

RED OAK MINING CORP.

**AUDITED FINANCIAL STATEMENTS
AND AUDITORS' REPORT**

MAY 31, 2018 AND 2017

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Red Oak Mining Corp.

We have audited the accompanying financial statements of Red Oak Mining Corp., which comprise the statements of financial position as at May 31, 2018 and 2017 and the statements of loss and comprehensive loss, statements of shareholders' equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Red Oak Mining Corp. as at May 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has incurred losses to date and has a working capital deficiency of \$64,304 as at May 31, 2018. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
August 29, 2018

RED OAK MINING CORP.
Statements of Financial Position
(expressed in Canadian dollars)

	May 31, 2018	May 31, 2017
<u>ASSETS</u>		
Current		
Cash	\$ 56,337	\$ 1,417
Accounts receivable (Note 5)	1,541	280
Total current assets	57,878	1,697
Restricted cash (Note 7(a))	17,607	17,400
Investment (Note 6)	-	1
Total assets	\$ 75,485	\$ 19,098
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current		
Accounts payable and accrued liabilities	\$ 27,582	\$ 824,856
Due to related parties (Note 11 (e))	78,600	225,964
Current portion of loans payable (Note 8)	-	64,000
Provision for environmental rehabilitation (Note 7(a))	16,000	16,000
Total current liabilities	122,182	1,130,820
Total liabilities	122,182	1,130,820
Shareholders' equity		
Share capital (Note 9)	32,307,552	31,069,292
Contributed surplus (Note 10)	1,555,465	1,429,313
Deficit	(33,909,714)	(33,610,327)
Total shareholders' equity	(46,697)	(1,111,772)
Total liabilities and shareholders' equity	\$ 75,485	\$ 19,098

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 14)

Approved by the Board:

"Jay Roberge"

Director – Jay Roberge

"Binny Jassal"

Director – Binny Jassal

RED OAK MINING CORP.
Statements of Loss and Comprehensive Loss
(expressed in Canadian dollars)

For the Years Ended May 31	2018	2017
Expenses		
Accounting and audit (Note 11 (a))	\$ 46,670	\$ 45,920
Bank charges	264	239
Consulting fees (Note 11 (b))	60,033	-
Filing and share transfer fees	22,025	9,187
Interest (Note 11(c))	1,357	36,043
Legal fees	28,584	12,736
Office and administration	1,264	1,958
Shareholders' information	-	1,260
Stock-based compensation (Note 10 & 11(d))	126,152	-
Travel	13,244	-
	299,593	107,343
Loss before other items	(299,593)	(107,343)
Other items		
Accounts payable written-off	-	9,290
Investment written-off (Note 6)	(1)	-
Interest income	207	130
Net loss and comprehensive loss for the year	\$ (299,387)	\$ (97,923)
Basic and diluted loss per share	(0.02)	(0.05)
Weighted average number of common shares outstanding	14,184,427	2,036,029

RED OAK MINING CORP.
Statements of Shareholders' Equity
(expressed in Canadian dollars)

	Number of Shares		Share Capital		Contributed Surplus		Deficit		Shareholder's Equity
Balance, May 31, 2017	2,036,029	\$	31,069,292	\$	1,429,313	\$	(33,610,327)	\$	(1,111,722)
Shares issued pursuant to private placements – net	3,433,333		248,561		-		-		248,561
Shares issued pursuant to the debt settlement	12,191,550		914,366		-		-		914,366
Shares issued pursuant to the Exercise of warrants	753,333		75,333		-		-		75,333
Stock options	-		-		126,152		-		126,152
Net loss for the year	-		-		-		(299,387)		(299,387)
Balance, May 31, 2018	18,414,245	\$	32,307,552	\$	1,555,465	\$	(33,909,714)	\$	(46,697)
Balance, May 31, 2016	2,036,029	\$	31,069,292	\$	1,429,313	\$	(33,512,404)	\$	(1,013,799)
Net loss for the year	-		-		-		(97,923)		(97,923)
Balance, May 31, 2017	2,036,029	\$	31,069,292	\$	1,429,313	\$	(33,610,327)	\$	(1,111,722)

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

RED OAK MINING CORP.
Statements of Cash Flows
(expressed in Canadian dollars)

For the Years Ended May 31	2018	2017
Cash flows from operating activities		
Loss for the years from continuing operations	\$ (299,387)	\$ (97,923)
Adjustments to reconcile loss to net cash from operating activities:		
Accounts payable written-off	-	(9,290)
Stock-based compensation	126,152	-
Investment written-off	1	-
	<u>(173,234)</u>	<u>(107,213)</u>
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	(1,261)	1,733
Increase (decrease) in accounts payable & accruals	(10,408)	39,377
Net cash used in operating activities	<u>(184,903)</u>	<u>(66,103)</u>
Cash flows from investing activities		
Restricted cash	(207)	(130)
Net cash used in investing activities	<u>(207)</u>	<u>(130)</u>
Cash flows from financing activities		
Issuance of common shares	257,500	-
Shares issue costs	(8,939)	-
Warrants exercised	75,333	-
Increase (decrease) in loan payable	(26,500)	13,000
Increase (decrease) in due to related party	(57,364)	53,171
Net cash provided by financing activities	<u>240,030</u>	<u>66,171</u>
Decrease in cash during the year	54,920	(62)
Cash, beginning of the year	1,417	1,479
Cash, end of the year	\$ 56,337	\$ 1,417

Supplemental disclosure with respect to cash flows (Note 12)

RED OAK MINING CORP.
Notes to the Financial Statements
Years Ended May 31, 2018 and 2017
(expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Red Oak Mining Corp. (“The Company”) is incorporated in the Province of British Columbia (extra-provincially registered in the Province of Alberta). The Company’s registered office is located at Suite 1400 – 1111 West Georgia Street, Vancouver, BC, V6E 4M3.

At May 31, 2018 the Company had a working capital deficiency of \$64,304 (May 31, 2017 - \$1,129,123) and had not yet achieved profitable operations, has accumulated losses of \$33,909,714 (May 31, 2017 - \$33,610,327) since its inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing including support from related parties to meet its ongoing levels of corporate overhead, and discharge its liabilities as they come due. The Company is also depending on the continued patience of its related and third party creditors with respect to outstanding amounts. At this time the Company is managing its financial resources to minimize expenditures while it determines its future direction. 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 liabilities in the normal course of business.

Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, these financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these financial statements.

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

These financial statements were approved and authorized for issue by the Board of Directors on August 29, 2018.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below. All financial information in these financial statements is presented in Canadian dollars which is the functional currency of the Company. The accounting policies set out below have been applied consistently by the Company.

RED OAK MINING CORP.
Notes to the Financial Statements
Years Ended May 31, 2018 and 2017
(expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

(c) Use of estimates and judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgments

Going concern assumption

The continued use of the going concern assumption is based on the Company's judgments regarding the availability, timing, and costs of obtaining financing. The use of the going concern assumption is also based on the Company's judgments regarding the continued support and patience of related parties and third party creditors. In applying the going concern assumption, the Company has not taken into account the uncertainty surrounding the timing of receipt of the restricted cash and the uncertainty surrounding the timing of payments of accounts and loans payable in determining the fair values of its financial instruments.

Estimates

Provision for environmental rehabilitation

Provisions for environmental rehabilitation are based on the Company's best estimate of the probable outflow to complete reclamation work. The final costs of the currently recognized environmental rehabilitation provision may be higher or lower than currently provided for.

(d) New standards and interpretations

Effective for annual periods beginning on or after June 1, 2018

IFRS 9 – Financial Instruments

Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 1, 2018. Implementation of IFRS 9 is not expected to have a material impact in the Company's financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Exploration and evaluation assets

Mineral properties and exploration and evaluation expenditures

Acquisition costs of exploration and evaluation assets together with direct exploration and evaluation expenditures thereon are deferred in the accounts at cost. These are classified as intangible assets. Once a project has been established as commercially viable and technically feasible, mineral properties are reclassified as tangible assets and related development expenditures are capitalized. When production is attained these costs will be amortized using the unit of production method based upon estimated proven recoverable reserves. When deferred expenditures on individual producing properties exceed the estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are written off when the decision to abandon is made.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

(b) Earnings (loss) per share

Basic earnings/loss per share is computed by dividing the income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings/loss per common share is computed by dividing the income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

(c) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized immediately that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

RED OAK MINING CORP.
Notes to the Financial Statements
Years Ended May 31, 2018 and 2017
(expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

(e) Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mining properties and other assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred.

RED OAK MINING CORP.
Notes to the Financial Statements
Years Ended May 31, 2018 and 2017
(expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments

i) Financial assets

The Company classifies its financial assets in the following categories: Fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

- Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash and restricted cash are included in this category of financial assets.

ii) Financial liabilities

The Company classifies its financial liabilities in the following categories: Borrowings and other financial liabilities and derivative financial liabilities.

- Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, due to related parties and loans payable.

(g) Agent warrants and warrants

Warrants issued to agents in connection with an equity financing are recorded at fair value and charged to share issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders’ equity.

Warrants included in units offered to subscribers in connection with financings are valued using the residual value method whereby proceeds are first allocated to the fair value of the shares and the excess if any, allocated to the warrants.

4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES

(a) Fair value of financial instruments

IFRS requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

RED OAK MINING CORP.
Notes to the Financial Statements
Years Ended May 31, 2018 and 2017
(expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES

(continued)

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS prioritizes the inputs into three levels that may be used to measure fair value

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

	Level 1	Level 2	Level 3	Total
May 31, 2018				
Cash	\$ 56,337	\$ -	\$ -	\$ 56,337
Restricted cash	17,607	-	-	17,607
Loans payable	-	-	-	-
	\$ 73,944	\$ -	\$ -	\$ 73,944
May 31, 2017				
Cash	\$ 1,417	\$ -	\$ -	\$ 1,417
Restricted cash	17,400	-	-	17,400
Loans payable	-	(64,000)	-	(64,000)
	\$ 18,817	\$ (64,000)	\$ -	\$ (45,183)

The fair value of cash and restricted cash are determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. The fair value of loans payable are determined based on Level 2 inputs and estimated using the present value of future cash flows based on current interest rates for financial instruments with similar conditions and maturity. As at May 31, 2018, the Company believes that the carrying values of accounts receivable, accounts payable and accrued liabilities and due to related parties approximate the fair values because they are due on demand.

(b) Risk management

Credit Risk

The Company is exposed to credit risk with respect to its cash. To minimize this risk, cash is placed with major Canadian financial institutions.

Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the relatively short-term maturity of its monetary assets and liabilities.

RED OAK MINING CORP.
Notes to the Financial Statements
Years Ended May 31, 2018 and 2017
(expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES
(continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company does not have operating cash flow and therefore has relied primarily on equity financings and loans from related parties to meet its capital requirements. As at May 31, 2018 the Company has a working capital deficiency of \$64,304 (May 31, 2017 - \$1,129,123). The Company will need to obtain additional financing to meet the obligations as they come due.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of resource commodities.

5. ACCOUNTS RECEIVABLE

	May 31, 2018	May 31, 2017
GST/HST receivable	\$ 1,541	\$ 280
	\$ 1,541	\$ 280

6. INVESTMENT

The Company owns 14% (175,000 common shares) of Universal Wing Geophysics Corp. ("UWG"), a former subsidiary of the Company. UWG is a private Company without a quoted market price in an active market. The shares were initially measured at a fair value of \$1 and there has been no change during the year ended May 31, 2017. As at May 31, 2018, the Company considers the investment impaired and has written-off the remaining \$1.

7. EXPLORATION AND EVALUATION ASSETS

(a) Provost Property, Alberta

In February 2003, the Company acquired a 100% interest in an oil well (16-28) and an 18% interest in a shut-in gas well (02/13-17) located in the Provost area of Alberta.

During the year ended May 31, 2010, the Company abandoned the oil well and determined that it would be required to perform additional reclamation work. Management's best estimate of the cost for the associated reclamation work is \$16,000. A reclamation obligation was recorded. The Company deposited \$16,000 with the Alberta Energy Resources Conservation Board ("AECB"), which amount is shown as restricted cash on the statement of financial position. The bond represents the Company's best estimate of the fair value of reclamation costs associated with the Company's property. The \$16,000 deposit plus interest will be refunded once the AECB is satisfied that the Company has performed all necessary decommissioning activities. No reclamation work was done during the year ended May 31, 2018 and 2017.

RED OAK MINING CORP.
Notes to the Financial Statements
Years Ended May 31, 2018 and 2017
(expressed in Canadian dollars)

8. LOANS PAYABLE

	May 31, 2018	May 31, 2017
JP Varas Management	\$ -	\$ 51,000
- Interest rate of 8% per annum, due on demand		
JP Varas Management	-	13,000
- Interest rate of 12% per annum, due on demand		
	\$ -	\$ 64,000

During the year end May 31, 2017 JP Varas Management assumed \$267,749 of amounts owed to various creditors, assumed \$194,117 in amounts due to related parties and assumed the \$300,000 loan due to Western Potash Corp. All of the assumed amounts are included in accounts payable as at May 31, 2017.

During the year ended May 31, 2018, the Company has re-paid the loan amount of \$26,500 and issued 500,000 common shares for remaining loan amount \$37,500.

9. SHARE CAPITAL

- (a) Authorized: Unlimited common shares without par value

On June 30, 2017, the Company rolled back its shares 10 to 1. All shares capital and per share amounts in these financial statements have been adjusted to give retroactive effect to the share consolidation.

- (b) The Company issued shares as follows:

- (i) On August 24, 2017, the Company completed a private placement of 3,433,333 units at a price of \$0.075 per unit for gross proceeds of \$257,500. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.10 for a period of one year. The Company paid \$2,939 cash finder's fees and \$6,000 in legal fees.
- (ii) On August 24, 2017, the Company settled an aggregate of \$914,366 of indebtedness (accounts payable and accrued liabilities, due to related parties and loans payable) through the issuance of an aggregate of 12,191,550 common shares of the Company.
- (iii) During the year ended May 31, 2018, the Company raised \$75,333 pursuant to exercise of 753,333 warrants with an exercise price of \$0.10.

RED OAK MINING CORP.
Notes to the Financial Statements
Years Ended May 31, 2018 and 2017
(expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

(c) Warrants

- i) As at May 31, 2018, the Company had warrants outstanding enabling holders to acquire the following:

Number of shares	Exercise Price	Expiry Date
2,680,000	\$0.10	August 24, 2018
2,680,000		

- ii) Summary of warrants outstanding at May 31, 2018:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance at May 31, 2016	270,000	\$ 1.50	0.42 years
Expired	(270,000)		
Balance at May 31, 2017	-	-	0.00 years
Issued	3,433,333	0.10	
Exercised	(753,333)	0.10	
Balance at May 31, 2018	2,680,000	\$ 0.10	0.25 years

(d) Stock options

- i) As at May 31, 2018, the Company had stock options outstanding enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
1,700,000	\$0.10	February 23, 2023
1,700,000		

- ii) Summary of options outstanding at May 31, 2018:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance at May 31, 2016	12,500	\$ 2.00	0.33 years
Expired	(12,500)		-
Balance at May 31, 2017	-	-	0.00 years
Granted	1,700,000	\$0.10	4.99 years
Balance at May 31, 2018	1,700,000	\$ 0.10	4.74 years

RED OAK MINING CORP.
Notes to the Financial Statements
Years Ended May 31, 2018 and 2017
(expressed in Canadian dollars)

10. STOCK-BASED COMPENSATION AND CONTRIBUTED SURPLUS

The following table reconciles the Company's contributed surplus:

Balance, May 31, 2017 and 2016	\$	1,429,313
Stock-based compensation		126,152
Balance, May 31, 2018	\$	1,555,465

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. Each option should have a maximum term of five years.

During the year ended May 31, 2018, the Company has recognized \$126,152 (May 31, 2017 - \$ nil) in compensation upon issuance of 1,700,000 (May 31, 2017 - nil) stock options. These options vested 100% on the grant date. The fair values of these options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average

	May 31, 2018	May 31, 2017
Risk-free interest rate	1.64%	-
Experienced life of options	5	-
Annualized volatility	163.532%	-
Dividend rate	-	-

11. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

During the year ended May 31, 2018, the Company entered into the following transactions with the related parties:

- (a) Incurred accounting fees of \$36,000 (May 31, 2017 - \$36,000) with BJ Financial Accounting Inc. (a company controlled by the CFO and director of the Company).
- (b) Incurred consulting fees of \$15,000 (May 31, 2017 - \$nil) with nKwazi Resource Management and Tehma Venture (a company controlled by the director of the Company).
- (c) Incurred interest expense of \$nil (May 31, 2017 - \$13,463) on loans from Western Potash Corp (a company related by a common former director) and Arctic Star Exploration Corp. (a company related by a CFO).
- (d) Incurred stock-based compensation of \$68,642 (May 31, 2017 - \$nil) to directors of the Company.
- (e) As at May 31, 2018, \$78,600 (May 31, 2017 - \$225,964) was owing to companies controlled by directors and officers of the Company.

RED OAK MINING CORP.
Notes to the Financial Statements
Years Ended May 31, 2018 and 2017
(expressed in Canadian dollars)

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Interest on all interest bearing obligations was accrued but not paid for the year ended May 31, 2017.

During the period ended May 31, 2018, the Company paid \$1,357 interest on loan.

	<u>May 31, 2018</u>	<u>May 31, 2017</u>
Income taxes paid	\$ -	\$ -
Interest paid	<u>\$ 1,357</u>	<u>\$ 11,265</u>

Non-cash investing and financing activities for the period ended May 31, 2018, were as follows:

- (a) The Company settled an aggregate of \$914,366 of indebtedness through the issuance of an aggregate of 12,191,550 common shares of the Company.

Non-cash investing and financing activities for the year ended May 31, 2017, were as follows:

- (a) The Company reclassified \$194,177 of amounts owing to related parties from due to related parties to accounts payable and \$300,000 of loans to accounts payable as a result of various debt assignments entered into during the year.

13. INCOME TAXES

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

	<u>2018</u>	<u>2017</u>
Loss for the year	\$ (299,387)	\$ (97,923)
Expected income tax recovery (2018: 26%, 2017: 26%)	(77,841)	(25,460)
Items not deductible and deducted for income tax purposes	31,359	(1,220)
Losses for which tax benefits not recognized	<u>46,482</u>	<u>26,680</u>
Deferred income tax recovery	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's unrecognized deferred income tax assets are as follows:

	<u>2018</u>	<u>2017</u>
Deferred income tax assets		
Non-capital losses carry forward	\$ 1,714,425	\$ 1,667,943
Share issue costs	3,054	3,264
Equipment	4,707	4,707
Resource properties	<u>3,322,326</u>	<u>3,322,326</u>
Total unrecognized deferred tax assets	<u>\$ 5,044,512</u>	<u>\$ 4,998,240</u>

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The Company has non-capital losses of approximately \$6,594,000 which are available to reduce taxable income of future years. The non-capital losses expire as follows: \$570,000 will expire in 2026, \$945,000 will expire in 2027, \$1,551,000 will expire in 2028, \$794,000 will expire in 2029, \$698,000 will expire in 2030, \$536,000 will expire in 2031, \$244,000 will expire in 2032, \$296,000 will expire in 2033, \$299,000 will expire in 2034, \$274,000 will expire in 2035, \$106,000 will expire in 2036, \$103,000 will expire in 2037 and \$179,000 will expire in 2038.

14. SUBSEQUENT EVENTS

- (a) The Company raised \$96,000 pursuant to exercise of 960,000 warrants at \$0.10.
- (b) The Company entered into a letter of intent with CB Holding Group Corp. (“CBH”). CBH is a Nevada corporation, that will operate a vaporizer pen distribution and sale business through a wholly owned California subsidiary (the “California Subsidiary”), with an Exclusive Distribution Agreement in the State of California, and through a wholly owned Nevada subsidiary, (the “Nevada Subsidiary”) with an Exclusive Distribution Agreement in the State of Nevada, allowing for the distribution and sale of vaporizers. The Company and CBH plan to enter into a definitive Share Exchange Agreement (the “Definitive Agreement”) whereby all outstanding securities of CBH will be exchanged for securities of the Company (the “Transaction”), which will constitute a reverse takeover by CBH and a change of business of the Corporation from mining to the production and sale of vaporizers for cannabis and CBD. The final structure of the Definitive Agreement is subject to applicable corporate, securities and tax considerations. The Transaction is an arm’s length transaction.

On closing of the Transaction, it is anticipated that the Company will carry on with sale of CBH’s vaporizer pens. In connection with the completion of the Transaction, the Corporation intends to delist its securities from the TSX Venture Exchange (the “TSXV”) and seek listing of the same on the Canadian Securities Exchange (the “CSE”). Red Oak plans to change its name on closing of the Transaction.

The completion of the Transaction is subject to a number of conditions, including but not limited to, the execution of the Definitive Agreement, completion of satisfactory due diligence including the delivery and satisfactory review of the audited financial statements of CBH and the audited carve out financial statements from Caesarbrutus, completion of various financings, completion of the name change, approval of the listing of the Company’s securities on the CSE and approval to delist the same from the TSXV, and the approval of the Transaction by each of the TSXV, CSE and the board of directors and shareholders of each of the Company and CBH (if and as applicable). The LOI contains customary deal support provisions, including a break fee of US\$750,000 payable by CBH to Red Oak if the proposed Transaction is not completed in certain circumstances. In addition the LOI contains mutual customary exclusivity and non-solicitation covenants that expire October 30, 2018.

- (c) The Company received proceeds of \$200,333 from the exercise of 2,003,333 share purchase warrants and issued 2,003,333 common shares. The remainder 676,667 share purchase warrants expired unexercised.