

Metron Capital Corp.

Financial Statements
May 31, 2017 and 2016
(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Metron Capital Corp.

We have audited the accompanying financial statements of Metron Capital Corp., which comprise the statement of financial position as at May 31, 2017, and the statement of loss and comprehensive loss, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matter

The financial statements of Metron Capital Corp. for the year ended May 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on August 4, 2016.

A handwritten signature in black ink, appearing to read 'DMLC'.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
September 28, 2017

Metron Capital Corp.
Statements of Financial Position
As at May 31, 2017 and 2016
(Expressed in Canadian Dollars)

	<i>Note</i>	May 31, 2017	May 31, 2016
Assets			
Current assets			
Cash		\$ 649,102	\$ 1,610
Restricted cash	8	-	15,000
Receivable	5	2,300	-
		651,402	16,610
Exploration and evaluation assets	6, 8	20,000	-
		\$ 671,402	\$ 16,610
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 177,111	\$ 95,731
Private placements funds held in trust	8	-	15,000
		177,111	110,731
Equity			
Common shares	8	\$ 1,186,641	\$ 496,088
Reserves	8	55,350	55,350
Deficit		(747,700)	(645,559)
		494,291	(94,121)
		\$ 671,402	\$ 16,610
Going concern	1		
Subsequent events	14		

Approved and authorized on behalf of the Board of Directors on September 27, 2017:

"Gurminder Sangha"

"Jurgen Wolf"

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

Metron Capital Corp.
Statements of Loss and Comprehensive Loss
Years ended May 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	May 31, 2016
Expenses		
Accounting and audit fees	\$ 24,301	\$ 16,140
Exploration and evaluation expenditures	7,350	-
Legal fees	26,256	11,275
Office and administrative	942	-
Shareholder communications	50,286	3,651
	<u>109,135</u>	<u>31,066</u>
Other items		
Recovery of amounts previously written-off	(6,994)	-
Gain on settlement of accounts payable and accrued liabilities	-	(6,048)
	<u>(6,994)</u>	<u>(6,048)</u>
Comprehensive loss for the year	\$ 102,141	\$ 25,018
Basic and diluted loss per share	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding	76,120,000	6,250,000

Subsequent to May 31, 2017, the Company completed a 5 for 1 share consolidation (Note 14).

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

Metron Capital Corp.
Statements of Changes in Equity
Years ended May 31, 2017 and 2016

(Expressed in Canadian Dollars)

	<i>Note</i>	Number of shares	Share capital	Share-based payment reserve	Deficit	Total
Balance, May 31, 2015		6,250,000	\$ 496,088	\$ 55,350	\$ (620,541)	\$ (69,103)
Net loss for the year		-	-	-	(25,018)	(25,018)
Balance, May 31, 2016		6,250,000	496,088	55,350	(645,559)	(94,121)
Shares issued on financing	8	69,370,000	693,700	-	-	693,700
Share issuance costs		-	(8,147)	-	-	(8,147)
Shares issued for exploration and evaluation assets	6, 8	500,000	5,000	-	-	5,000
Net loss for the year		-	-	-	(102,141)	(102,141)
Balance, May 31, 2017		76,120,000	\$ 1,186,641	\$ 55,350	\$ (747,700)	\$ 494,291

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

Metron Capital Corp.
Statements of Cash Flows
Years ended May 31, 2017 and 2016
(Expressed in Canadian Dollars)

	May 31,	
	2017	2016
Operating activities		
Net loss	\$ (102,141)	\$ (25,018)
Items not affecting cash:		
Gain on settlement of accounts payable and accrued liabilities	-	(6,048)
Changes in non-cash working capital items:		
Receivables	(2,300)	-
Accounts payable and accrued liabilities	81,380	32,676
	(23,061)	1,610
Investing activities		
Exploration and evaluation asset acquisitions	(15,000)	-
	(15,000)	-
Financing activities:		
Restricted cash	-	(15,000)
Private placement funds received in advance	-	15,000
Private placement (net of share issue)	685,553	-
	685,553	-
Net increase in cash	647,492	1,610
Cash, beginning of year	1,610	-
Cash, end of year	\$ 649,102	\$ 1,610

Supplemental Investing and Financing Activities:

During the year ended May 31, 2017, the Company issued 500,000 common shares with a fair value of \$5,000 relating to an option agreement (Note 6).

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

1. Nature and continuance of operations

Metron Capital Corp. (the "Company") is a Canadian company incorporated under the laws of the Province of British Columbia on March 4, 2008. The corporate head office of the Company is located at Suite 2000, 1500 West Georgia Street, Vancouver, BC, V6G 2Z6.

The Company was initially formed as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange (the "TSX-V" or "Exchange"). The Company was as unable to complete a Qualifying Transaction within the prescribed time frame of the Company's listing date on the Exchange and as a result, trading in the shares of the Company were suspended on February 4, 2013 and were subsequently delisted on April 10, 2015. In March 2016, the Company made an application with the securities commissions for a revocation of the cease trade orders issued against the Company and on November 1, 2016, the Company announced that the cease trade orders were fully revoked by the securities commissions. The Company is currently working through the listing application process for the relisting of its common shares on the TSX-V.

The principal business of the Company is to identify, evaluate and negotiate an acquisition of, a participation in or an investment in significant assets located in Canada.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. If the going concern assumption is not appropriate for these financial statements then adjustments would be necessary to the carrying amount of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

During the year ended May 31, 2017, the Company experienced operating losses and negative operating cash flows with the operations of the Company having been primarily funded by the issuance of share capital. The Company expects to incur further losses in the development of its business, all of which cast significant doubt about the Company's ability to continue as a going concern.

2. Significant accounting policies and basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Accounting Standard 1, Presentation of Financial Statements ("IAS 1") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on International Financial Reporting Standards ("IFRS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect at May 31, 2017.

These financial statements were approved by the board of directors for issue on September 27, 2017.

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. Foreign currency monetary assets and liabilities are initially recorded at the functional currency rate prevailing at the date of transaction, and retranslated at the spot rate of exchange at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange at the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses are included in the determination of net loss.

Cash

Cash consists of cash on hand, and deposits in the bank.

2. Significant accounting policies and basis of preparation (continued)

Restricted Cash

Restricted cash is cash held in trust and consists of private placement funds received in advance.

Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

Decommissioning obligations

The liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized decommissioning costs will be amortized over the life of the related assets. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

As at May 31, 2017 and 2016, the Company did not have any decommissioning obligations.

Financial instruments – recognition and measurement

Financial assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification as fair value through profit or loss (“FVTPL”), available-for-sale assets, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities, as described below:

i) Fair value through profit or loss

Financial assets and financial liabilities that are purchased or incurred with the intention of generating profits in the near term are classified as FVTPL. Any financial instrument can be designated as FVTPL as long as its fair value can be reliably measured. These instruments are measured at fair value with subsequent changes in fair value included in earnings. The Company has classified cash on hand as FVTPL.

ii) Held-to-maturity

Financial assets that have a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held-to-maturity financial assets are included in earnings.

The Company has no held-to-maturity financial assets.

iii) Loans and receivables

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in earnings. The Company has classified its receivable as loans and receivables. Due to the short-term nature of this asset, its fair value approximates its carrying value.

iv) Available-for-sale

Available-for-sale assets are those financial assets that are not classified as FVTPL, held-to-maturity or loans or receivables, and are carried at fair value. Any gains or losses arising from the change in fair value are recorded as other comprehensive income. Available-for-sale securities are written down to fair value through earnings whenever it is necessary to reflect other-than-temporary impairment. Cumulative gains and losses

2. Significant accounting policies and basis of preparation (continued)

arising upon the sale of the instrument are included in earnings. Transaction costs related to the purchase or sale of available-for-sale securities will be added to or deducted from the cost or proceeds of the relevant securities. The Company has no available-for-sale financial assets.

v) Other financial liabilities

Financial liabilities that are not classified as FVTPL are classified as other financial liabilities, and are carried at amortized cost using the effective interest method. Any gains or losses arising from the realization of other financial liabilities are included in earnings.

The Company has classified accounts payable as other financial liabilities. Due to the short-term nature of these assets, their fair values approximate their carrying values.

vi) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Subsequent measurement at fair value of financial assets and liabilities are recorded through profit and loss.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the stock option note.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Valuation of equity units issued in private placements

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

Evaluation and exploration expenditures

The Company capitalizes all direct costs related to the acquisition and maintenance of mineral rights after legal right to explore has been obtained, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. All other exploration and evaluation costs are expensed as incurred.

Income Taxes

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive income (loss) except to the extent it relates to items recognized directly in equity.

2. Significant accounting policies and basis of preparation (continued)

i) Current income tax

Current income tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not recognized for differences relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities other than in a business combination that affect neither accounting nor taxable loss, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at reporting date.

Deferred tax liabilities:

- are recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to redeem common shares at the prevailing market value. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during periods in which a net loss is incurred as the effect is anti-dilutive.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the fiscal years ended May 31, 2017 and 2016. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results may differ from the estimates.

2. Significant accounting policies and basis of preparation (continued)

Significant areas of estimation made by management are as follows:

i) Recoverability of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management has made certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Use of judgements

The preparation of financial statements also requires management to make judgements aside from those that involve estimates, in the process of applying the accounting policies. These judgements can have an effect on the amounts recognized in the financial statements. Significant judgements used in the preparation of these financial statements are as follows:

i) Those relating to the assessment of the Company's ability to continue as a going concern;

ii) The classification of financial instruments; and

iii) The recognition of deferred tax.

3. Change in Accounting Policy

During the year ended May 31, 2017, the Company retrospectively changed its accounting policy for exploration and evaluation expenditures. Previously, the Company capitalized acquisition costs and deferred exploration and evaluation expenditures of exploration and evaluation assets to the specific exploration and evaluation assets, net of recoveries received.

Under the new policy, exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and prior to a decision to proceed with mine development are charged to operations as incurred. As required disclosure under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the change in accounting policy had no impact to the comparative amounts for the prior period and did not require adjustments to the previously reported amounts for the year ended May 31, 2016. Management considers this accounting policy is more in line with the IFRS conceptual framework. This change in accounting policy had no impact on the Company's financial statements.

4. New standards, interpretations and amendments issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of May 31, 2017, and have not been applied in preparing these financial statements.

i) New Standard IFRS 7- Financial Instruments: Disclosures

The amendments to IFRS 7 outline the disclosures required when initially applying *IFRS 9 Financial Instruments, classification and measurement* including added disclosure about investments in equity instruments measured at fair value in other comprehensive income and guidance on financial liabilities and derecognition of financial instruments.

ii) New Standard IFRS 9 - Financial instruments, classification and measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018.

4. New standards, interpretations and amendments issued but not yet effective (continued)

iii) New standard IFRS 16 - Leases

This new standard was issued with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a “right of use” asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that *IFRS 15, Revenue from Contracts with Customers*, is also adopted.

The Company has not early adopted these new and revised standards and none of these standards are expected to have a material effect on the financial statements.

5. Receivables

At May 31, 2017, the Company had a receivable of \$2,300 due from share subscriptions in connection with the May 31, 2017 non-brokered private placement. The amount was received subsequent to May 31, 2017 (Note 8, 14).

6. Exploration And Evaluation Assets

Exploration and evaluation assets deferred to the statements of financial position are as follows:

	May 31, 2016	Additions	Written-down	May 31, 2017
Nevada				
South Big Smoky	\$ -	\$ 20,000	\$ -	20,000

South Big Smoky

On December 2, 2016, the Company entered into an option agreement (“Option Agreement”) with Ultra Lithium Inc. (“Ultra”) to acquire a 100% interest in 100 mineral claims comprising the South Big Smoky Property (the “South Big Smoky”) by making the following cash payments, share issuances and exploration expenditures, all according to the table below:

Due Dates	Cash Payments	Exploration Expenditures	Issuance of Shares
April 2, 2017 (paid and issued)	\$ 15,000	\$ -	500,000
September 30, 2017 (subsequently completed)	-	20,000	-
December 2, 2017	30,000	-	500,000
May 31, 2018	-	150,000	-
December 2, 2017	60,000	-	1,000,000
May 31, 2019	-	250,000	-
Total consideration	\$ 95,000	\$ 420,000	2,000,000

The South Big Smoky property is subject to a 3% net smelter returns royalty (“NSR”) to Ultra. The Company has the right to purchase 1% of the NSR for \$1,500,000 at any time up to when a production decision is made. The South Big Smoky property has a 5-kilometer area of interest, and any and all claims that may be staked by either Ultra or the Company within this area will become part of the Option Agreement.

Subsequent to May 31, 2017, and pursuant to the Option Agreement, the Company met the September 30, 2017 exploration expenditure requirement (Note 14).

6. Exploration And Evaluation Assets (continued)

A summary of exploration and evaluation expenditures included in the loss for the years ended May 31, 2017 and 2016 are as follows:

	Year ended May 31,	
	2017	2016
Nevada		
South Big Smoky		
Geological consultant	\$ 7,350	\$ -

7. Accounts payable and accrued liabilities

	Year ended May 31,	
	2017	2016
Accounts payables and accrued liabilities	\$ 73,104	\$ 67,500
Amounts due to related parties (Note 9)	104,007	28,231
	\$ 177,111	\$ 95,731

During the year ended May 31, 2016, the Company recognized a gain on settlement of accounts payable and accrued liabilities within the statement of loss and comprehensive loss as a vendor of the Company forgave \$6,048 of accounts payable.

8. Share capital

a) Authorized

The Company has unlimited number of common and preferred shares authorized, without par value.

b) Issued share capital

The Company had 76,120,000 common shares issued and outstanding as at May 31, 2017 (May 31, 2016 - 6,250,000).

Share issuances for the year ended May 31, 2017

On August 26, 2016, the Company completed a non-brokered private placement of 10,000,000 units ("Units") at a price of \$0.01 per Unit for gross proceeds of \$100,000. Each Unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.02 until August 26, 2017. The fair value of the warrants attached as part of the unit has been determined to be \$Nil, using the residual method. The Company incurred share issue costs of \$3,028. The Company had received \$15,000 of private placement funds in advance, which is recorded as restricted cash at May 31, 2016.

On March 8, 2017, the Company issued 500,000 common shares fair valued at \$5,000 to Ultra, pursuant to the South Big Smoky mineral property option agreement as part of the consideration for the acquisition of a 100% interest in the South Big Smoky property (Note 6).

On May 31, 2017, the Company completed a non-brokered private placement of 59,370,000 shares at \$0.01 cent per share for gross proceeds of \$593,700. The Company incurred share issue costs of \$5,119 (Note 5, 14).

c) Escrow

At May 31, 2017, there are nil (May 31, 2016 – 1,250,000) common shares held in escrow.

8. Share capital (continued)

d) Options

The Company has adopted a stock option plan which allows the Company to issue options to certain directors, officers, employees and consultants of the Company to acquire up to 10% of the issued and outstanding common stock. Under the policies of the TSX-V, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years. Stock options granted under the plan vest immediately subject to vesting terms which may be imposed at the discretion of the directors.

As at May 31, 2017 and 2016, there were no options outstanding.

e) Share purchase warrants

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

Expiry date	Exercise price	Balance May 31, 2016	Issued	Exercised	Expired	Balance May 31, 2017
August 26, 2017	\$ 0.02	-	10,000,000	-	-	10,000,000
Weighted average exercise price	\$ -	\$ 0.02	\$ -	\$ -	\$ -	\$ 0.02

For the year ended May 31, 2016, no share purchase warrants were issued, exercised, expired or outstanding.

The following table summarizes information concerning outstanding share purchase warrants at May 31, 2017:

Exercise Price	Expiry Date	Warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life in years
\$0.02	August 26, 2017	10,000,000	\$0.02	0.24

9. Related party transactions and key management compensation

Related party transactions

During the years ended May 31, 2017 and 2016, the Company did not accrue or pay any amounts to its officers and directors.

Key management personnel compensation

During the years ended May 31, 2017 and 2016, the Company did not accrue or pay any amounts to its key management. Key management includes the Company's directors and officers.

There were no standard compensation arrangements, or other arrangements in addition to or in lieu of standard arrangements, under which the officers and directors of the Company were compensated for services in their capacity as officers and directors (including any additional amounts payable for committee participation or special assignments), or for services as consultants or experts.

Related party balances

An amount of \$104,007, for expenses incurred on behalf of the Company, is owed to officers and directors and are included in accounts payable and accrued liabilities at May 31, 2017 (2016 - \$28,231) (Note 7).

10. Income taxes

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The difference between the "expected" income tax expense and the actual income tax provision are summarized as follow:

	2017	2016
Loss before taxes	\$ (102,141)	\$ (25,018)
Statutory tax rate	26.00%	26.00%
Expected income tax recovery	(26,557)	(6,505)
Share issuance costs not recognized	(2,118)	-
Change in Deferred tax assets not recognized	28,675	6,505
Total income tax recovery	\$ -	\$ -

The tax effects of deductible and taxable temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	2017	2016
Prepaid expense and deposits	\$ 195,207	\$ 168,227
Exploration and evaluation assets	16,683	16,683
Property and equipment	1,577	1,577
Share issuance costs	1,695	-
	215,162	186,487
Deferred tax asset not recognized	(215,162)	(186,487)
Net Deferred tax asset (liability)	\$ -	\$ -

The Company has non capital loss carryforwards of approximately \$750,796 (2016: \$647,026) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year of Expiry	Taxable Loss
2026	\$ 286
2027	41,942
2028	33,492
2029	84,969
2030	204,342
2031	200,813
2032	33,030
2033	17,086
2034	31,066
2035	103,770
TOTAL	\$ 750,796

Deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred income tax assets.

11. Financial instruments and financial risk management

The Company's risk exposure and impact on the Company's financial instruments are summarized below:

a. Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The Company is not subject to significant credit risk on cash as it is held on deposit with credit worthy financial institutions.

b. Liquidity risk

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its working capital position.

Cash resources, repayment obligations and spending plans are monitored and actions are taken with the objective of ensuring that there is sufficient capital in order to meet short-term business requirements. To facilitate its expenditure program, funds are raised primarily through investment equity financing. Adequate liquidity is anticipated to fund its financial liabilities through future equity contributions.

As at May 31, 2017, financial liabilities were comprised of accounts payable which have a maturity of less than one year.

c. Market risk

i. Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risks on cash is not considered significant.

ii. Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

iii. Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rate. The Company is not exposed to foreign currency exchange risk.

d. Fair value

The recorded value of the Company's financial assets and liabilities approximate their fair values due to their demand nature and their short term to maturity.

e. Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company does not expect any material movements in the underlying market risk variables over a three-month period.

12. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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, issue debt, acquire or dispose of assets or adjust the amount of cash held by the Company.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

12. Capital management (continued)

The Company does not have sufficient capital resources to carry out all of its obligations and, accordingly, will attempt to raise additional capital when necessary. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

13. Fair value of financial instruments

Classification

At May 31, 2017 and 2016, the Company held financial instruments carried at fair value on the statement of financial position. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Cash is valued using quoted market prices and has been included in Level 1 of the fair value hierarchy.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 – Inputs that are not based on observable market data.

14. Subsequent events

Subsequent to May 31, 2017, the following occurred:

- (i) warrants that were exercisable up to August 26, 2017 expired unexercised.
- (ii) received outstanding proceeds related to the accounts receivable balance at year end for \$2,300 in August 2017 (Note 5).
- (iii) met the September 30, 2017 exploration expenditures required in the option agreement of \$20,000 on July 26, 2017 (Note 6).
- (iv) completed a share consolidation on the basis of one (1) post-consolidation Common Share for every five (5) pre-consolidation Common Shares with an effective date of July 14, 2017; and
- (v) entered into a debt settlement agreement with an arm's length creditor of the Company to settle debt in the amount of \$ 57,996 by the issuance of 5,799,642 (1,159,928 post-consolidation) common shares, on June 16, 2017.