

Metron Capital Corp.

Financial Statements
May 31, 2019 and 2018
(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Metron Capital Corp.

Opinion

We have audited the financial statements of Metron Capital Corp. (the "Company"), which comprise the statements of financial position as at May 31, 2019 and 2018, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
September 24, 2019

Metron Capital Corp.
Statements of Financial Position
As at May 31, 2019 and 2018
(Expressed in Canadian Dollars)

	<i>Note</i>	May 31, 2019	May 31, 2018
Assets			
Current assets			
Cash		\$ 17,177	\$ 332,697
Receivable	3	5,078	19,336
Prepaid expenses	4	17,500	
		39,755	352,033
Exploration and evaluation assets	5	-	40,000
		\$ 39,755	\$ 392,033
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 25,008	\$ 61,200
		25,008	61,200
Equity			
Common shares	7	1,473,959	1,473,959
Share-based payment reserves	7	55,350	55,350
Deficit		(1,514,562)	(1,198,476)
		14,747	330,833
		\$ 39,755	\$ 392,033
Going concern	1		
Subsequent event	12		

Approved and authorized on behalf of the Board of Directors on September 24, 2019:

“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, 2019 and 2018
(Expressed in Canadian Dollars)

	<i>Note</i>	2019	May 31, 2018
Expenses			
Accounting and audit fees	\$	33,126	\$ 29,931
Consulting fees		189,705	144,841
Exploration and evaluation expenditures	5	34,286	162,669
Legal fees		-	14,829
Management fees	9	94,000	54,000
Office and administrative		815	2,139
Shareholder communications		14,989	38,395
Travel		543	3,972
		(367,464)	(450,776)
Other items			
Gain on settlement of debt		125,000	-
Impairment of exploration and evaluation assets	5	(73,622)	-
		51,378	-
Net loss and comprehensive loss for the year	\$	(316,086)	\$ (450,776)
Basic and diluted loss per share	\$	(0.02)	\$ (0.02)
Weighted average number of common shares outstanding		20,733,928	18,452,561

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

Metron Capital Corp.
Statements of Changes in Equity
Years ended May 31, 2019 and 2018

(Expressed in Canadian Dollars)

	<i>Note</i>	Number of shares	Share capital	Share-based payment reserve	Deficit	Total Shareholder's Equity
Balance, May 31, 2017		15,224,000	\$ 1,186,641	\$ 55,350	\$ (747,700)	\$ 494,291
Shares issued on settlement of debt	7	1,159,928	57,996	-	-	57,996
Share issuance in private placements	7	4,600,000	230,000	-	-	230,000
Share issue costs	7	-	(678)	-	-	(678)
Shares held in escrow cancelled	7	(250,000)	-	-	-	-
Net loss and comprehensive loss for the year		-	-	-	(450,776)	(450,776)
Balance, May 31, 2018		20,733,928	1,473,959	55,350	(1,198,476)	330,833
Net loss and comprehensive loss for the year		-	-	-	(316,086)	(316,086)
Balance, May 31, 2019		20,733,928	\$ 1,473,959	\$ 55,350	\$ (1,514,562)	\$ 14,747

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

Metron Capital Corp.
Statements of Cash Flows
Years ended May 31, 2019 and 2018
(Expressed in Canadian Dollars)

	May 31,	
	2019	2018
Operating activities		
Net loss	\$ (316,086)	\$ (450,776)
Items not affecting cash:		
Impairment of exploration and evaluation assets	73,622	-
Gain on settlement of debt	(125,000)	-
Changes in non-cash working capital items:		
Receivables	1,836	(17,036)
Prepaid expenses	(5,078)	-
Accounts payable and accrued liabilities	88,808	(57,915)
	<u>(281,898)</u>	<u>(525,727)</u>
Investing activities		
Exploration and evaluation asset acquisitions	(33,622)	(20,000)
	<u>(33,622)</u>	<u>(20,000)</u>
Financing activities:		
Private placement (net of share issue)	-	229,322
	<u>-</u>	<u>229,322</u>
Net decrease in cash	(315,520)	(316,405)
Cash, beginning	332,697	649,102
Cash, ending	\$ 17,177	\$ 332,697

During the year ended May 31, 2018, the Company issued 1,159,928 common shares with a fair value of \$57,996 as settlement of account payables and accrued liabilities with a non-related party

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 Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol MCN.

The corporate head office of the Company is located at Suite 1206, 588 Broughton Street, Vancouver, BC, V6G 3E3.

The Company is an exploration stage business engaged in the acquisition and exploration of mineral properties located in Canada and the US, with its current property located in the state of Nevada.

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, 2019, 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, 2019.

These financial statements were approved by the board of directors for issue on September 24, 2019.

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.

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.

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

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, 2019 and 2018, the Company did not have any decommissioning obligations.

Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of May 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The following is the Company’s new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at May 31, 2019:

Cash	Amortized cost
Receivables	Amortized cost
Accounts payables	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or 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 assets

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.

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

Evaluation and exploration assets (continued)

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Impairment of assets

The carrying amount of the Company's non-financial 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 and its value in use. In assessing fair value or 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.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

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

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.

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.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. 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.

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

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, 2019 and 2018. 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.

Significant areas of estimation made by management are as follows: 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 assets.

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, 2019, and have not been applied in preparing these financial statements.

i) 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. The Company does not expect the adoption of this standard to have any effect on its financial statements.

Other recent accounting pronouncements that have no material impact to the Company are not included above.

3. Receivables

	Year ended May 31,	
	2019	2018
GST input tax credits	\$ 5,078	\$ -
Other receivables	-	19,336
	\$ 5,078	\$ 19,336

4. Prepaid Expenses

At May 31, 2019, the Company had a prepaid amount of \$17,500 for consulting services which were provided to the Company in June 2019.

5. Exploration and Evaluation Assets

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

	May 31, 2018		Additions		Impairment		May 31, 2019
Nevada							
South Big Smoky	\$ 40,000	\$ 33,622	\$ (73,622)	\$ -			

	May 31, 2017		Additions		Impairment		May 31, 2018
Nevada							
South Big Smoky	\$ 20,000	\$ 20,000	\$ -	\$ 40,000			

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 certain cash payments, share issuances and exploration expenditures.

The Company and Ultra amended the due dates for certain cash payments, share issuances and exploration expenditures of the Option Agreement most recently on May 31, 2018. Under the terms of the May 31, 2018 amended Option Agreement ("Option Amendment Agreement"), the Company has the right to acquire a 100% interest in South Big Smoky by making certain cash payments, share issuances and exploration expenditures as follows:

Due Dates	Cash Option Payments	Exploration Expenditures	Issuance of Shares
April 2, 2017 (paid and issued)	\$ 15,000	\$ -	100,000
September 1, 2018 (paid)	30,000	-	-
January 31, 2019 (completed)	-	20,000	-
June 30, 2019	-	150,000	100,000
January 1, 2020	60,000	250,000	200,000
Total consideration	\$ 105,000	\$ 420,000	400,000

5. Exploration and Evaluation Assets (continued)

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.

The Company is currently in default of the Option Amendment Agreement, as the Company has not met the June 30, 2019 commitments pursuant to the agreement and as such has fully impaired the property.

A summary of exploration and evaluation expenditures included in the loss for the years ended May 31, 2019 and 2018 are as follows:

Year ended May 31, 2019	South Big Smoky, Nevada		General Exploration		Total
Geological and geophysical	\$	34,286		- \$	34,286
Total	\$	34,286	\$	- \$	34,286

Year ended May 31, 2018	South Big Smoky, Nevada		General Exploration		Total
Geological and geophysical	\$	37,094	\$	102,500	\$ 139,594
Claim maintenance fees		23,075		-	23,075
Total	\$	60,169	\$	102,500	\$ 162,669

6. Accounts payable and accrued liabilities

	Year ended May 31,	
	2019	2018
Trade payables	\$ 1,263	\$ 46,421
Accrued liabilities	8,000	8,324
Amounts due to related parties (Note 8)	15,745	6,455
	\$ 25,008	\$ 61,200

7. 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 20,733,928 common shares issued and outstanding as at May 31, 2019 and 2018.

Share issuances for the year ended May 31, 2018

On June 15, 2017, the Company issued 1,159,928 common with a fair value of \$57,996, as settlement of account payables and accrued liabilities with a non-related party.

On November 16, 2017, the Company completed a non-brokered private placement by the issuance of 1,600,000 common shares at a price of \$0.05 per common share for gross proceeds of \$80,000.

On December 1, 2017, the Company completed a non-brokered private placement by the issuance of 2,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$100,000. The Company incurred share issue costs of \$613.

On January 24, 2018, the Company completed a non-brokered private placement by the issuance of 1,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$50,000. The Company incurred share issue costs of \$65.

7. Share capital (continued)

c) Escrow

During the fiscal year ended May 31, 2018, 250,000 common shares were cancelled from escrow.

At May 31, 2019, there are Nil common shares held in escrow (May 31, 2018 – Nil).

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, 2019 and 2018, there were no options outstanding.

e) Share purchase warrants

During the fiscal year ended May 31, 2019, the Company did not issue or have any outstanding share purchase warrants.

The continuity for share purchase warrants for the year ended May 31, 2018 is as follows:

Expiry date	Exercise price	Balance May 31, 2017	Issued	Exercised	Expired	Balance May 31, 2018	
August 26, 2017	\$ 0.10	2,000,000	-	-	(2,000,000)	-	
Weighted average exercise price	\$	0.10	-	\$	-	\$ 0.10	\$ -

f) Share-based payment reserve

Share-based payment reserve includes the accumulated fair value of share-based compensation and warrants.

8. Related party transactions and key management compensation

The Company incurred the following related party transactions during the years ended May 31, 2019 and 2018:

	Year ended May 31,	
	2019	2018
Management fees - includes key management personnel compensation	\$ 94,000	\$ 54,000
Consulting fees	\$ -	\$ 24,510
Accounting fees	\$ 16,000	\$ -

The Company's related parties include companies with directors and officers owned in whole or in part by executive officers and directors.

Key management includes the Company's directors and officers, who hold positions in the Company, that result in these officers and directors having control or significant influence over the financial and operating policies of the Company. This includes the Company's directors, Chief Executive Officers and the Chief Financial Officer.

8. Related party transactions and key management compensation (continued)

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.

An amount of \$15,745 is owed to officers and directors and is included in accounts payable and accrued liabilities at May 31, 2019 (2018 - \$6,455) (Note 6).

9. 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:

	2019	2018
Loss before taxes	\$ (316,086)	\$ (450,776)
Statutory tax rate	27.00%	26.00%
Expected income tax recovery	(85,343)	(117,202)
Share issuance costs not recognized	-	176
Non-deductible items and other	19,582	
Effect of changes in tax rates	(12,790)	
Change in Deferred tax assets not recognized	78,551	117,026
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:

	2019	2018
Non-capital losses	\$ 388,440	\$ 312,868
Exploration and evaluation assets	20,024	16,683
Property and equipment	1,638	1,577
Share issuance costs	989	1,412
	411,091	332,540
Deferred tax asset not recognized	(411,091)	(332,540)
Net Deferred tax asset	\$ -	\$ -

9. Income taxes (continued)

The Company has non-capital loss carryforwards of approximately \$1,439,046 (2018: \$1,203,337) 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
2028	\$ 286
2029	41,942
2030	33,492
2031	84,969
2032	182,623
2033	242,896
2034	16,485
2035	(42)
2036	25,018
2037	102,141
2038	464,626
2039	244,229
TOTAL	\$ 1,438,665

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.

10. 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, 2019, 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.

10. Financial instruments and financial risk management (continued)

c. Market risk (continued)

ii) Price risk

The Company is exposed to price risk with respect to commodity prices due to fluctuations in the current market 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.

Classification

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:

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.

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

11. 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.

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.

12. Subsequent event

The Company entered into a letter of intent dated September 19, 2019, pursuant to which the Company will acquire all of the issued and outstanding shares in the capital of Ineo Solutions Inc., formerly Flashgate Technology Inc. ("Ineo"), through a reverse takeover transaction ("Transaction"). Upon completion of the Transaction, Ineo will become a wholly-owned subsidiary of the Company and the resulting issuer will carry on the business previously carried on by Ineo.

Pursuant to the letter of intent, the Company will complete a consolidation of its outstanding common shares to reduce its number of outstanding common shares from 20,733,928 pre-consolidation shares to 12,798,721 post-consolidation shares. In exchange for all of the outstanding securities of Ineo, the Company will issue to the existing Ineo shareholders 19,626,409 post-consolidation shares and options to purchase an additional 175,830 post-consolidation shares at \$0.0888 per post-consolidation share; prior to or concurrent with the closing of the transaction, Ineo shall complete a private placement of subscription receipts at a price of CAD\$0.35 per subscription receipt for a minimum amount of aggregate gross proceeds of CAD\$3,000,000, with each subscription receipt exchangeable for no additional consideration to acquire one post-consolidation share in the capital of the resulting issuer. The resulting issuer may pay finder's fees or broker's commissions in connection with the financing.

The completion of the transaction is subject to conditions, including but not limited to the execution of a definitive agreement, mutual due diligence of the parties, and the approval of all regulatory bodies having jurisdiction in connection with the Transaction including the TSX Venture Exchange.