Consolidated Financial Statements

For the Year Ended May 31, 2017

(Expressed in Canadian Dollars)

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of iMetal Resources Inc.,

We have audited the accompanying consolidated financial statements of iMetal Resources Inc., which comprise the consolidated statements of financial position as at May 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholder's equity and cash flows for the years ended May 31, 2017 and 2016, 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 as issued by the International Accounting Standards Board, 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.

Auditor's 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 whether the consolidated financial statements are free of 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 auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of iMetal Resources Inc. as at May 31, 2017 and 2016 and its financial performance and its cash flows for the years ended May 31, 2017 and 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that the Company is dependent upon its ability to secure new sources of financing. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
September 26, 2017

iMetal Resources Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	May 31, 2017	May 31, 2016
ASSETS		
Current		
Cash	$ 362,956	$ 197,986
Amounts receivable	14,167	3,272
Due from related party (Note 4)	8,927	-
Prepaids	15,000	1,313
	401,050	202,571
Non-current		
Exploration and evaluation assets (Note 3)	561,087	312,289
TOTAL ASSETS	$ 962,137	$ 514,860
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 91,807	$ 348,932
Due to related parties (Note 4)	1,962	14,088
Note payable (Note 6)	7,044	6,544
Total liabilities	100,813	369,564
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	36,609,274	35,764,345
Reserves (Note 8)	3,055,142	2,950,013
Deficit	(38,803,092)	(38,569,062)
Total shareholders' equity	861,324	145,296
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 962,137	$ 514,860

Nature of operations and going concern – Note 1
Subsequent events – Notes 6, 8(b), and 14

These consolidated financial statements were authorized for issue by the Board of Directors on September 26, 2017. They are signed on the Company's behalf by:

"Brian Fagan"
Director

"Johan Grandin"
Director

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

iMetal Resources Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended May 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
OPERATING EXPENSES		
Consulting (Note 4)	$ 229,722	$ 140,311
Interest	500	14,638
Investor relations	6,000	93
Office and salaries (Note 4)	9,005	78,209
Professional fees (Note 4)	106,428	126,273
Share-based payments (Note 8)	84,427	235,710
Transfer agent and listing fees	29,420	41,233
Travel and promotion	28,198	18,528
Loss from Operations	(493,700)	(654,995)
Reversal of withholding tax liability (Note 7)	259,670	-
Gain on settlement of debt (Note 8)	-	1,273,177
Write-off of exploration and evaluation assets (Note 3)	-	(1,665,943)
Write-off of current liabilities	-	357,366
Net loss and comprehensive loss for the year	**$ (234,030)**	**$ (690,395)**
Loss per common share – basic and diluted	$ (0.00)	$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	53,745,891	24,607,133

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

iMetal Resources Inc.
Consolidated Statements of Cash Flows
For the Years Ended May 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (234,030)	$ (690,395)
Items not affecting cash:		
Interest on notes payable	500	502
Reversal of withholding tax liability	(259,670)	-
Share-based payments	84,427	235,710
Gain on settlement of debt	-	(1,273,177)
Write-off of exploration and evaluation assets	-	1,665,943
Write-off of current liabilities	-	(357,366)
	(408,773)	(418,783)
Changes in non-cash working capital items:		
Amounts receivable	(10,895)	(3,272)
Due from related party	(8,927)	-
Prepaids	(13,687)	(1,313)
Accounts payable and accrued liabilities	(5,953)	(248,027)
Due to related parties	(12,126)	(30,064)
Net cash used in operating activities	(460,361)	(701,459)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(174,050)	(210,127)
Net cash used in investing activities	(174,050)	(210,127)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	825,000	1,175,000
Proceeds from loan payable (Note 5)	5,500	-
Repayment of loan payable (Note 5)	(5,500)	(47,660)
Share issuance costs	(25,619)	(22,777)
Net cash provided by financing activities	799,381	1,104,563
Change in cash for the year	164,970	192,977
Cash, beginning of year	197,986	5,009
Cash, end of year	$ 362,956	$ 197,986

SUPPLEMENTAL INFORMATION (Note 12)

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

iMetal Resources Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended May 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Capital Stock				
	Number of shares	**Amount**	**Reserves**	**Deficit**	**Total**
Balance – May 31, 2015	**17,599,736**	**$ 34,147,986**	**$ 2,714,303**	**$ (37,878,667)**	**$ (1,016,378)**
Shares subscribed for private placements	23,500,000	1,175,000	-	-	1,175,000
Shares issuance costs	-	(65,777)	-	-	(65,777)
Shares issued for exploration and evaluation assets	1,900,000	95,000	-	-	95,000
Shares issued for debt settlements	7,382,730	369,136	-	-	369,136
Shares issued for finder's fees	860,000	43,000	-	-	43,000
Share-based payments	-	-	235,710	-	235,710
Net loss and comprehensive loss for the year	-	-	-	(690,395)	(690,395)
Balance – May 31, 2016	**51,242,466**	**$ 35,764,345**	**$ 2,950,013**	**$ (38,569,062)**	**$ 145,296**
Shares subscribed for private placement	16,500,000	825,000	-	-	825,000
Share issuance costs	-	(46,321)	20,702	-	(25,619)
Shares issued for exploration and evaluation assets	1,250,000	66,250	-	-	66,250
Share-based payments	-	-	84,427	-	84,427
Net loss and comprehensive loss for the year	-	-	-	(234,030)	(234,030)
Balance – May 31, 2017	**68,992,466**	**$ 36,609,274**	**$ 3,055,142**	**$ (38,803,092)**	**$ 861,324**

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

1. Nature of Operations and Going Concern

The Company is engaged in the exploration and development of mineral properties in Ontario and Quebec, Canada and has not yet determined whether these properties contain National Instrument 43-101 compliant ore reserves that are economically recoverable. The exploration programs undertaken and proposed constitute an exploratory search and the development of historic resources. There is no assurance that the Company will be successful in its search and development. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration and development programs planned by the Company will result in a profitable commercial mining operation. The amounts shown as exploration and evaluation assets represent net costs to date, less amounts written-off, and do not necessarily represent present or future values. The recovery of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of such a property or properties and ultimately upon future profitable production from a property or properties or the realisation of proceeds from the disposition thereof. The Company has incurred losses since inception and at May 31, 2017 has an accumulated deficit of $38,803,092 (May 31, 2016 - $38,569,062).

The Company requires additional funds to continue operations, to explore its mineral properties and to maintain its property interests. Management is actively seeking additional financing and, while it has successfully done this in the past, there is no assurance that it will continue to be able to do so in the future. These matters raise substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

The head office, principal address, registered address and records office of the Company are located at 510 – 580 Hornby Street, Vancouver, British Columbia, Canada, V6C 3B6. The Company's shares are traded on the Tier 2 of the TSX Venture Exchange ("TSX-V") under the symbol "IMR.V" and on the Frankfurt Stock Exchange ("FWB") under the symbol "A7V.F".

2. Significant Accounting Policies

Statement of Compliance

These consolidated financial statements of the Company for the year ended May 31, 2017 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as of May 31, 2017.

Basis of Presentation

These consolidated financial statements have been prepared on a historical basis and have been prepared using the accrual basis of accounting, except cash flow information. These consolidated financial statements are presented in Canadian dollars unless otherwise noted.

These consolidated financial statements include accounts of iMetal Resources Inc. and its wholly-owned subsidiary Risorse Dei Minerali Naturali S.R.L ("RMN"), a company incorporated in the province of Grosseto, Italy. All significant inter-company transactions and balances have been eliminated on consolidation.

2. Significant Accounting Policies (*cont'd*)

Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Differences may be material.

Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- the determination that the Company will continue as a going concern for the next year;
- the determination that there have been no events or changes in circumstances that indicate the carrying amount of exploration and evaluation assets may not be recoverable; and
- the determination that the functional currency of RMN is the Canadian dollar.

Foreign Currency Translation

The Company's functional and reporting currency is the Canadian dollar. The functional currency of RMN is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of 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 the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost that are denominated in foreign currencies are not retranslated.

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 in profit or loss. FVTPL has two categories: designated and held for trading. The Company's cash is classified as FVTPL. Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. The Company's amounts receivable (excluding GST) and due from related party are classified as loans and receivables. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss except for losses in value that are considered other than temporary. Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

2. Significant Accounting Policies (*cont'd*)

Financial Instruments (*cont'd*)

Financial Assets (*cont'd*)

The Company does not have any derivative financial assets.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired.

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. The Company's accounts payable and accrued liabilities, due to related parties, and note payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes in financial liabilities classified as FVTPL are recognized in profit or loss.

The Company does not have any derivative financial liabilities.

Impairment of Assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Exploration and Evaluation Assets and Expenditures

Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Significant Accounting Policies (*cont'd*)

Exploration and Evaluation Assets and Expenditures

Currently, all mineral properties of the Company are at the exploration stage. Pre-exploration costs are expensed in the period in which they are incurred.

The Company records its interests in mineral properties at cost. Exploration expenditures relating to these interests are capitalized until the properties to which they relate are placed into production, sold or abandoned. These expenditures will be amortized over the estimated useful life of the related property using the unit-of-production basis following commencement of production, or written-off if the mineral properties are sold or abandoned. General exploration expenditures are expensed as incurred. The amounts shown for mineral properties represent costs to date, and do not necessarily represent future values as they are entirely dependent upon the economic recovery of current and future reserves.

The Company reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from sale of the property. Management's assessment of the property's estimated current fair market value is also based upon management's review of other property transactions that have occurred in the same geographic area as its properties.

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for corporate income tax purposes; the Company has no right to claim these costs as tax deductible expenses.

Cash and Cash Equivalents

Cash and cash equivalents is comprised of cash at banks and on hand, short-term deposits with an original maturity of three months or less, and bank overdrafts. At May 31, 2017 and 2016, the Company did not have any cash equivalents.

Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of share issuance.

Flow-through shares are common shares which are issued under an agreement that, as provided for in the Canadian Income Tax Act, the Company transfers to the purchaser of the shares the tax benefits of the exploration expenditures that are financed by the proceeds of the share issue.

Share-based Payments

Obligations for issuance of common shares under the Company's stock-based compensation plan are accrued over the vesting period using fair values. Fair values are determined at issuance using the Black Scholes option-pricing model, taking into account a nominal forfeiture rate, and are recognized as share-based compensation with a corresponding credit to reserves. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital. In the event that stock options, and agents' options and warrants, are not exercised, the fair value of those options and warrants is not removed from the reserves.

2. Significant Accounting Policies (*cont'd*)

Loss per Share

Basic loss per common share is calculated using the weighted-average number of common shares outstanding during the period. Diluted loss per share is not presented as it is anti-dilutive.

Deferred Income Taxes

The Company accounts for and measures deferred income tax assets and liabilities in accordance with the liability method under which deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance is provided for the amount of the potential future benefit not expected to be realized. The Company has taken a valuation allowance for the full amount of all potential deferred tax assets.

Flow-Through Financing

The Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through tax liability and included in accounts payable and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability is reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

Restoration and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production 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, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profit or loss as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

New accounting standards and interpretation

<u>Accounting standards issued but not yet effective</u>

Effective for annual periods beginning on or after January 1, 2018:

- IFRS 9, Financial Instruments

The Company has not early adopted this new standard to existing standards and does not expect the impact of this standard on the Company's consolidated financial statements to be material.

(Expressed in Canadian Dollars)

3. Exploration and Evaluation Assets

Costs	Gowganda West	Ghost Mountain	Temagami North	Little Pigeon Lake	Grassy Lake	Carheil	Total
Balance – May 31, 2015	$ -	$ -	$ 1,435,576	$ 373,756	$ 1,040,873	$ -	$2,850,205
Acquisition costs	-	-	-	-	-	160,729	160,729
Exploration costs	-	-	-	-	-	144,398	144,398
Balance – May 31, 2016	$ -	$ -	$ 1,435,576	$ 373,756	$ 1,040,873	$ 305,127	$3,155,332
Acquisition costs	75,000	66,250	-	-	-	16,828	158,078
Exploration costs	51,633	-	-	-	-	39,087	90,720
Balance – May 31, 2017	$ 126,633	$ 66,250	$ 1,435,576	$ 373,756	$ 1,040,873	$ 361,042	$3,404,130

Impairment write-offs							
Balance – May 31, 2015	$ -	$ -	$ (727,846)	$ (158,691)	$ (290,563)	$ -	$(1,177,100)
Write-offs	-	-	(700,568)	(215,065)	(750,310)	-	(1,665,943)
Balance – May 31, 2016	$ -	$ -	$ (1,428,414)	$ (373,756)	$ (1,040,873)	$ -	$(2,843,043)
Balance – May 31, 2017	$ -	$ -	$ (1,428,414)	$ (373,756)	$ (1,040,873)	$ -	$(2,843,043)

Carrying values							
May 31, 2015	$ -	$ -	$ 707,730	$ 215,065	$ 750,310	$ -	$1,673,105
May 31, 2016	$ -	$ -	$ 7,162	$ -	$ -	$ 305,127	$ 312,289
May 31, 2017	$ 126,633	$ 66,250	$ 7,162	$ -	$ -	$ 361,042	$ 561,087

3. Exploration and Evaluation Assets *(cont'd)*

Ontario, Canada

Gowganda West Property

During the year ended May 31, 2017, the Company entered into an option agreement for mineral properties in Gowganda, Ontario. The terms of the option agreement include:

- The Vendors will receive $50,000 upon signing of a definitive agreement (paid);
- The Vendors will receive $50,000 each year for three years for a total of $150,000 starting in the year following the year of the initial $50,000 payment and the signing of a definitive agreement;
- The Company will issue 500,000 shares to the vendors upon the signing of a definitive agreement (issued at a fair value of $25,000); and
- The Company will issue 500,000 additional shares each year for three years for a total of 1,500,000 shares, starting in the year following the year after the signing of the definitive agreement.

Ghost Mountain Property

During the year ended May 31, 2017, the Company entered into an option agreement for mineral properties in Kirkland Lake, Ontario. The terms of the option agreement include:

- The Vendors will receive $25,000 upon signing of a definitive agreement (paid);
- The Vendors will receive an additional $25,000 one year from signing the definitive agreement, for a total of $50,000;
- The Company will issue 750,000 shares to the vendors upon the signing of a definitive agreement (issued at a fair value of $41,250); and
- The Company will issue 750,000 additional shares one year from signing the definitive agreement, for a total of 1,500,000 shares.

Temagami North Property

The Company holds several claims on the Temagami North Property. During the year ended May 31, 2016, certain claims expired and the Company wrote off $700,568.

Little Pigeon Lake Property

Subdivided from the Red Vein Property in fiscal 2012, this property consists of certain contiguous claims. During fiscal 2016, all of the claims expired. Accordingly, the Company wrote off $215,065.

Grassy Lake Property

Subdivided from the Red Vein Property in fiscal 2012, this property consists of certain contiguous claims. During fiscal 2016, all of the claims expired. Accordingly, the Company wrote off $750,310.

3. Exploration and Evaluation Assets *(cont'd)*

Quebec, Canada

Carheil Property

During the year ended May 31, 2016, the Company acquired mineral properties (43 claims) in Quebec from Skyworld Holdings Limited ("Skyworld"). The terms of the acquisition include:

- Skyworld will receive $15,000 upon signing of a definitive agreement (paid);
- Skyworld will receive $10,000 each year for five years for a total of $50,000 starting in the year following the year of the initial $15,000 payment and the signing of the definitive agreement (paid in full);
- The Company will issue 400,000 shares to Skyworld upon the closing of the transaction (issued at a value of $20,000);
- The Company will issue 500,000 additional shares per year each year for three years for a total of 1,500,000 shares, starting in the year following the year after the closing of the transaction (issued in full at a value of $75,000); and
- Finder's fees were paid in 190,000 shares valued at $9,500 to an arm's length third party in connection with this transaction.

During the year ended May 31, 2017, the Company renewed the 43 claims for two years and also staked an additional 189 contiguous claims.

4. Related Party Transactions

The Company incurred $174,894 (2016 - $237,400) to related parties during the year ended May 31, 2017 as follows:

- $105,000 (2016 - $120,000) in consulting fees to a company owned by the Company's chairman and chief executive officer.
- $Nil (2016 - $12,000) in director's fees to a director of the Company, included in office expense.
- $14,450 (2016 - $14,400) in consulting fees to a company controlled by a director.
- $52,500 (2016 - $60,000) in accounting fees to a firm where an officer of the Company is a partner.
- $2,944 (2016 - $31,000) included in office and salaries, and consulting fees to an officer of the Company.

As at May 31, 2017, the Company owed $1,962 (May 31, 2016 - $14,088) to related parties as follows:

- $Nil (May 31, 2016 - $8,000) to a director of the Company.
- $1,400 (May 31, 2016 - $4,488) to a company controlled by a director of the Company.
- $562 (May 31, 2016 - $1,600) to a firm where an officer of the Company is a partner.

As at May 31, 2017, the Company advanced $8,927 (2016 - $nil) to a company controlled by a director of the Company.

During the year ended May 31, 2017, the Company recorded share-based payments $Nil (May 31, 2016 – $149,722) to related parties.

During the year ended May 31, 2016, the Company settled $926,074 of debt owed to related parties through a combination of the issuance of 1,999,266 shares and cash payments of $25,673.

During the year ended May 31, 2016, the Company wrote off $19,859 in debt owed to related parties.

These balances are unsecured, non-interest bearing, payable on demand, have no fixed terms of repayment and arose from the provision of services.

5. Loan Payable

During the year ended May 31, 2017, the Company received loan proceeds of $5,500 (May 31, 2016 - $Nil) from a firm where an officer of the Company is a partner. The loan was unsecured, non-interest bearing, payable on demand and had no fixed terms of repayment. The loan was repaid in full during the year.

6. Note Payable

In March 2013, the Company entered into a promissory note for $5,000 that accrues interest at 10% per annum. As at May 31, 2017, the Company recorded interest payable of $2,044 (May 31, 2016 - $1,544). Subsequent to year-end, this promissory note was written off.

7. Reversal of Withholding Tax Liability

During the year ended May 31, 2017, the Canada Revenue Agency ("CRA") approved the Company's Notice of Objection with regard to withholdings taxes related to management and consulting fees paid by the Company during the 2010, 2011, 2012 and 2013 fiscal years. As a result, tax liabilities previously accrued by the Company in the amount of $259,670 were revised to $nil by the CRA.

8. Equity

a) Share capital

Authorized share capital consists of an unlimited number of common shares without par value.

During the year ended May 31, 2017, the Company:

i. issued 1,250,000 common shares of the Company valued at $66,250 for exploration and evaluation assets (Note 3).

ii. completed a non-brokered private placement by issuing 16,500,000 units for gross proceeds of $825,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share, exercisable at a price of $0.06 per share for a period of 24 months from the date of issue. The Company paid cash finder's fees totaling $25,619, and issued 410,000 finder's warrants exercisable at a price of $0.06 per share for a period of 24 months from the date of issue. The finder's warrants were ascribed a fair value of $20,702.

During the year ended May 31, 2016, the Company:

i. consolidated its share capital on a ten to one basis.

ii. settled debt for either reduced cash payments or for shares. In aggregate, $1,426,307 of outstanding debt was settled by way of (i) cash payments of $70,398 and (ii) the issuance of 1,897,730 common shares at a deemed price of $0.05 per share for an aggregate amount of $94,886. The debt settlement includes payment of $550,733 to Terrence E. King Law Corporation and Robert D. Holmes Law Corporation ("Holmes & King"; the Company's former solicitors) pursuant to a settlement agreement dated August 31, 2015. That agreement called for the settlement of $550,733 of debt (legal fees plus accrued interest) owed to Holmes & King by paying $30,000 (paid) and issuing 1,101,465 shares (issued) on or before November 30, 2015.

iii. issued 400,000 common shares of the Company valued at $20,000 to Skyworld. The Company also paid a finder's fees of 40,000 common shares valued at $2,000 (Note 3).

(Expressed in Canadian Dollars)

8. Equity *(cont'd)*

a) Share capital *(cont'd)*

iv. issued 15,200,000 common shares of the Company at a price of $0.05 per common share for proceeds of $760,000. In conjunction with the private placement, the Company paid aggregate finder's fees of 470,000 common shares.

v. issued 5,485,000 common shares of the Company at a deemed price of $0.05 per common share to settle $288,500 of debt owed to three creditors.

vi. issued 1,500,000 common shares of the Company valued at $75,000 to Skyworld. The Company paid a finder's fee of 150,000 common shares valued at $7,500 (Note 3).

vii. issued 8,300,000 common shares of the Company at a price of $0.05 per common share for proceeds of $415,000. In conjunction with the private placement, the Company paid aggregate finder's fees of 200,000 common shares.

b) Share purchase options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, officers, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the option price of any common share in respect of which an option may be granted under the stock option plan shall be fixed by the Board of Directors but shall be not less than the minimum price permitted by the Exchange.

During the year ended May 31, 2017, the Company granted 100,000 stock options, exercisable at a price of $0.05 per share expiring May 4, 2022 (recorded $4,624 of share based payments) and granted 1,250,000 stock options, exercisable at a price of $0.05 per share expiring April 17, 2022 (recorded $79,803 of share based payments).

During the year ended May 31, 2016, the Company granted a total of 5,100,000 stock options, exercisable at a price of $0.05 per share expiring May 19, 2021 and recorded $235,710 of share-based payments in relation to the options issued.

The continuity of share purchase options is as follows:

	Outstanding Options	Weighted Average Exercise Price
Balance, May 31, 2015	-	$ -
Granted	5,100,000	0.05
Balance, May 31, 2016	5,100,000	$ 0.05
Granted	1,350,000	0.05
Balance, May 31, 2017	6,450,000	$ 0.05

(Expressed in Canadian Dollars)

8. Equity *(cont'd)*

b) Share purchase options *(cont'd)*

At May 31, 2017, the following incentive stock options were outstanding to directors, officers and consultants:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable
5,100,000*	$ 0.05	May 19, 2021	5,100,000
1,250,000	0.05	April 17, 2022	1,250,000
100,000	0.05	May 4, 2022	100,000
6,450,000			6,450,000

* Subsequent to year-end, 300,000 of these options expired without exercise.

The weighted average remaining life of the options is 4.16 years (2016 – 4.97).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the years ended May 31, 2017 and 2016:

	2017	2016
Risk-fee interest rate	1.05%	0.69%
Expected life of options	5 years	5 years
Expected annualized volatility	145.06%	158.19%
Expected dividend rate	-	-

c) Warrants

The continuity of share purchase warrants for the period ended May 31, 2017 is as follows:

	Outstanding Warrants	Weighted Average Exercise Price
Balance, May 31, 2015	947,500	$ 1.30
Expired	(947,500)	1.30
Balance, May 31, 2016	-	$ -
Granted – warrants	16,500,000	0.06
Granted – finder's warrants	410,000	0.06
Balance, May 31, 2017	16,910,000	$ 0.06

(Expressed in Canadian Dollars)

8. Equity *(cont'd)*

c) Warrants *(cont'd)*

The following weighted average assumptions were used for the Black-Scholes valuation of finder's warrants granted during the years ended May 31, 2017:

	2017	2016
Risk-fee interest rate	0.76%	-
Expected life of warrants	2 years	-
Expected annualized volatility	198.87%	-
Expected dividend rate	-	-

9. Segmented Information

The Company currently conducts all of its operations in Canada in one business segment being the acquisition and exploration of resource properties.

10. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its projects. The Company is not subject to any externally imposed capital requirements.

The Company manages its 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 issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, borrow, acquire or dispose of assets.

11. Financial Instruments and Financial Risk Factors

Financial instruments

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted price 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 fair value hierarchal classification of the Company's financial instruments measured at fair value for the years ended May 31, 2017 and 2016 is as follows:

May 31, 2017	Level 1	Level 2	Level 3	Total
Cash	$ 362,956	$ -	$ -	$ 362,956

May 31, 2016	Level 1	Level 2	Level 3	Total
Cash	$ 197,986	$ -	$ -	$ 197,986

11. Financial Instruments and Financial Risk Factors *(cont'd)*

Financial instruments *(cont'd)*

Cash is measured using Level 1. The Company does not have any financial instruments that are measured using Level 2 or Level 3 inputs. During the year ended May 31, 2017, there were no transfers between Level 1, Level 2, and Level 3 classified assets and liabilities.

The Company's financial instruments are exposed to certain financial risks, including liquidity risk and foreign exchange risk.

Fair Value

The Company's financial instruments include cash, amounts receivable (excluding GST), due from related party, accounts payable and accrued liabilities, due to related parties, and note payable. Cash is classified as "held for trading" and measured at fair value, amounts receivable and due to related party are classified as "loans and receivables" and measured at amortized cost, while accounts payable and accrued liabilities, due to related parties, and note payable are classified as "other financial liabilities" initially recognized at fair value less directly attributable transactions costs, then subsequently recognized at amortized cost.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. To the extent that the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity funding, or engage in negotiations to extend terms with creditors. The Company manages liquidity risk through the management of its capital structure (see Note 10).

Foreign Exchange Risk

The Company raises its capital in Canadian dollars. The Company holds its cash mainly in Canadian dollars. The Company minimizes its exposure to foreign currency risk by minimizing the amount of funds in currencies other than the Canadian dollar. The Company does not undertake currency hedging activities. The Company continuously monitors its exposure to foreign exchange risk to determine if any mitigation strategies warrant consideration.

12. Supplemental Information

	May 31, 2017	May 31, 2016
Non-Cash Investing and Financing Activities:		
Common shares issued for exploration and evaluation assets	$ 66,250	$ 95,000
410,000 agent's warrants issued in private placement	20,702	-
Accounts payable included in exploration and evaluation assets	8,498	-
860,000 common shares issued for finder's fee	-	43,000
7,382,730 common shares issued for debt settlement	-	369,136

(Expressed in Canadian Dollars)

13. Income Taxes

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2017	2016
Net loss before income tax	$ 234,030	$ 690,395
Effective statutory rate	26.00%	24.61%
Expected income tax recovery	(60,848)	(169,932)
Net effect of deductible and non-deductible amounts	(52,199)	50,506
Unrecognized benefit of non-capital loss	113,047	119,426
Income tax recovery	$ -	$ -

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	2017	2016
Non-capital loss carry-forwards	$ 10,972,000	$ 11,751,000
Exploration and evaluation assets	10,453,626	10,573,884
Property and equipment	211,359	407,308
Share issue costs	37,133	31,033
	$ 21,674,118	$ 22,763,225

The Company has non-capital losses of approximately $10,972,000 (2016 - $11,751,000) which are available to reduce future taxable income in Canada and which expire between 2026 and 2037.

14. Subsequent Events

Subsequent to the year ended May 31, 2017, the Company:

a) Granted 300,000 stock options to consultants of the Company at an exercise price of $0.05 per share for a period of five years from the date of issue.

b) Stock options were exercised for 2,100,000 shares at an exercise price of $0.05 per share.

15. Comparative Amounts

Certain of prior year's comparative amounts have been reclassified to conform with the current year's presentation.