.

Details of activity in share purchase options for the year ended May 31, 2018 are as follows:

Number outstanding May 31, 2017	Granted	Exercised	Expired/ Cancelled	Number outstanding May 31, 2018	Number exercisable	Exercise price per share	Expiry date
1,125,000	-	-	-	1,125,000	1,125,000	$ 0.25	Oct 20, 2018
5,100,000	-	25,000	-	5,075,000	2,525,000	0.15	Dec 15, 2021
-	4,850,000	-	-	4,850,000	1,212,500	0.30	Oct 17, 2022
6,225,000	4,850,000	25,000	-	11,050,000	4,862,500		
$0.17	$0.30	$0.15	-	$0.23	$0.21	(weighted average exercise price)	

Number outstanding May 31, 2016	Granted	Exercised	Expired/ Cancelled	Number outstanding May 31, 2017	Number exercisable	Exercise price per share	Expiry date
1,125,000	-	-	-	1,125,000	1,125,000	$ 0.25	Oct 20, 2018
-	5,100,000	-	-	5,100,000	-	0.15	Dec 15, 2021
1,125,000	5,100,000	-	-	6,225,000	1,125,000		
$0.25	$0.15	-	-	$0.17	$0.25	(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 year ended May 31, 2018 was $0.14 (2017 – $0.07). During the year ended May 31, 2018, the Company recognized $576,579 (2017 - $178,449) 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:

	Year ended May 31, 2018	Year ended May 31, 2017
Risk-free interest rate	1.13%	0.80%
Expected volatility	102.73%	104.23%
Expected life of options	2.5 years	2.5 years
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

(Expressed in Canadian dollars)

7. Share capital (continued):

(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, May 31, 2016 and 2017	-
Granted	2,700,000
Balance, May 31, 2018	2,700,000

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 (2017 - $nil), equal to the market price on the date of grant. During the year ended May 31, 2018, the Company recognized $32,214 (2017 - $nil) in share-based payments for the fair value of the vesting portion of the PSU that were granted in current and prior periods.

8. Segmented information:

The Company's business consists of one reportable segment being resource exploration. Details about geographic areas as at May 31, 2018 and 2017 are as follows:

	Non-current assets
As at May 31, 2018	
Australia	$ 1,753,316
Total	$ 1,753,316
As at May 31, 2017	
Australia	$ 1,203,063
Total	$ 1,203,063

(Expressed in Canadian dollars)

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:

	Year ended May 31, 2018	Year ended May 31, 2017
Management fees, consulting fees, office administration and accounting fees to key management personnel or companies controlled by key management personnel	$ 398,500	$ 234,000
Directors fees to directors or companies controlled by directors	42,000	33,000
Geological consulting fees to a company controlled by a director	302,226	117,548
Office, administration, rent and accounting costs to companies controlled by key management	41,918	50,877
Share-based compensation related to stock options	470,791	150,456
Share-based compensation related to PSU	32,214	-
Total	$ 1,287,649	$ 585,881

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

	May 31, 2018	May 31, 2017
Amounts due to key management personnel or companies controlled by key management personnel	$ 29,235	$ 49,587
Amounts due to related parties	$ 29,235	$ 49,587

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.

10. Financial instruments (continued):

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 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.

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(k). 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.

(Expressed in Canadian dollars)

10. Financial instruments (continued):

(b) Capital management (continued):

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. Income taxes:

(a) The Company's effective tax rate differs from the amount obtained by applying statutory rate due to the following:

	2018	2017
Statutory tax rate	26.42%	26.00%
Recovery of income taxes based on statutory tax rate	$ (1,742,544)	$ (795,701)
Change in future Canadian federal income tax rate	(38,501)	-
Permanent differences	183,440	50,483
Difference in foreign tax rates and foreign exchange fluctuations	(127,729)	(121,947)
Change in benefit not recognized	1,725,334	867,165
Recovery of income taxes	$ -	$ -

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse.

(b) Temporary differences for which no deferred income tax assets have been recognized as at May 31, 2018 and 2017 are as follows:

	2018	2017
Non-capital loss carried forward	$ 12,109,000	$ 6,178,000
Resource property costs	30,000	211,000
Share issuance costs and other	177,000	114,000
Equipment	3,000	-
	$ 12,319,000	$ 6,503,000

(Expressed in Canadian dollars)

11. Income taxes (continued):

(c) The Company has Canadian and Australian tax losses which may be applied against future taxable income. At May 31, 2018, these losses expire as follows:

	Canada	Australia	Total
2029	$ 61,000	$ -	$ 61,000
2030	68,000	-	68,000
2031	161,000	-	161,000
2032	216,000	-	216,000
2033	136,000	-	136,000
2034	119,000	-	119,000
2035	528,000	-	528,000
2036	556,000	-	556,000
2037	913,000	-	913,000
2038	1,320,000	-	1,320,000
No expiry	-	8,031,000	8,031,000
	$ 4,078,000	$ 8,031,000	$ 12,109,000

12. Subsequent event:

Subsequent to May 31, 2018, the Company is in the process of completing a non-brokered private placement of up to 11,111,111 units for gross proceeds of up to $2,000,000. The Company has completed the first tranche of 9,728,888 units at a price of $0.18 per unit for gross proceeds of $1,751,200. 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. In connection with the private placement, the Company paid $36,720 in finders' fees.