

**MAGNUM GOLDCORP INC.**

**Financial Statements**

**For the years ended May 31, 2019 and 2018  
(Expressed in Canadian dollars)**

**Contact Information:**

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**Contact Person: Mr. Clive Shallow**

## Independent Auditor's Report

To the Shareholders of Magnum Goldcorp Inc.

### Opinion

We have audited the financial statements of Magnum Goldcorp Inc. ("the Company"), which comprise the statements of financial position as at May 31, 2019 and May 31, 2018 and the statements of comprehensive loss, changes in shareholders' 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 May 31, 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 audit 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.

### Other Information

Management is responsible for the other information. The other information comprises:

- 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.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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.

### **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 Diana Huang.

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Magnum Goldcorp Inc. to continue as a going concern.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Vancouver, Canada  
September 24, 2019**

**MAGNUM GOLDCORP INC.**  
**Statements of Financial Position**  
**As at May 31, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

	2019	2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 143	\$ 40,993
Accounts receivable	2,236	2,649
Prepaid expenses (Note 5)	7,752	47,882
	10,131	91,524
<b>Exploration and evaluation assets</b> (Note 4)	2,980,987	2,890,911
<b>Reclamation deposit</b> (Note 4)	15,000	15,000
	\$ 3,006,118	\$ 2,997,435
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 315,526	\$ 71,573
Loans payable (Notes 5 and 8)	88,500	87,500
Flow-through premium (Notes 6 and 12)	11,000	23,566
	415,026	182,639
<b>Shareholders' equity</b>		
Capital stock (Note 6)	3,974,058	3,921,558
Reserves (Note 7)	522,309	517,809
Deficit	(1,905,275)	(1,624,571)
	2,591,092	2,814,796
	\$ 3,006,118	\$ 2,997,435

Nature of operations and going concern (Note 1)

**On behalf of the Board:**

“Douglas L. Mason” Director

“Sead Hamzagic” Director

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

**MAGNUM GOLDCORP INC.**  
**Statements of Comprehensive Loss**  
**Years ended May 31, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

	2019	2018
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Consulting fees (Note 5)	\$ 119,250	\$ 216,250
Directors fees (Note 5)	8,000	-
Interest (Note 5)	10,467	12,180
Investor relations	1,100	2,848
Marketing	12,616	11,621
Office and miscellaneous (Note 5)	21,680	25,007
Professional fees (recovery)	57,808	57,859
Regulatory and transfer agent fees	25,580	26,922
Rent (Note 5)	23,817	25,097
Wages and benefits (Note 5)	25,009	29,618
	<u>(305,327)</u>	<u>(407,402)</u>
<b>OTHER ITEMS</b>		
Interest income	557	388
Other income (Note 12)	24,066	71,039
	<u>24,623</u>	<u>71,427</u>
<b>Loss and comprehensive loss for the year</b>	<b>\$ (280,704)</b>	<b>\$ (335,975)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding (basic and diluted)</b>	<b>21,820,784</b>	<b>19,514,015</b>

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

**MAGNUM GOLDCORP INC.**  
**Statement of Changes in Shareholders' Equity**  
(Expressed in Canadian Dollars)

	Number of Common Shares	Amount	Share-based Payment Reserve	Deficit	Total Shareholders' Equity
Authorized Capital:					
Unlimited number of common shares without par value					
<b>Balance, May 31, 2017</b>	<b>17,529,784</b>	<b>\$ 3,356,098</b>	<b>\$ 411,009</b>	<b>\$ (1,288,596)</b>	<b>\$ 2,478,511</b>
Private placements (Notes 6, 7)	3,766,000	690,240	106,800	-	797,040
Flow-through premium (Note 6)	-	(87,680)	-	-	(87,680)
Share issue cost (Note 6)	-	(37,100)	-	-	(37,100)
Loss for the year	-	-	-	(335,975)	(335,975)
<b>Balance, May 31, 2018</b>	<b>21,295,784</b>	<b>3,921,558</b>	<b>517,809</b>	<b>(1,624,571)</b>	<b>2,814,796</b>
Private placements (Notes 6, 7)	875,000	64,000	4,500	-	68,500
Flow-through premium (Note 6)	-	(11,500)	-	-	(11,500)
Loss for the year	-	-	-	(280,704)	(280,704)
<b>Balance, May 31, 2019</b>	<b>22,170,784</b>	<b>\$ 3,974,058</b>	<b>\$ 522,309</b>	<b>\$ (1,905,275)</b>	<b>\$ 2,591,092</b>

On June 11, 2018, the Company's common shares were consolidated on a basis of one post-consolidated common shares for every four pre-consolidated common shares. The number of the shares, options and warrants presented have been adjusted to reflect the impact of these share consolidation.

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

**MAGNUM GOLDCORP INC.**  
**Statements of Cash Flows**  
**Years ended May 31, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (280,704)	\$ (335,975)
Items not affecting cash		
Other income	(24,066)	(71,039)
Changes in non-cash working capital items		
Accounts receivable	413	10,742
Prepaid expenses	40,130	(35,603)
Accounts payable and accrued liabilities	238,744	(96,696)
Net cash flows used in operating activities	(25,483)	(528,571)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets expenditures (net)	(84,867)	(190,675)
Net cash flows used in investing activities	(84,867)	(190,675)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan proceeds	1,000	10,500
Loan repayments	-	(10,500)
Shares issued for cash	68,500	797,040
Share issue costs	-	(37,100)
Net cash flows provided by financing activities	69,500	759,940
<b>Change in cash during the year</b>	<b>(40,850)</b>	<b>40,694</b>
<b>Cash, beginning of year</b>	<b>40,993</b>	<b>299</b>
<b>Cash, end of year</b>	<b>\$ 143</b>	<b>\$ 40,993</b>
<b>Supplemental disclosures:</b>		
Cash paid during the year for interest	\$ -	\$ 10,879
Cash paid during the year for income taxes	\$ -	\$ -
<b>Non-cash financing and investing activities:</b>		
Fair value of units issued for share issue costs	\$ -	\$ -
Accounts payable included in exploration and evaluation assets	\$ 33,714	\$ 28,505

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

**1. NATURE OF OPERATIONS AND GOING CONCERN**

**Nature of operations**

Magnum Goldcorp Inc. (the “Company”) was incorporated under the Alberta Business Corporations Act on April 4, 2011 and, effective July 25, 2014, continued into the Province of British Columbia under the provisions of the Business Corporations Act (British Columbia).

The Company is engaged in the acquisition and exploration of mineral resource properties.

On June 11, 2018, the Company’s common shares were consolidated on a basis of one post-consolidated common shares for every four pre-consolidated common shares. The number of the shares, options and warrants presented have been adjusted to reflect the impact of these share consolidation.

**Going concern**

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Management believes the Company will be successful at securing additional funding so that its capital resources will be sufficient to carry its operations through the next twelve months and intends to continue the programs on its exploration and evaluation assets. However, there are several conditions that cast significant doubt on the Company’s ability to continue as a going concern, including that the Company has incurred significant operating losses in the past years (2019 - \$280,704; 2018 - \$335,975). It is unable to self-finance operations in the long term, has working capital deficit of \$404,895 (May 31, 2018 - deficit \$91,115), has a deficit of \$1,905,275 (May 31, 2018 - \$1,624,571), as limited resources, no source of operating cash flows and no assurances that sufficient funding will be available to conduct further exploration and development of its exploration and evaluation assets. The recoverability of amounts shown for exploration and evaluation assets is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. Management is actively engaged in the review and due diligence on new projects, is seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that management’s plan will be successful. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and IFRS Interpretations Committee.

The policies applied in these financial statements are based on IFRS issued and effective as of May 31, 2019. The Board of Directors approved the financial statements for issue on September 24, 2019.

**Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value, as explained in the accounting policies set out in Note 3. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

**Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the impairment of assets.

Significant accounting judgements:

**(a) Recoverability of asset carrying values**

The Company assesses its exploration and evaluation assets for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, at each reporting period. The assessment of any impairment of property and equipment and exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions, timing of cash flows, the useful lives of assets and their related salvage values.

**(b) Income taxes**

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

**(c) Going concern risk assessment (see Note 1)**

**3. SIGNIFICANT ACCOUNTING POLICIES**

The following is a list of significant accounting policies used by the Company.

**(a) Cash and cash equivalents**

Cash and cash equivalents includes highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**(b) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets requiring a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of that asset.

**(c) Financial instruments**

***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 the 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 as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on June 1, 2018.

***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.

***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 profit or 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 comprehensive loss in the period in which they arise.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Financial instruments (Continued)**

***Impairment of financial assets at amortized cost***

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**Derecognition**

The Company derecognizes a financial asset only when the contractual rights to the cash flows for the asset expire, or when it transfers the final asset and substantially all the risks and rewards of ownership to another entity.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

The Company classifies its financial instruments measured at fair value into one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**(d) Exploration and evaluation assets**

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs upon obtaining the legal right to explore relating to the acquisition of, exploration for and evaluation of mineral claims and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to, geological studies, geophysical studies, and exploratory drilling and sampling. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Exploration and evaluation assets (Continued)**

The Company recognizes costs recovered in excess of the carrying amount of exploration and evaluation assets in income.

The Company recognizes mining exploration tax credits when it is received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs are reclassified as mining assets and will be charged to operations on a unit-of-production method based on proven and probable reserves.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment at each reporting date. Where a potential impairment is identified, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged operations.

Although the Company has taken steps to verify the title to exploration and evaluation assets 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 or transfers and title may be affected by undetected defects.

Exploration and evaluation assets are classified as intangible assets.

**(e) Impairment**

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Joint arrangements**

A joint arrangement is classified as either a joint operation or a joint venture, depending on the rights and obligations of the parties to the arrangement.

Joint operations arise when the Company has a direct ownership interest in jointly controlled assets and obligations for liabilities. The financial statements include the Company's proportionate share of the assets, liabilities, revenues, expenses, and cash flows of this type of arrangement.

Joint ventures arise when the Company has rights to the net assets of the arrangement. For these arrangements, the Company uses the equity method of accounting and recognizes initial and subsequent investments at cost, adjusting for the Company's share of the joint venture's income or loss, less dividends received thereafter. Joint ventures are tested for impairment whenever objective evidence indicates that the carrying amount of the investment may not be recoverable under the equity method of accounting. The impairment amount is measured as the difference between the carrying amount of the investment and the higher of its fair value less costs of disposal and its value in use. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

**(g) Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Valuation of equity units issued in private placements:

The Company has adopted 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 common shares issued in the private placements at their fair value, as determined by the trading price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded in reserves.

Flow-through shares:

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital.

Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration and expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Share based payment transactions**

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

The fair value of options granted is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is charged either to operations or exploration and evaluation assets, with the offset credit to share-based payment reserve over the vesting period. If and when the stock options are exercised, the applicable amounts from share-based payment reserve are transferred to capital stock. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share-based payment reserve is transferred to retained earnings. The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

**(i) Loss per share**

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds from the exercise of outstanding options, warrants and similar instruments would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercises of options and warrants that would be anti-dilutive. For the years presented, this calculation proved to be anti-dilutive.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(j) Income taxes**

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided 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. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and 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 the 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. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it will not be recognized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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.

**(k) Restoration and rehabilitation provision**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of an exploration and evaluation asset 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. Pre-tax discount rates 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, changes to the current market-based discount rate, and 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 profits as extraction progresses. As at May 31, 2019, the Company does not have any significant restoration obligations.

**(l) 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 using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in any provision due to passage of time is recognized as interest expense.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(m) New and amended accounting pronouncements**

*New accounting policies adopted*

*IFRS 9 Financial Instruments*

The Company adopted, retrospectively without restatement, all of the requirements of IFRS 9: Financial Instruments ("IFRS 9") as of June 1, 2018. This standard replaces the guidance in IAS 39: Financial Instruments: Recognition and Measurements ("IAS 39"). The adoption of IFRS 9 did not impact the carrying value of any of the Company's financial assets or financial liabilities on the transition date. The impact on the classification and measurement of its financial instruments is set out below.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities. All financial assets not classified at amortized cost or FVOCI are measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

IFRS 9 introduced a single expected credit loss impairment model for financial assets measured at amortized cost and for debt instruments at FVOCI, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

The requirements of IAS 39 for classification and measurements of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification (measurement) IAS 39	New classification and measurement IFRS 9
Cash, Accounts receivable, Reclamation deposit	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities, Loans payable	Other financial liabilities (amortized cost)	Amortized cost

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(m) New and amended accounting pronouncements (Continued)**

*New accounting policies not yet adopted*

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. None of these are expected to have a material effect on the financial statements of the Company and the Company does not anticipate early adoption.

- IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

This standard is effective for reporting periods beginning on or after January 1, 2019.

**4. EXPLORATION AND EVALUATION ASSETS**

**Realization of assets**

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

**Environmental**

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of the exploration and the development of a mineral property, the potential for production on the property may be diminished or negated.

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

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**4. EXPLORATION AND EVALUATION ASSETS (Continued)**

The Company has entered into agreements to acquire, explore and develop certain mineral properties located in various regions of Canada. Numerous aboriginal groups are claiming inextinguishable aboriginal title to the lands and resources in these regions, which may include one or more of the mineral claims beneficially owned by the Company. The extent to which any successful aboriginal claim would materially affect the ability of the Company to exploit its mineral properties is not determinable at this time.

**Reclamation deposits**

As at May 31, 2019, the Company has refundable deposits of \$15,000 (May 31, 2018 - \$15,000) with the British Columbia Ministry of Mines relating to the Company's "LH Property".

The Company's expenditures on exploration and evaluation assets are as follows:

	LH Property
<b>Balance, May 31, 2017</b>	<b>\$ 2,700,236</b>
Deferred costs:	
Additions during the year:	
Acquisitions and staking	819
Accommodations	9,659
Assay	8,127
Drilling	112,214
Equipment rental	9,900
Field office expenses	1,298
Fuel	370
Geological and labour	53,221
Storage	3,754
Surveying	24,040
Travel	1,213
Additions for the year	224,615
Recoveries for the year	(33,940)
Net additions for the year	190,675
<b>Balance, May 31, 2018</b>	<b>2,890,911</b>
Deferred costs:	
Additions during the year:	
Drilling	16,914
Field office expenses	1,882
Geological and labour	35,465
Surveying	31,190
Storage	3,769
Travel	856
Additions for the year	90,076
<b>Balance, May 31, 2019</b>	<b>\$ 2,980,987</b>

**4. EXPLORATION AND EVALUATION ASSETS (Continued)**

***LH Property***

By way of background, International Bethlehem Mining Corp. ("IBC") acquired 19 crown-granted mineral claims in the Slocan Mining Division, British Columbia (the "LH Property"). The vendors retained a 1% net smelter return ("NSR") royalty. Once royalties of \$350,000 have been paid, the NSR royalty will reduce to 0.5%. IBC also acquired 4 mineral claims near Silverton in the Slocan Mining Division, British Columbia (the "Willa Property"). The vendors retained a 1% NSR. Once royalties of \$500,000 have been paid, the NSR royalty will reduce to 0.5%. The Company subsequently staked 3 additional mineral claims in the area surrounding the Willa Property. The LH Property and the Willa Property are adjacent properties (collectively the "LH Property").

The Company entered into an Option Agreement, dated September 6, 2012 (the "Option Agreement") with IBC, pursuant to which the Company was granted an option to acquire a 51% interest in IBC's LH Property. Under the Option Agreement, the Company agreed to pay IBC \$100,000 (paid) following the date (November 12, 2013) when the Exchange accepted the Option Agreement (the "Effective Date"). Additionally, the Company was required to incur expenditures on the Property totalling \$500,000 (\$250,000 by the first anniversary of the Effective Date (completed) and an additional \$250,000 by the second anniversary of the Effective Date (completed)). As well, the Company was required to issue 750,000 shares to IBC (250,000 shares by the first anniversary of the Effective Date (issued December 1, 2014); an additional 250,000 shares by the second anniversary of the Effective Date (issued November 9, 2015); and an additional 250,000 shares upon the LH Property receiving a bankable feasibility report on or before 10 years after the option has been earned in). As a condition to the Company performing its obligations under the Option Agreement, IBC was required to incur between \$100,000 to \$150,000 in exploration expenditures on the LH Property (completed). The Company and IBC have certain directors in common.

The Company entered into a purchase agreement (the "Purchase Agreement") dated February 24, 2015, with IBC and Cobra Venture Corporation ("Cobra"), pursuant to which the Company agreed to sell and Cobra agreed to purchase one half (25.5%) of the Company's 51% option interest in the LH Property owned by IBC in exchange for a \$300,000 payment (received). The Company was required to spend \$200,000 to complete certain expenditures on the LH Property (completed) and was required to use reasonable commercial efforts to fulfil its obligations under the Option Agreement such that the option would be exercised. On November 13, 2015, the Company advised Cobra that the option with IBC had been exercised, and accordingly, Cobra acquired a 25.5% interest in the LH Property and a joint venture was formed between the Company, IBC and Cobra. The Company and Cobra have certain directors in common.

On March 1, 2016, Cobra, IBC, and together with the Company (the "Parties") entered into an asset purchase agreement (the "LH Property Agreement"), with respect to the acquisition by the Company of all of the interest of each of Cobra and IBC in the LH Property (the "LH Property Transaction"), which was subject to shareholder and TSX Venture Exchange approvals. On April 27, 2016, the Parties announced that all conditions and approvals for the LH Property Transaction had been met, and therefore, the Parties closed the transaction (with the Company issuing 4,280,000 common shares in its capital to Cobra and 8,224,314 common shares in its capital to IBC). As a result, the Company owns 100% of the LH Property.

**5. RELATED PARTY TRANSACTIONS**

The following is a list of related party transactions that have occurred during the year ended May 31, 2019:

- a) As at May 31, 2019, accounts payable and accrued liabilities \$225,973 (May 31, 2018 - \$50,877) owing to companies controlled by directors or companies having certain common directors.
- b) The Company entered into a loan agreement, dated April 26, 2016, pursuant to which the Company received \$87,500 for working capital purposes. \$75,000 of the loan amount was provided by certain directors and/or officers of the Company and \$12,500 of the loan amount was provided by an arm's length party. Loan advances are for a term of 1 year with interest at a rate of 1% per month (12% per annum). The Company agreed to issue an aggregate of 67,308 shares (issued on May 25, 2016) to the lenders as a loan bonus in accordance with TSX Venture Exchange policy. During the years ended May 31, 2017 and 2018, the term of the loan was extended for 1 year each. During the year ended May 31, 2019, the terms of the loan was extended for an additional 1 year term which is due on April 26, 2020.
- c) The Company entered into a loan agreement, dated July 31, 2017, pursuant to which the lender agreed to loan the Company up to \$100,000 for working capital purposes. The loan agreement was provided by a company controlled by a director and each loan advance is for a term of one year with interest at a rate of 1% per month (12% per annum). During the year ended May 31, 2018, \$10,500 was advanced under the loan agreement and was repaid in full. During the year ended May 31, 2019, \$1,000 was advanced under the loan agreement and was outstanding as at May 31, 2019. No loan bonus shares were issued in connection with these loans.
- d) The Company paid or accrued the following amounts to companies controlled by directors, former directors or companies having certain common directors:

	2019		2018	
Consulting fees	\$	90,000	\$	90,000
Rent	\$	23,817	\$	25,097
Interest	\$	9,000	\$	9,372

Key management compensation to the CEO, President, CFO, Directors and former Directors include the following:

	2019		2018	
Consulting fees	\$	90,000	\$	90,000
Directors fees	\$	8,000	\$	-

- e) The Company reimbursed Waterfront Communications Inc. (a company with certain directors in common) on a cost basis, to cover shared administrative and geological payroll costs in the amount of \$25,009 (2018 - \$31,301) and shared expenses in the amount of \$15,793 (2018 - \$19,105).

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties. Amounts due to (from) related parties are unsecured and have no stated terms of repayment and/or interest unless otherwise stated.

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**6. CAPITAL STOCK**

a) Authorized share capital

Unlimited common shares with no par value

b) Issued share capital

During the year ended May 31, 2019, the Company completed the following share transactions:

- October 24, 2018, the Company closed its non-brokered private placement offerings and raised \$68,500 by the issuance of 575,000 flow through shares (the “FT Shares”) at \$0.08 per FT Share and 300,000 non-flow through units (the “NFT Units”) at \$0.075 per NFT Unit. Each NFT Unit consisted of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of 2 years at an exercise price of \$0.10.

During the year ended May 31, 2018, the Company completed the following share transactions:

- On November 28, 2017, the Company completed the second tranche of a non-brokered private placement and raised \$576,000 by issuance of 175,000 flow-through shares (“FT Shares”) at \$0.24 per FT Share and 2,670,000 non-flow through units (“NFT Units”) at \$0.20 per NFT Unit. Each NFT Unit consisted of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of 2 years at an exercise of \$0.40. Finder’s fees in the amount of \$22,700 were paid in cash in connection with the private placement. A flow-through premium of \$14,000 was recognized upon the issuance of the FT Shares. A residual value of \$106,800 was assigned to warrants on the NFT units.
- On October 25, 2017, the Company completed the first tranche of a non-brokered private placement and raised \$221,040 by issuance of 921,000 flow-through shares (“FT Shares”) at \$0.24 per FT Share. Finder’s fees in the amount of \$14,400 were paid in cash in connection with the private placement. A flow-through premium of \$73,680 was recognized upon the issuance of the FT Shares.

**7. STOCK OPTIONS AND WARRANTS**

**Stock Options**

The Company has a rolling stock option plan, whereby it is allowed to issue options of up to 10% of the Company’s issued and outstanding common shares at any given time. Under the plan, options can be granted for a maximum term of ten years and vesting of stock options is at the discretion of the Board of Directors at the time options are granted.

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, May 31, 2017 and 2018	1,750,000	\$ 0.21
Expired	(43,500)	0.20
Balance May 31, 2019	1,706,500	\$ 0.21

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**7. STOCK OPTIONS AND WARRANTS (Continued)**

The following options were exercisable and outstanding at May 31, 2019:

Expiry Date	Number of Options		Exercise Price
	2019	2018	
April 1, 2020	187,500	187,500	\$ 0.20
October 26, 2021	112,500	112,500	\$ 0.40
September 22, 2021	1,406,500	1,450,000	\$ 0.20
Outstanding and exercisable	1,706,500	1,750,000	
Weighted average remaining contractual life	2.16 years	3.16 years	

**Warrants**

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, May 31, 2017</b>	<b>2,176,250</b>	<b>\$ 0.40</b>
Issued	2,670,000	0.40
<b>Balance, May 31, 2018</b>	<b>4,846,250</b>	<b>0.40</b>
Issued	300,000	0.10
Expired	(2,176,250)	0.40
<b>Balance, May 31, 2019</b>	<b>2,970,000</b>	<b>\$ 0.38</b>

The following warrants were exercisable and outstanding at:

Expiry Date	Exercise Price	2019	2018
August 5, 2018	\$ 0.40	-	27,500
August 24, 2018	\$ 0.40	-	510,000
November 8, 2018	\$ 0.40	-	638,750
December 10, 2018	\$ 0.40	-	1,000,000
November 28, 2019	\$ 0.40	2,670,000	2,670,000
October 23, 2020	\$ 0.10	300,000	-
		<b>2,970,000</b>	<b>4,846,250</b>
Weighted average remaining contractual life		0.59 years	1.02 years

**8. LOANS PAYABLE**

The Company entered into a loan agreement, dated April 26, 2016, pursuant to which the Company received \$87,500 for working capital purposes. \$75,000 of the loan amount was provided by certain directors and/or officers of the Company and \$12,500 of the loan amount was provided by an arm's length party. Loan advances are for a term of 1 year with interest at a rate of 1% per month (12% per annum). The Company agreed to issue an aggregate of 67,308 shares (issued on May 25, 2016) to the lenders as a loan bonus in accordance with TSX Venture Exchange policy. During the years ended May 31, 2017 and 2018, the term of the loan was extended for 1 year each. During the year ended May 31, 2019, the terms of the loan was extended for an additional 1 year term which is due on April 26, 2020.

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**8. LOANS PAYABLE (Continued)**

The Company entered into a loan agreement, dated July 31, 2017, pursuant to which the lender agreed to loan the Company up to \$100,000 for working capital purposes. The loan agreement was provided by a company controlled by a director and each loan advance is for a term of one year with interest at a rate of 1% per month (12% per annum). During the year ended May 31, 2018, \$10,500 was advanced under the loan agreement and was repaid in full. During the year ended May 31, 2019, \$1,000 was advanced under the loan agreement and was outstanding as at May 31, 2019. No loan bonus shares were issued in connection with these loans.

**9. INCOME TAXES**

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2018- 26.42%) to income before income taxes. The reasons for the differences for the year ended May 31, 2019 are as follows:

	2019	2018
Loss before tax	\$ (280,204)	\$ (335,975)
Statutory income tax rate	27%	26.42%
Expected income tax recovery	\$ (75,790)	\$ (88,753)
Non-taxable differences	(6,485)	(18,415)
Effect of change in tax rate	-	(11,267)
Change in tax benefits not recognized	82,275	118,435
	\$ -	\$ -

The Company recognizes tax benefits on losses or other deductible amounts generated when the probable criteria for the recognition of deferred tax assets has been met.

The Company's deferred tax assets (liabilities) consist of the following amounts for the year ended May 31, 2019:

	2019	2018
Non-capital losses	\$ 509,000	\$ 420,000
Share issue costs	6,000	8,000
Exploration and evaluation assets	(364,000)	(138,000)
Unrecognized deferred tax assets	(151,000)	(290,000)
Net deferred tax assets	\$ -	\$ -

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**9. INCOME TAXES (Continued)**

As at May 31, 2019, the Company had the following unrecognized unused non-capital tax losses:

2031	\$	4,000
2032		93,000
2033		83,000
2034		233,000
2035		135,000
2036		342,000
2037		249,000
2038		414,000
2039		330,000
Total	\$	1,883,000

**10. CAPITAL MANAGEMENT**

The Company manages its common shares and stock options as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure that optimizes the costs of capital at an acceptable level of 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 new debt, acquire or dispose of assets.

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 Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

There have been no changes to the Company's approach to capital management during the year ended May 31, 2019. The Company is not subject to externally imposed capital requirements.

**11. FINANCIAL INSTRUMENTS**

**Fair value**

The Company classifies its cash, accounts receivable, reclamation deposit, accounts payable and accrued liabilities and loans payable as at amortized cost.

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities and loans payable approximate their fair values due to the short-term maturity of these financial instruments.

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

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**11. FINANCIAL INSTRUMENTS (Continued)**

**Credit risk**

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and accounts receivable.

The Company's credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to cash is remote as it maintains accounts with highly-rated financial institutions.

The Company's concentration of credit risk and maximum exposure thereto is as follows:

	2019		2018	
Cash	\$	143	\$	40,993
Accounts receivable		2,236		2,649
	\$	2,379	\$	43,642

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company will need to raise additional money through share issuance. At May 31, 2019, the Company had accounts payable and accrued liabilities of \$315,526 (May 31, 2018 - \$71,573) and loans payable of \$88,500 (May 31, 2018 - \$87,500).

**Fair value**

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

	Accounts Payable, Accrued Liabilities and Loans Payable		Due to Related Parties		Total
<b>May 31, 2019</b>					
Due date: 0 to 90 days	\$	89,553	\$	225,973	\$ 315,526
Due date: 90 to 365 days	\$	12,500	\$	76,000	\$ 88,500
<b>May 31, 2018</b>					
Due date: 0 to 90 days	\$	20,696	\$	50,877	\$ 71,573
Due date: 90 to 365 days	\$	12,500	\$	75,000	\$ 87,500

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

**11. FINANCIAL INSTRUMENTS (Continued)**

**Market risk (Continued)**

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash consists of cash held in bank accounts and a reclamation deposit of \$15,000 (May 31, 2018 - \$15,000) at the prime rate minus 2.10% (May 31, 2018 - 2.10%) held as per instructions on the Safekeeping Agreement from the Ministry of Energy and Mines. Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

Future cash flows from interest income on cash will not be affected by interest rate fluctuations. Given the balance of the cash, any fluctuations in the interest rate would lead to an immaterial change in the profit or loss.

Interest rate risk from the Company's loans payable is not significant because the loans payable are at fixed interest rates.

(ii) Foreign currency risk

The Company is not exposed to foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is not exposed to significant other price risk.

**12. COMMITMENTS**

The Company entered into four 5-year term renewable agreements with companies controlled by three directors and one former director of the Company for the provision of consulting and/or legal services at a cost of \$2,500 per month (\$30,000 per annum) for each of the four agreements. If any of such agreements are terminated without cause or if there is a change in control of the Company, the Company is required to pay an amount equal to three times the annual fee payable under the agreements.

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**12. COMMITMENTS (Continued)**

On October 25, 2017, and November 28, 2017, the Company issued a total of 1,096,000 flow through common shares pursuant to a non-brokered private placement for gross proceeds of \$263,040. The Company is committed to incur a total of \$263,040 of qualifying Canadian Exploration Expenses (“CEE”) on or before December 31, 2018, as prescribed under the Income Tax Act of Canada. The Company recognized total flow-through premiums of \$87,680. During the year ended May 31, 2018, the Company incurred approximately \$192,342 of CEE and other income of \$64,114 was recognized to reflect the settlement of the flow-through premium liability. At December 31, 2018, the Company has unspent flow-through commitment of \$Nil (May 31, 2018 - \$70,698) which was to be spent by December 31, 2018.

On October 24, 2018 the Company issued a total of 575,000 flow through common shares pursuant to a non-brokered private placement for gross proceeds of \$46,000. The Company is committed to incur a total of \$46,000 of qualifying Canadian Exploration Expenses (“CEE”) on or before December 31, 2019, as prescribed under the Income Tax Act of Canada. During the year ended May, 2019, the Company incurred approximately \$2,000 of CEE. At May 31, 2019, the Company has unspent flow-through commitment of \$44,000 which is to be spent by December 31, 2019.

**13. SUBSEQUENT EVENTS**

On September 12, 2019, the Company closed its non-brokered private placement offerings (the “Private Placements”). The Company has raised \$100,000 by the issuance of 2,000,000 non-flow through units (the “NFT Units”) at \$0.05 per NFT Unit. Each NFT Unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of 2 years at an exercise price of \$0.10.