NEW DIMENSION RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
New Dimension Resources Ltd.

We have audited the accompanying consolidated financial statements of New Dimension Resources Ltd., which comprise the consolidated statements of financial position as at May 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of New Dimension Resources Ltd. as at May 31, 2017 and 2016 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 consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about New Dimension Resources Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

September 18, 2017

New Dimension Resources Ltd.

Consolidated Statements of Financial Position

Expressed in Canadian Dollars
As at

		May 31, 2017		May 31, 2016
ASSETS				
Current				
Cash and cash equivalents *(Note 4)*	$	257,839	$	628,892
Receivables		86,006		19,225
		343,845		648,117
Non-current assets				
Exploration advances		-		25,000
Exploration and evaluation assets *(Note 6)*		1,125,280		152,632
		1,125,280		177,632
	$	1,469,125	$	825,749
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	142,295	$	45,688
SHAREHOLDERS' EQUITY				
Share capital *(Note 7)*		9,365,158		8,676,001
Reserves – warrants *(Note 7)*		322,680		319,224
Reserves – options *(Note 7)*		761,687		734,534
Deficit		(9,122,695)		(8,949,698)
		1,326,830		780,061
	$	1,469,125	$	825,749

Nature of operations and going concern *(Note 1)*
Basis of presentation *(Note 2)*

APPROVED ON BEHALF OF THE BOARD ON SEPTEMBER 18, 2017:

"Fred Hewett" Director

"Tom Burkhart" Director

- See accompanying notes to the consolidated financial statements -

New Dimension Resources Ltd.

Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended
Expressed in Canadian Dollars

		May 31, 2017		May 31, 2016
General and administrative expenses				
Management and administrative fees	**$**	**33,430**	$	20,930
Office and general		**30,794**		27,879
Professional fees		**33,767**		30,747
Regulatory and transfer agent fees		**15,171**		19,408
Salaries and benefits		**5,949**		13,039
Shareholder information and meetings		**49,117**		28,876
Share-based payments *(Note 7)*		**27,153**		49,238
		(195,381)		(190,117)
Foreign exchange gain		**1,341**		1,691
Interest and other income		**274**		127
Write-off of exploration costs *(Note 6)*		**-**		(340,135)
Other income on deferred premiums		**20,769**		-
Loss and comprehensive loss for the year	**$**	**(172,997)**	$	(528,434)
Loss per share – basic and diluted	**$**	**(0.01)**	$	(0.05)
Weighted average number of shares outstanding		**17,416,671**		9,865,440

- See accompanying notes to the consolidated financial statements -

New Dimension Resources Ltd.
Consolidated Statements of Cash Flows
For the Years Ended
Expressed in Canadian Dollars

Cash and cash equivalents provided by (used in):	May 31, 2017	May 31, 2016
Operating activities		
Loss for the year	**$ (172,997)**	$ (528,434)
Items not affecting cash:		
Share-based payments	**27,153**	49,238
Write-off of exploration costs	**-**	340,135
Other income on deferred premium	**(20,769)**	-
Changes in non-cash working capital *(Note 10)*	**(74,232)**	(57,739)
	(240,845)	(196,800)
Financing activities		
Shares issued pursuant to a private placement – net	**701,382**	429,180
Investing activities		
Exploration and evaluation costs	**(831,590)**	(163,632)
Change in cash and cash equivalents	**(371,053)**	68,748
Cash and cash equivalents – beginning of year	**628,892**	560,144
Cash and cash equivalents – end of year	**$ 257,839**	$ 628,892

Supplemental cash flow information (Note 10)

- See accompanying notes to the consolidated financial statements –

New Dimension Resources Ltd.

Consolidated Statement of Changes in Shareholders' Equity

For the Years Ended

Expressed in Canadian Dollars

	Share capital (Number of Shares)	Share capital (Amount)	Reserves – Warrants	Reserves – Options	Deficit	Total
May 31, 2015	9,523,189	$ 8,227,821	$ 319,224	$ 685,296	$ (8,421,264)	$ 811,077
Share-based payments	-	-	-	49,238	-	49,238
Shares issued for exploration and evaluation interests	200,000	19,000	-	-	-	19,000
Loss for the year	-	-	-	-	(528,434)	(528,434)
Shares issued net of share issuance costs	4,796,445	429,180	-	-	-	429,180
May 31, 2016	**14,519,634**	**8,676,001**	**319,224**	**734,534**	**(8,949,698)**	**780,061**
Share-based payments	**-**	**-**	**-**	**27,153**	**-**	**27,153**
Shares issued for exploration and evaluation interests	**100,000**	**12,000**	**-**	**-**	**-**	**12,000**
Loss for the year	**-**	**-**	**-**	**-**	**(172,997)**	**(172,997)**
Shares issued net of share issuance costs	**7,136,582**	**697,926**	**3,456**	**-**	**-**	**701,382**
Flow through share premium	**-**	**(20,769)**	**-**	**-**	**-**	**(20,769)**
May 31, 2017	**21,756,216**	**$9,365,158**	**$322,680**	**$761,687**	**$(9,122,695)**	**$1,326,830**

- See accompanying notes to the consolidated financial statements –

1. Nature of Operations and Going Concern

New Dimension Resources Ltd. (the "Company") is incorporated under the laws of the Province of British Columbia, Canada. The Company's corporate office, registered address and records office is located at 789 West Pender St., Suite 960, Vancouver, British Columbia.

The Company engages primarily in the acquisition, exploration and evaluation of mineral properties in Canada.

These consolidated financial statements have been prepared on the assumption that the Company is a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. The Company has incurred a deficit of $9,122,695 at May 31, 2017 and has no current source of revenue. The Company's continuation as a going concern is dependent on its ability to attain profitable operations and generate funds therefrom and/or raise funds sufficient to meet current and future obligations. There can be no assurances that management's future plans for the Company will be successful. The Company will require additional financing in order to fund working capital requirements and conduct additional acquisitions, exploration and evaluation of mineral properties. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of assets and liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. Basis of Presentation

Statement of Compliance

These consolidated financial statements, including comparatives, 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").

Principles of Consolidation

These consolidated financial statements have been prepared in accordance with IFRS and include the accounts of the Company and its wholly owned inactive U.S. and Peruvian subsidiaries, Dimension Resources (USA) Inc., Camino Ventures S.A.C., and a Peruvian corporation, which the Company has an irrevocable right to acquire, Minera NDR Peru S.A.C., respectively. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company balances have been eliminated upon consolidation.

Historical cost

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

2. Basis of Presentation- continued

New Accounting Policies and Pronouncements

i) The IASB has issued several new standards and amendments which have been adopted by the Company. Each of the new standards is effective for annual periods beginning on or after January 1, 2016. The adoption of the standards and amendments did not have a material effect on the consolidated financial statements.

ii) Certain pronouncements were issued by the IASB or IFRIC but are not yet effective as at May 31, 2017. The Company intends to adopt these standards and interpretations when they become effective.

The following are the accounting standards issued but not effective as of May 31, 2017 that the Company believes could be significant.

- IFRS 9 - Financial Instruments – classification and measurement
  Effective for annual periods beginning on or after January 1, 2018. This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and derecognition of financial instruments.

- IFRS 16 – Leases
  Effective for annual periods commencing on or after January 1, 2019, this new standard eliminates the classification of leases as either operating or finance leases and introduces a single lessee accounting model which requires the lessee to recognize assets and liabilities for all leases with a term of longer than 12 months.

The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS 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 the reported revenues and expenses during the period.

Although management uses historical experiences and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods.

The most significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, the valuation of share based payments, the valuation of other income on deferred premiums and the valuation of deferred tax amounts.

2. Basis of Presentation- continued

Significant Accounting Estimates and Judgments - continued

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

(i) Economic recoverability and probability of future benefits of exploration and evaluation costs.

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

(ii) Valuation of share based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and Company's earnings and equity reserves.

(iii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

iv) Non-cash transactions

The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

v) Other income on deferred premiums

The Company calculates the value of the other income on the deferred premiums based on exploration expenditures incurred which qualify for Canadian Exploration Expenses.

3. Significant Accounting Policies

a) Foreign Currencies

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its wholly owned U.S. and Peruvian subsidiaries, Dimension Resources (USA) Inc., Camino Ventures S.A.C., and a Peruvian corporation, which the Company has an irrevocable right to acquire, Minera NDR Peru S.A.C., is the Canadian Dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates ("IAS 21").

Any transactions in currencies other than the functional currency have been translated to the Canadian dollar in accordance with IAS 21. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company's presentation currency is the Canadian dollar ("$").

b) Loss per Share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the year. 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 convertible securities is reflected in the diluted loss per share by application of the "if converted" method.

c) Flow-Through Shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received as follows:

- Deferred premium: recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature; and
- Share capital: the residual balance.

Thereafter, as qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets as explained in Note 3(e).

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures) to have been effectively transferred upon incurring of qualifying resource expenditures as it is the Company's expectation and intention to formally renounce those expenditures. Additionally, the Company reverses the liability for the deferred premium to income, on a

3. Significant Accounting Policies – continued

c) Flow-Through Shares - continued

proportionate basis, as an offset to deferred tax expense. To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other tax credits as at the end of the reporting period, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

d) Share based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of the share purchase options granted to employees or those that provide services similar to employees are measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share purchase options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest. Share purchase options granted to non-employees are measured at the fair value of 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.

e) Exploration and Evaluation Assets

Exploration costs are capitalized as intangible assets on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Exploration and evaluation assets include overheads on the acquisition, exploration and evaluation of interest in licenses for mineral properties. When it is determined that such costs will be recovered through successful development and exploitation, expenditures are transferred to tangible assets and depreciated over the expected productive life of the asset. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options 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.

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 farm out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

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

3. Significant Accounting Policies – continued

f) Impairment

At the end of each reporting period the carrying amounts of the Company's 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 pre-tax 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 the profit or loss for the period. For an asset that does not generate 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.

g) Financial Instruments

Financial assets

Financial assets are classified into one of the following categories:

- fair value through profit or loss ("FVTPL");
- available for sale ("AFS");
- held-to-maturity ("HTM"); and,
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) FVTPL financial assets

Financial instruments are classified as FVTPL when the financial instrument is held for trading or it is designated as FVTPL.

A financial instrument is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-making; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial instruments classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial instrument.

3. Significant Accounting Policies – continued

g) Financial Instruments - continued

The Company has classified cash and cash equivalents as FVTPL. Cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value.

(ii) AFS financial assets

These assets are non-derivative financial assets not included in the other financial asset categories. Investments held by the Company that are classified as AFS are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences due to a change in amortized cost of the asset is recognized in profit or loss, while all other changes are recognized in equity.

(iii) HTM investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

(iv) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company has classified receivables as loans and receivables.

(v) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial instrument, or, where appropriate, a shorter period.

3. Significant Accounting Policies – continued

g) Financial Instruments - continued

(vi) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial instruments 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 instrument, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial instruments carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial instrument’s original effective interest rate.

The carrying amount of all financial instruments, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial instrument cannot exceed its amortized cost had impairment not been recognized.

(vii) Derecognition of financial assets

A financial instrument is derecognized when:

- the contractual right to the asset’s cash flows expire; or
- if the Company transfers the financial instrument and all risks and rewards of ownership to another entity.

Financial liabilities

Financial liabilities are classified into one of the following categories:

- fair value through profit or loss (“FVTPL”); or
- other financial liabilities.

The classification is determined at initial recognition and depends on the nature and purpose of the financial liability.

(i) FVTPL financial liabilities

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss.

3. Significant Accounting Policies – continued

g) Financial Instruments - continued

(ii) Other financial liabilities

These are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

The Company has classified accounts payable and accrued liabilities as other financial liabilities.

(iii) Derecognition of financial liabilities

Financial liabilities are derecognized when the Company's obligations are discharged, cancelled or they expire.

h) Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statements of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities that do not affect accounting or taxable profit
- goodwill

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Expressed in Canadian Dollars

3. Significant Accounting Policies – continued

h) Environmental Rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties and equipment. 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 reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred.

4. Cash and cash equivalents

		May 31, 2017		May 31, 2016
Cash	$	**257,839**	$	378,892
Cash equivalents		**-**		250,000
	$	**257,839**	$	628,892

5. Financial Instruments

Categories of financial instruments

		May 31, 2017		May 31, 2016
Financial assets				
FVTPL				
Cash and cash equivalents	**$**	**257,839**	$	628,892
Loans and receivables				
Receivables		**86,006**		19,225
	$	**343,845**	$	648,117
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	**$**	**142,295**	$	45,688

5. Financial Instruments – continued

Fair value of financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The Company's classifications of financial instruments within the fair value hierarchy are summarized below:

		May 31, 2017		May 31, 2016
Level 1				
Cash and cash equivalents	**$**	**257,839**	$	628,892
Level 2		**-**		-
Level 3		**-**		-
	$	**257,839**	$	628,892

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial Risk Management

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

a) Currency Risk

The Company is primarily exposed to currency fluctuations relative to the Canadian dollar through expenditures that are denominated in US dollars and Peruvian Soles. Also, the Company is exposed to the impact of currency fluctuations on its monetary assets and liabilities.

The Company is exposed to foreign currency risk through the following financial assets and liabilities denominated in currencies other than Canadian dollars:

May 31, 2017	**Cash and cash equivalents**	**Receivables**	**Accounts payable and accrued liabilities**
US dollars	**$ 16,490**	**$ -**	**$ -**

May 31, 2016	Cash and cash equivalents	Receivables	Accounts payable and accrued liabilities
US dollars	$ 24,883	$ -	$ -

5. Financial Instruments – continued

Financial Risk Management - continued

At May 31, 2017 with other variables unchanged, a +/-10% change in exchange rates would decrease/increase pre-tax loss by $1,600.

b) Interest rate and credit risk

The Company has a positive cash balance and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Cash and cash equivalents includes deposits which are at variable interest rates. Sensitivity to a +/- 1% change in rates would affect annual net gain or loss by $2,600.

Receivables consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to receivables is remote.

c) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at May 31, 2017, the Company had cash and cash equivalents of $257,839 (May 31, 2016 - $628,892) to settle current liabilities of $142,295 (May 31, 2016 - $45,688).

d) Commodity Price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of gold and silver. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Expressed in Canadian Dollars

6. Exploration and Evaluation Assets

	Midas, Ontario, Canada $	Savant Lake, Ontario, Canada $	Total $
Balance, May 31, 2015	335,135	-	335,135
Acquisition and tenure	5,000	14,000	19,000
Data collection	-	138,632	138,632
Exploration costs written off	(340,135)	-	(340,135)
Balance, May 31, 2016	**-**	**152,632**	**152,632**
Acquisition and tenure	**-**	**97,400**	**97,400**
Camp, travel, administration and other costs	**-**	**379,237**	**379,237**
Geologists and data collection	**-**	**284,986**	**284,986**
Drilling and assay costs	**-**	**309,363**	**309,363**
Government grants	**-**	**(98,338)**	**(98,338)**
Balance, May 31, 2017	**-**	**1,125,280**	**1,125,280**

Midas Property, Ontario

During the year ended May 31, 2014, the Company entered into an agreement to earn a 70% interest in the Midas gold property, subject to a 2% net smelter royalty, located in the Sault Ste. Marie Mining Division of Northern Ontario. Under the terms of the agreement, the Company could earn its interest by spending $1,200,000 in exploration expenditures, issuing 214,285 shares (2016 – 100,000 shares issued at a fair value of $5,000; 2014 - 42,857 shares issued at a fair value of $7,500) in stages prior to December 31, 2016 and paying $100,000 to the vendor on or before December 31, 2016. During the year ended May 31, 2016, capitalized costs totalling $340,135 were written off due to a delay in exploration work completed and subsequent to May 31, 2016 the agreement was terminated.

Savant Lake Property, Ontario

Effective April 1, 2016, the Company entered into an agreement to earn a 100% interest in the Savant Lake Property, in Ontario. Under the terms of the agreement, the Company can earn its interest in the property by issuing 600,000 shares (2017 – 100,000 issued at a fair value of $12,000; 2016 - 100,000 shares issued at a fair value of $14,000) and paying $100,000 (2017 - $20,000 paid) to the vendors in stages with the final payment on or before the fourth anniversary date of the agreement. The property is subject to a 2% net smelter royalty, of which 1% can be purchased for $1,000,000.

Domain Project, Manitoba

The Domain Project consists of a 3 mineral claims in northern Manitoba. Under the terms of a joint venture agreement between the Company and Yamana Gold Inc. (formerly Mega Precious Metals Inc.) (“Yamana”), Yamana earned a 65% joint venture interest in the property in prior years. During the year ended May 31, 2013, capitalized costs totalling $394,221 related to the property were written off. The Company currently holds a 29.56% interest in the property.

7. Share Capital and Reserves

Authorized share capital

Unlimited common shares without par value.

Shares issuances

a) During the year ended May 31, 2016, the Company closed a non-brokered private placement with the issuance of 4,796,445 units at a price of $0.09 per unit for gross proceeds of $431,680. As part of this private placement the Company paid costs totalling $2,500. Each unit was comprised of one share and one half share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at a price of $0.20 per share for a period of 24 months. The warrants are subject to an accelerated exercise provision if the share price of the Company trades at or above $0.45 for 10 or more consecutive trading days.

b) During the year ended May 31, 2016, the Company issued 100,000 common shares with respect to each of the Company's property option agreements on the Midas and Savant Lake properties. The shares issued on the Midas and Savant Lake properties were valued at $5,000 and $14,000 respectively.

c) During the year ended May 31, 2017, the Company completed a non-brokered private placement consisting of 6,325,000 units and 692,311 flow through shares for gross proceeds of $722,500. The flow through shares were issued at a price of $0.13 per share. Each unit was issued at a price of $0.10 per unit and consisted of one share and one-half warrant. Each whole warrant will entitle the holder to acquire one share in the Company at a price of $0.20 per share, subject to an accelerated exercise provision if the Company's shares trade at or above $0.50 for 10 or more consecutive days. The Company allocated $20,769 of the proceeds to the deferred premium liability and the remaining proceeds of $701,731 were allocated to share capital. In connection with the private placement the Company paid costs of $8,952 and finders' fees that consisted of cash payments of $12,166, 119,271 shares and 55,650 finders' warrants having a fair value of $3,456. The finders' warrants have the same terms as the warrants issued under the financing.

   At May 31, 2017, the Company had incurred $90,000 in qualifying exploration expenses fulfilling the requirements of the flow through financing and had filed documents with the tax authorities renouncing $90,000 in Canadian Exploration Expenses under the look back rules in accordance with the financing agreement. Accordingly the $20,769 of deferred premiums has been credited to operations as other income on deferred premium.

d) During the year ended May 31, 2017, the Company issued 100,000 common shares with respect to the Company's property option agreement on the Savant Lake property. The shares issued were valued at $12,000.

Stock options

Under the terms of the Company's stock option plan, the maximum number of shares in respect of which options may be outstanding is equivalent to 10% of the issued and outstanding shares of the Company. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or if the optionee is a consultant. The vesting periods of options outstanding range from immediately to one year and expire up to 5 years from the grant date.

Expressed in Canadian Dollars

7. Share Capital and Reserves – continued

Stock options – continued

a) Movements in stock options during the year:

	Options Outstanding	Weighted Average Exercise Price
Balance, May 31, 2015	951,708	$0.27
Granted	353,500	$0.15
Cancelled/expired	(150,926)	$0.55
Balance, May 31, 2016	**1,154,282**	**$0.20**
Granted	**250,000**	**$0.12**
Cancelled/expired	**(28,570)**	**$1.19**
Balance, May 31, 2017	**1,375,712**	**$0.16**

b) Fair value of options granted

During the year ended May 31, 2017, the Company granted 250,000 (2016- 353,500) stock options having a total fair value of $28,763 (2016- $49,238) and a weighted average grant-date fair value of $0.11 (2016- $0.14) per option.

During the year ended May 31, 2017 a total value of $27,153 (2016 - $49,238) has been recorded to reserves – options and to share based payments expense. The portion of share based payments recorded is based on the vesting schedule of the options.

The fair value of options granted was estimated on the date of the grant using the Black-Scholes option pricing model, with the following weighted average assumptions:

	Year ended May 31, 2017	Year ended May 31, 2016
Risk-free interest rate	**1.20%**	1.33%
Expected dividend yield	**Nil**	Nil
Expected stock price volatility	**221%**	250%
Expected life	**3.8 yrs.**	5 yrs.
Expected forfeiture rate	**Nil**	Nil

c) Stock options outstanding

A summary of the Company's options outstanding as at May 31, 2017 is as follows:

Options Outstanding	**Options Exercisable**	**Price per Share**	**Remaining contractual life (years)**	**Expiry date**
65,712	65,712	$ 1.05	0.12	July 12, 2017*
706,500	706,500	$ 0.10	2.95	May 11, 2020
353,500	353,500	$ 0.15	3.96	May 19, 2021
100,000	50,000	$ 0.10	1.44	November 4, 2018
150,000	150,000	$ 0.135	4.83	March 27, 2022
1,375,712	1,325,712			

*65,712 stock options expired unexercised subsequent to year end.
The weighted average exercise price of the options exercisable at May 31, 2017 is $0.16.

Expressed in Canadian Dollars

7. Share Capital and Reserves – continued

Share purchase warrants

a) Movements in warrants during the year

	Warrants Outstanding	Weighted Average Exercise Price
Balance, May 31, 2015	1,352,500	$0.15
Issued	2,398,222	$0.20
Balance, May 31, 2016	**3,750,722**	**$0.18**
Issued	**3,218,150**	**$0.20**
Expired	**(1,352,500)**	**$0.15**
Balance, May 31, 2017	**5,616,372**	**$0.20**

A summary of the Company's warrants outstanding as at May 31, 2017, is as follows:

Warrants Outstanding	Warrants Exercisable	Price per share	Expiry date
2,398,222	2,398,222	$0.20	May 9, 2018
3,162,500	3,162,500	$0.20	December 28, 2018
55,650	55,650	$0.20	February 8, 2019
5,616,372	5,616,372	$0.20	

During the year ended May 31, 2017, the Company granted 55,650 (2016- nil) finders warrants having a total fair value of $3,456 (2016- $nil) and a weighted average grant-date fair value of $0.06 (2016 - $nil) per warrant.

The fair value of finders warrants issued was estimated using the Black-Scholes option pricing model, with the following weighted average assumptions:

	Year ended May 31, 2017	Year ended May 31, 2016
Risk-free interest rate	**1.00%**	-
Expected dividend yield	**Nil**	-
Expected stock price volatility	**153.5%**	-
Expected life	**2.0 yrs.**	-
Expected forfeiture rate	**Nil**	-

Expressed in Canadian Dollars

8. Related Party Transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below.

a) Related party transactions

The Company incurred the following transactions in the normal course of operations in connection with an officer and/or director or companies which have or had a director and/or officers in common.

			Year ended May 31, 2017		Year ended May 31, 2016
Rent		$	9,600	$	10,400
Consulting		$	33,430	$	20,930
Shareholder information	(i)	$	-	$	11,816
Exploration salary		$	21,000	$	-
Salary costs	(i)	$	6,000	$	10,039
Share-based payments		$	20,016	$	42,203

(i) The Company has reimbursed certain salary amounts to companies with certain officers and directors in common. These amounts have been recorded against salaries and benefits expense.

b) Related party balances

		May 31, 2017		May 31, 2016
Kootenay Silver Corp. (formerly Northair Silver Corp.)	$	2,366	$	
North Arrow Minerals Inc.	$	-	$	840
Mortimer Mining Services Ltd.	$	-	$	1,166
Wayne Johnstone – Chief Financial Officer	$	1,097	$	5,542
Brenda Nowak – Corporate Secretary	$	122	$	

c) Compensation of key management personnel

The remuneration for the services of key management personnel during the year was as follows:

			Year ended May 31, 2017		Year ended May 31, 2016
Salary/Exploration/Consulting	(i)	$	60,430	$	26,930
Share based payments		$	20,016	$	42,203

(i) Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended May 31, 2017 and 2016.

Expressed in Canadian Dollars

9. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Loss before taxes	$ (172,997)	$(528,434)
Expected income tax recovery	$ (45,000)	$ (137,000)
Non-deductible expenditures	2,000	13,000
Change in unrecognized deductible temporary differences and other	43,000	124,000
Total income tax expense (recovery)	$ -	$ -

Significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statements of financial position are as follows:

	2017	**Expiry dates**	**2016**
Share issue costs	$ 2,000	2034 to 2037	$ 3,000
Allowable capital losses	32,000	No expiry	32,000
Non-capital losses	3,101,000	2016 to 2035	2,813,000
Capital assets	2,000	No expiry	2,000
CEC	5,000	No expiry	5,000
Mineral properties	1,458,000	No expiry	1,498,000
	$ 4,600,000		$ 4,353,000

Tax attributes are subject to review, and potential adjustment, by tax authorities.

10. Supplemental Cash Flow Information

Changes in non-cash working capital:	**Year ended May 31, 2017**	Year ended May 31, 2016
Increase in receivables	**$ (66,781)**	$ (15,936)
Decrease in accounts payable and accrued liabilities	**(7,451)**	(41,803)
	$ (74,232)	$ (57,739)

Expressed in Canadian Dollars

10. Supplemental Cash Flow Information - continued

Schedule of non-cash investing and financing transactions:	Year ended May 31, 2017	Year ended May 31, 2016
Shares issued in acquisition of exploration and evaluation assets	**$ 12,000**	$ 19,000
Shares issued as finders fees on private placement	**$ 11,927**	$ -
Exploration and evaluation expenditures included in accounts payable	**$ 106,415**	$ 2,357
Warrants issued as finders fees on private placement	**$ 3,456**	$ -

Supplementary disclosure of cash flow information:	Year ended May 31, 2017	Year ended May 31, 2016
Cash paid for interest	**$ -**	$ -
Cash paid for income taxes	**$ -**	$ -

11. Capital Management

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 exploration and evaluation of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares.

In the management of capital, the Company includes the components of shareholders' equity.

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, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments. There have been no changes to the management of capital during the fiscal year.

The Company's investment policy is to invest its cash and cash equivalents in highly liquid short-term interest-bearing investments selected with regards to the expected timing of expenditures from continuing operations.

The Company expects to require additional financings to carry out its exploration and evaluation plans and operations through its current operating period.