

BRAVEHEART RESOURCES INC.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars, unless otherwise stated)

FOR THE YEARS ENDED MAY 31, 2018 and 2017

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Braveheart Resources Inc.:**

We have audited the accompanying financial statements of Braveheart Resources Inc., which comprise the statements of financial position as at May 31, 2018 and May 31, 2017, and the statements of loss and comprehensive loss, statements of changes in 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.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Braveheart Resources Inc. as at May 31, 2018 and May 31, 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 discloses conditions that indicate the existence of a material uncertainty that may cast significant doubt about Braveheart Resources Inc.'s ability to continue as a going concern.



BRAVEHEART RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
AS AT

	<i>Note</i>	May 31, 2018	May 31, 2017
ASSETS			
Non-current assets			
Mineral properties	6	\$ 125,008	\$ 30,008
Total non-current assets		125,008	30,008
Current assets			
Deposits		63,500	26,500
Other receivables		-	564
Harmonized sales tax receivable	8	30,905	10,773
Cash and cash equivalents	7	93,501	100,914
Total current assets		187,906	138,751
Total assets		\$ 312,914	\$ 168,759
EQUITY AND LIABILITIES			
Equity			
Share capital	9(b)	\$ 4,876,834	\$ 4,599,157
Issuable shares	9(d)	103,500	3,000
Contributed surplus	9(e)(f)	3,617,120	3,152,930
Deficit		(8,480,727)	(7,827,962)
Total Equity		116,727	(72,875)
Going concern	1		
Commitments	15		
Events after the reporting year	16		
Unrenounced flow-through share premium		-	11,906
Total non-current liabilities		-	11,906
Current liabilities			
Accounts payable and accrued liabilities	11	149,243	178,781
Due to directors	14	6,944	4,947
Advance payable	12	40,000	46,000
Total current liabilities		196,187	229,728
Total liabilities		196,187	241,634
Total equity and liabilities		\$ 312,914	\$ 168,759

Approved on behalf of the Board on September 28, 2018:

Signed: "R. Brian Murray"

Signed: "David W. Johnston"

BRAVEHEART RESOURCES INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED MAY 31, 2018 and 2017

	<i>Note</i>	2018	2017
Expenses			
Amortization		\$ -	\$ 961
Management fees	14	19,202	135,833
Consulting fees	14	55,700	30,000
Administrative expenses		52,171	67,663
Professional fees		37,098	61,717
Rent	14	4,800	13,650
Mining exploration expenses	6	488,561	146,870
Impairment of mining properties	6	24,301	-
Stock-based compensation		-	175,344
Forgiveness of accounts payable	14	-	(153,060)
Part XII.6 taxes		-	12,032
Operating loss		681,833	491,010
Interest and other income		163	240
Gain on extinguishment of debt	9(iii)	-	13,588
Net loss before tax		(681,670)	(477,182)
Flow-through share premium renunciation	10	28,906	11,690
Net loss and comprehensive loss		(652,764)	(465,492)
Net loss per share	13	\$ (0.017)	\$ (0.016)
Weighted average outstanding shares		40,732,961	28,658,286

BRAVEHEART RESOURCES INC.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED MAY 31, 2018 and 2017

	Note	Share Capital		Issuable Shares		Contributed surplus	Accumulated Other Comprehensive Income	Deficit	Total
		Common Shares							
		Number	Amount	Number	Amount				
Balance, May 31, 2016		24,829,505	\$ 4,414,736	300,000	\$ 15,000	\$ 2,760,461	\$ -	\$ (7,362,470)	\$ (172,273)
Share issue for cash		4,335,000	237,750	(300,000)	(15,000)	-	-	-	222,750
Flow-through share issue for cash		2,650,000	153,499	-	-	-	-	-	153,499
Issuable shares		-	-	50,000	3,000	-	-	-	3,000
Share issue for service		200,000	6,000	-	-	-	-	-	6,000
Share issue for property acquisition		400,000	20,000	-	-	-	-	-	20,000
Fair value of warrants		-	(217,125)	-	-	217,125	-	-	-
Unrenounced flow-through share premium		-	(6,103)	-	-	-	-	-	(6,103)
Share issue costs		-	(9,600)	-	-	-	-	-	(9,600)
Stock-based compensation		-	-	-	-	175,344	-	-	175,344
Loss and comprehensive loss		-	-	-	-	-	-	(465,492)	(465,492)
Balance, May 31, 2017		32,414,505	\$ 4,599,157	50,000	\$ 3,000	\$ 3,152,930	\$ -	\$ (7,827,962)	\$ (72,875)
Share issue for cash	9(i),(ii),(iii),(iv)	7,558,333	483,500	(50,000)	(3,000)	-	-	-	480,500
Flow-through share issue for cash	9(i),(iii)	3,578,267	266,160	-	-	-	-	-	266,160
Issuable shares		-	-	1,035,000	103,500	-	-	-	103,500
Share issue for property acquisition	9(ii)	200,000	20,000	-	-	-	-	-	20,000
Fair value of warrants		-	(464,190)	-	-	464,190	-	-	-
Unrenounced flow-through share premium		-	(17,000)	-	-	-	-	-	(17,000)
Share issue costs	9(iii)	-	(10,793)	-	-	-	-	-	(10,793)
Loss and comprehensive loss		-	-	-	-	-	-	(652,764)	(652,764)
Balance, May 31, 2018		43,751,105	\$ 4,876,834	1,035,000	\$ 103,500	\$ 3,617,120	\$ -	\$ (8,480,726)	\$ 116,728

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

BRAVEHEART RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2018 and 2017

	Note	2018	2017
Cash flows from operating activities			
Net loss for the year		\$ (652,764)	\$ (465,492)
Add back / Deduct non cash expenses			
Amortization		-	961
Stock-based compensation	9	-	175,344
Flow-through share premium renunciation	10	(28,906)	(11,690)
Bad debt		564	-
Gain on extinguishment of debt	9(iii)	-	(13,588)
Net changes in working capital balances:			
GST/HST receivable	8	(20,132)	7,541
Prepays and deposits		(37,000)	(3,500)
Accounts payable and accrued liabilities	11	(29,538)	(61,296)
Cash flows used in operating activities		(767,776)	(371,720)
Cash flows from investing activities			
Disposition of property, plant and equipment		-	12,670
Mineral properties	6	(75,000)	(30,000)
Cash flows used in investing activities		(75,000)	(17,330)
Cash flows from financing activities			
Issue of common shares, net of issue costs	9	738,866	406,975
Issuable shares	9	100,500	3,000
Loans and advances	14	(4,003)	(17,891)
Cash provided by financing activities		835,363	392,084
Net change in cash		(7,413)	3,034
Cash, beginning of the year		100,914	97,880
Cash, end of the year		\$ 93,501	\$ 100,914

BRAVEHEART RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 and 2017

1. REPORTING ENTITY AND GOING CONCERN

Braveheart Resources Inc. (the “Company”) is an exploration stage company engaged in locating, acquiring and exploring for precious metals in Canada. The Company was incorporated pursuant to the laws of Ontario on October 13, 2009. The Company is listed on the TSX Venture Exchange, having the symbol BHT and is in the process of exploring its mineral properties.

The address of the Company's corporate office and principal place of business is 2520 – 16th Street NW, Calgary, Alberta, T2M 3R2 Canada.

Going Concern

These financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in future profitable mining operations and the Company has incurred significant losses to date resulting in a cumulative deficit of \$8,480,727 as at May 31, 2018 (May 31, 2017 - \$7,827,962). The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As a result of these risks, there is significant doubt which constitutes a material uncertainty as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these audited financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance its exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. As at May 31, 2018 the Company had current assets of \$187,906 (May 31, 2017 - \$138,751) to cover current liabilities of \$196,187 (May 31, 2017 - \$229,728).

For the year ended May 31, 2018, the Company had a net loss from operations of \$681,833, cash flow used in operations of \$(767,776). As at period end, the Company had a working capital deficiency of \$8,281, including cash of \$93,501.

The Company has a history of operating losses. In recent years, it had negative cash flows operations and working capital deficiencies.

Whether and when the Company can attain profitability and positive cash flows is uncertain. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

BRAVEHEART RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 and 2017

2. BASIS OF PRESENTATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future period.

The financial statements were authorized for issue by the Board of Directors on September 28, 2018.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis as set out in the accounting policies below. Certain items are stated at fair value.

3 ACCOUNTING POLICIES:

3.1 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Such gains and losses are recognized in profit or loss.

Functional and Presentation Currency

The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

BRAVEHEART RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 and 2017

3.2 Financial instruments

The Company’s financial instruments are comprised of the following:

Financial assets:	Classification:
Cash and cash equivalents	FVTPL
Other receivables	Loans and receivables
Investments	FVTPL
Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities
Loan and advance payable	Other financial liabilities

Fair value through profit or loss (FVTPL)

Financial assets that are held with the intention of generating profits in the near term and derivative contracts that are financial assets, except for a derivative that is a designated and effective hedging instrument, are classified as FVTPL. In addition, any other financial assets can be designated by the Company upon initial recognition as FVTPL. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income or expense during the period.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transactions costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

BRAVEHEART RESOURCES INC.
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FOR THE YEARS ENDED MAY 31, 2018 and 2017

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method is recognized in profit or loss.

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively relate to an event occurring after the impairment loss was recognized.

The Company currently does not have any financial assets in this category.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on 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);
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The company's cash and cash equivalents and investments are considered Level 1 in the hierarchy.

Cash and cash equivalents in the statements of financial position comprise cash at Canadian banks and short-term deposits with an original maturity of 3 months or less.

As at May 31, 2018, the Company has determined that there is a liability of \$Nil (May 31, 2017 - \$187,084), as a result of flow-through funds committed for exploration activities, but not yet spent.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

3.3 Significant accounting judgments and estimates

The preparation of these financial statements in compliance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates:

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The recoverability of exploration and evaluation expenditures incurred;
- The fair value of stock options and warrants issued in conjunction with the issuance of the Company's common shares and the fair value of stock options and warrants using the Black Scholes option pricing model; and
- Management assumption of no material restoration, rehabilitation and environmental costs, based on the facts and circumstances that existed during the period.
- The recoverability of deferred tax assets and liabilities
- The going concern assumption and judgement in evaluating the existence of material uncertainties and any significant doubt regarding the Company's ability to continue as a going concern

Critical accounting judgments:

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assumptions made by management.

3.4 Income taxes

The Company uses the Asset and Liabilities method to determine income tax and deferred tax.

Income tax expense is comprised of current and deferred tax expense. Current tax expense is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes and are presented as non-current liabilities.

BRAVEHEART RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 and 2017

Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax losses and other deductions carried forward.

Deferred income tax assets and liabilities are calculated using substantively enacted tax rates expected to apply when the asset is realized, or the liability is settled. An asset is recognized on the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in income in the period in which the change is substantively enacted.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

The Company is entitled to refundable BC mineral exploration tax credits and refundable mining duties as a result of incurring mineral exploration expenses in British Columbia. These amounts are recognized when the amount to be received can be reasonably estimated and collection is reasonably assured. Once recovered, these amounts are treated as a reduction to the carrying value of mineral properties.

3.5 Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the flow-through subscribers at an agreed upon date.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability on the Statements of Financial Position. The subsequent renunciation of such qualifying expenditures incurred by the Company in favor of the flow-through subscribers is reported as a reduction in the 'unrenounced flow-through share premium' liability on the Statements of Financial Position and a corresponding reduction in deferred tax expense on the Statements of Loss and Comprehensive loss.

3.6 Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying account of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage, which are created on an ongoing basis during production, are accounted for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and provision as at May 31, 2018 (May 31, 2017 - Nil).

3.7 Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the avoidable cost of meeting its obligations under the contract.

The Company had no material provisions as at May 31, 2018 (May 31, 2017 - Nil).

3.8 Exploration and evaluation asset

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (“E&E”) are charged to operations as incurred. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs and share based payments to employees and consultants, are expensed in the period in which they occur.

The acquisitions of mineral property interests are initially measured at cost. Mineral property acquisition costs and development expenditures incurred subsequent to the determination of the feasibility of mining operations and approval of development by the Company are capitalized until the property to which they relate is placed into production, sold or allowed to lapse.

Exploration and evaluation costs incurred prior to determination of the feasibility of mining operations are charged to operations as incurred.

BRAVEHEART RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 and 2017

Mineral property acquisition costs include the cash consideration and the fair market value of shares issued for mineral property interests pursuant to the terms of the relevant agreements. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse, or when an impairment of value has been determined to have occurred.

3.9 Impairment of assets

(i) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating units exceed its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis.

(ii) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.10 Income recognition

The Company currently has no revenue from active mining operations. Interest and dividend income revenue is recognized in the period in which it is earned.

3.11 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at fair value, which is the exchange amount. This is the amount of consideration established and agreed to by the related parties.

3.12 Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments.

An operating segment is a group of assets and operations engaged in performing mining or advanced exploration that are subject to risks and returns that are different from those of other segments, the Company has determined that these assets are the cash generating units (CGU). Other parts of the business are aggregated and treated as part of a 'corporate and exploration' segment. The Company provides segmental information using the same categories of information the Company's chief operating decision maker utilizes. The Company's chief operating decision maker is considered by management to be the board of directors.

The Company operates in one business segment, mineral exploration, and one geographical segment, Canada. Segment analysis is based on individual mining operations and exploration projects that have a significant amount of capitalized expenditure or other fixed assets.

3.13 Loss per share

The Company presents basic and diluted earnings/(loss) per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held and for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3.14 Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The fair value of the share component calculated using Black-Scholes option pricing model, is credited to share capital and the value of the warrant component is credited to the warrants account. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the warrants account is recorded as an increase to share capital.

3.15 Comprehensive income

Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a year except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in “other comprehensive income” until it is considered appropriate to recognize into net earnings.

The Company had no comprehensive income or loss transactions, other than its net loss, presented in the Statements of Loss and Comprehensive Loss, nor has the Company accumulated other comprehensive income during the periods that have been presented.

3.16 Changes to Significant Accounting Policies

During the year ended May 31, 2017, the Company retrospectively changed its accounting policy for exploration and evaluation expenditures. Previously, the Company capitalized the exploration and evaluation expenditures of mineral properties, net of recoveries received. Under the new policy, exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and prior to a decision to proceed with mine development are charged to operations as incurred. As required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the Company evaluated the effects from the change in accounting policy and concluded that there is no impact retrospectively to the financial statements arising from the changes in the accounting policies. Hence there are no presentation/disclosure of any changes as there is no impact to the comparative numbers. Management considers this accounting policy to provide more reliable and relevant information and more clearly represents the Company’s activities. See also note 3.8.

3.17 Recent Accounting Pronouncements

The Company is currently evaluating the impact on its financial statements of recent accounting pronouncements, as follows:

- (i) IFRS 9, Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.
- (ii) On January 13, 2016 the IASB issued IFRS 16, “Leases”. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, “Revenue from contracts with customers” at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, “Leases”. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The extent of the impact of adoption of this standard has not yet been determined.

4 DETERMINATION OF FAIR VALUES

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4.1 Mineral properties and exploration and evaluation asset

The application of the Company’s accounting policy for mineral properties and exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale of the project, or where exploration activities are not adequately advanced to support a precious metals resource assessment. The determination is an estimation process that requires varying degrees of uncertainty and these estimates directly impact the mineral property acquisition costs.

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Where an indicator of impairment exists, a formal estimated recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties.

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. Fair value of mineral properties is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, discounted by an appropriate pre-tax discount rate to arrive at a net present value.

4.2 Other receivables

The fair value of other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

4.3 Non-derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

4.4 Share-based payment transactions

Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Under this method, the fair value of the equity-settled share-based payment is measured on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. For options that do not vest immediately, the fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

Equity-settled, share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

5 FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk
- price risk
- commodity price risk
- foreign currency risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's other receivables, and cash and equivalents.

The Company considers this risk to be low.

Other Receivables

Other receivables are measured at carrying value and are subject to credit risk exposure.

Cash and cash equivalents

At times when the Company's cash position is positive, cash deposits are made with financial institutions having reasonable local credit ratings.

(ii) Liquidity risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity are its cash and cash equivalents. These funds are primarily used to operating cost, finance working capital, exploration expenditures, evaluation expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents.

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company considers the interest rate risk to be low.

(iv) Commodity price risk

The value of the Company's exploration and evaluation assets are related to the price of gold and other mineral commodities. Adverse changes in the price of gold can also significantly impair the economic viability of the Company's projects, along with the ability to obtain future financing.

Gold and other mineral commodities prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank reserves, management forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative hedging activities, macro-economic variables and certain other factors related specifically to gold and other mineral commodities

(v) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency fluctuations as certain transactions are denominated in United States dollars. There were no foreign exchange expenses for the year ended May 31, 2018 (May 31, 2017-\$Nil).

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Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes that movements at $\pm 10\%$ are "reasonably possible" over a one year period:

- (a) The Company does not hold significant balances in foreign currencies to give rise to significant exposure to foreign exchange risk.
- (b) Price risk is remote since the Company is a non-producing entity.

Capital risk management

The primary objective of managing the Company's capital is to ensure that there is sufficient capital available to support the funding and operating requirements of the Company in a way that optimizes the cost of capital, maximizes shareholders' returns, matches the current strategic business plan and ensures that the Company remains in a sound financial position.

There were no changes to the Company's approach to capital management during the year, as compared to the prior year.

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6. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION ASSET

Acquisition of Mineral Properties

	May 31, 2016	Additions	Impairment	May 31, 2017
International	\$ 1	\$ -	\$ -	\$ 1
Tin City	1	-	-	1
President	1	-	-	1
Gold Viking & Anna	1	-	-	1
Rhea & Waffer	1	-	-	1
Ottawa	1	-	-	1
Sirush	1	-	-	1
Referendum & Whitewater	1	-	-	1
Alpine Mine	-	30,000	-	30,000
	<u>\$ 8</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 30,008</u>

	May 31, 2017	Additions	Impairment	May 31, 2018
International	\$ 1	\$ -	\$ -	\$ 1
Tin City	1	-	-	1
President	1	1,658	(1,658)	1
Gold Viking & Anna	1	2,328	(2,328)	1
Rhea & Waffer	1	-	-	1
Ottawa	1	315	(315)	1
Sirush	1	-	-	1
Referendum & Whitewater	1	20,000	(20,000)	1
Alpine Mine	30,000	95,000	-	125,000
	<u>\$ 30,008</u>	<u>\$ 119,301</u>	<u>\$ (24,301)</u>	<u>\$ 125,008</u>

Mining Exploration Expenses

	For the Year Ended May 31, 2018	For the Year Ended May 31, 2017
President	\$ -	\$ 17
Gold Viking & Anna	-	7,666
Rhea & Waffer	-	409
Referendum & Whitewater	-	130,560
Alpine	488,561	8,218
	<u>\$ 488,561</u>	<u>\$ 146,870</u>

The BC Mining Exploration Tax Credit is a 20% credit on qualified mining exploration for the determination of the existence, location, extent or quality of a mineral resource in BC – 2018 - \$Nil; 2017 - \$Nil.

International Property

100% owned property near Duncan Lake, BC.

During the year ended May 31, 2014, the Company wrote down the carrying value of the International Property to a nominal value of \$1. The Company is keeping the claims in good standing, however, no exploration is currently planned for this property.

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Tin City Property

100% owned property immediately north of the International property.
During the year ended May 31, 2014, the Company wrote down the carrying value of the Tin City Property to a nominal value of \$1. The Company is keeping the claims in good standing, however, no exploration is currently planned for this property.

President Property

100% owned property located on the west side of Duncan Lake, BC.

During the year ended May 31, 2014, the Company wrote down the carrying value of the President Property to a nominal value of \$1. The Company is keeping the claims in good standing, however, no exploration is currently planned for this property.

Gold Viking & Anna Property

100% owned property located near Slocan City, BC.

During the year ended May 31, 2015, the Company wrote down the carrying value of the Gold Viking & Anna Property to a nominal value of \$1. The Company is keeping the claims in good standing, however, no exploration is currently planned for this property.

Rhea & Waffer Property

100% owned property located near Nelson, BC.

During the year ended May 31, 2014, the Company wrote down the carrying value of the Rhea & Waffer Property to a nominal value of \$1. The Company is keeping the claims in good standing, however, no exploration is currently planned for this property.

Ottawa Property

100% owned property located near Slocan Lake.

During the year ended May 31, 2014, the Company wrote down the carrying value of the Ottawa Property to a nominal value of \$1. The Company is keeping the claims in good standing, however, no exploration is currently planned for this property.

Sirush Property

100% owned property located near Nelson, BC contiguous to the Rhea property.

The property is subject to a 1% net smelter return pertaining to any future commercial production from the claims, which can be purchased back by the company for \$200,000.

During the year ended May 31, 2014, the Company wrote down the carrying value of the Sirush Property to a nominal value of \$1. The Company is keeping the claims in good standing, however, no exploration is currently planned for this property.

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Referendum & Whitewater Property

100% owned property that is strategically located near the head of Snowwater Creek and contiguous to claims recently acquired by the Company that enlarged its Rhea property.

Referendum-Whitewater deal

During the year ended May 31, 2015, the Company wrote down the carrying value of the Referendum & Property to a nominal value of \$1. The Company is keeping the claims in good standing.

Alpine Mine Property

The property is located in the West Kootenay region approximately 20 kilometres northeast of Nelson. During the 2016 fiscal year the Company entered into an agreement to acquire 100% of the property. Please refer to note 15 for commitment.

7. CASH AND CASH EQUIVALENTS

	<u>May 31, 2018</u>	<u>May 31, 2017</u>
General purpose		
Cash	\$ 93,364	\$ 625
Cash equivalents	137	100,289
	<u>\$ 93,501</u>	<u>\$ 100,914</u>

All cash and cash equivalents are held in Canadian banks.

8. HARMONIZED SALES TAX AND OTHER RECEIVABLES

	<u>May 31, 2018</u>	<u>May 31, 2017</u>
<i>Financial assets</i>		
Harmonized sales tax	\$ 30,905	\$ 10,773

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9. SHARE CAPITAL

Authorized: Unlimited number of common share without a value

	May 31, 2018	May 31, 2017
	Number of shares	
Authorized and issued		
Common shares without par value	32,414,505	24,829,505
Issued for cash - shares (i)(ii)(iv)	7,558,333	4,385,000
Issued for cash - flow-through shares (i)(ii)(iii)	3,578,267	2,600,000
Issued for property	200,000	400,000
Issued for debt settlement	-	200,000
	<u>43,751,105</u>	<u>32,414,505</u>
Common shares	\$ 4,599,157	\$ 4,414,736
Issued for cash - shares (i)(ii)(iv)	483,500	237,750
Issued for cash - flow-through shares (i)(ii)(iii)	266,160	153,499
Issued for property	20,000	20,000
Issued for debt settlement	-	6,000
Unrenounced flow-through share premium	(17,000)	(6,103)
Share issue costs	-	(9,600)
Share issue costs	(10,793)	-
Fair value of warrants	(464,190)	(217,125)
	<u>\$ 4,876,834</u>	<u>\$ 4,599,157</u>

- (i) In July 2017, the Company completed the first tranche of a private placement of 5,333,333 units at \$0.06 per unit and an additional 2,166,667 flow-through units at \$0.06 per flow-through unit for gross proceeds of \$450,000. The units comprise one common share and one common share purchase warrant. The flow-through units comprise one common share and one-half of a common share purchase warrant. Each full warrant will entitle its holder to acquire one additional common share of the Company at a price of \$0.12 for 24 months from the date of issuance.
- (ii) In August 2017, the Company completed the second tranche of a private placement of 1,475,000 units at \$0.06 per unit and an additional 125,000 flow-through units at \$0.06 per flow-through unit for gross proceeds of \$96,000. The units comprise one common share and one common share purchase warrant. The flow-through units comprise one common share and one-half of a common share purchase warrant. Each full warrant will entitle its holder to acquire one additional common share of the Company at a price of \$0.12 for 24 months from the date of issuance.
- (iii) In December 2017, the Company completed a private placement of 1,286,600 flow-through units at \$0.10 per flow-through unit for gross proceeds of \$128,660. The flow-through units comprise one common share and one-half of a common share purchase warrant. Each full warrant will entitle its holder to acquire one additional common share of the Company at a price of \$0.15 for 24 months from the date of issue. The Company incurred share issue costs of \$10,793 to complete this financing.
- (iv) In February 2018, the Company completed a private placement of 750,000 units at \$0.10 per unit and for gross proceeds of \$75,000. The units comprise one common share and one common share purchase warrant. Each warrant will entitle its holder to acquire one additional common share of the Company at a price of \$0.15 for 24 months from the date of issuance.

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Warrants

The following table summarizes warrants that have been issued, exercised or have expired during the year May 31, 2018:

	Number of Warrants	Black-Scholes Value	Weighted Average Exercise Price
Balance, May 31, 2013	9,903,409	\$ 1,433,642	\$ 0.21
Expired	(3,820,998)	-	0.25
Issued	3,050,000	51,052	0.10
Balance, May 31, 2015	9,132,411	\$ 1,484,694	\$ 0.15
Expired	(3,509,311)	-	0.13
Consolidation adjustment	(5,528,100)	-	
Issued	3,970,100	252,268	0.10
Balance, May 31, 2016	4,065,100	\$ 1,736,962	\$ 0.10
Expired	(95,000)	-	0.10
Issued	14,075,000	459,384	0.10
Balance, May 31, 2016	18,045,100	\$ 2,196,346	\$ 0.10
Expired	(8,180,100)	-	0.10
Issued	5,845,000	217,125	0.11
Balance, May 31, 2017	15,710,000	\$ 2,413,471	\$ 0.11
Expired	(12,400,000)	-	
Issued	9,450,395	464,190	0.13
Balance, May 31, 2018	12,760,395	\$ 2,877,661	\$ 0.12

The fair value of warrants issued during the period \$464,190 (May 31, 2017 - \$217,125).

At May 31, 2018, the following warrants were outstanding. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date:

Warrants	Exercise Price	Expiry date
1,050,000	\$ 0.12	December 30, 2018
160,000	\$ 0.12	December 30, 2018
2,100,000	\$ 0.12	February 23, 2019
6,416,667	\$ 0.12	July 28, 2019
1,537,500	\$ 0.12	August 28, 2019
746,228	\$ 0.15	December 31, 2019
750,000	\$ 0.15	February 28, 2020
12,760,395	\$ 0.12	

Braveheart Resources Inc.
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Stock option plan

The Company has a stock option plan to provide employees, directors, officers and consultants with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is five years. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares. The following summarizes the employees, directors, officers and consultants stock options that have been granted, exercised, expired, vested or cancelled during the period ended May 31, 2018:

	Number of Options	Black-Scholes Value	Weighted Average Exercise Price
Balance, May 31, 2014	2,270,000	\$ 557,831	\$ 0.20
Expired	(400,000)	-	2.50
Consolidation adjustment	(1,683,000)	-	-
Balance, May 31, 2015	187,000	\$ 557,831	\$ 1.78
Expired	(147,000)	-	1.60
Balance, May 31, 2016	40,000	\$ 557,831	\$ 2.50
Issued	3,000,000	175,344	0.06
Balance, May 31, 2017 and	3,040,000	\$ 733,175	\$ 0.09
Expired	(40,000)	-	-
Balance, May 31, 2018	3,000,000	\$ 733,175	\$ 0.06

The following table summarizes information about stock options outstanding and exercisable at May 31, 2018:

Date of Grant	Number of Outstanding at February 28, 2018	Exercise Price	Weighted Average Remaining Life (months)	Date of Expiry	Number of Exercisable at February 28, 2018
April 25, 2017	3,000,000	\$ 0.06	48	April 25, 2022	3,000,000
	3,000,000				3,000,000

The Company provides compensation to directors, employees and consultants in the form of stock options.

No stock options were granted during the year ended May 31, 2018.

BRAVEHEART RESOURCES INC.
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10. INCOME TAX

The Company's effective tax rate, which differs from the combined federal and provincial statutory rate of 26.5% (2017 - 26.5%), is reconciled as follows:

	May 31, 2018	May 31, 2017
Loss before income taxes	<u>\$ (652,764)</u>	<u>\$ (465,492)</u>
Income tax recovery @ 26.5% (2017 - 26.5%)	(172,983)	(123,355)
Impairment and mining exploration expenses	135,908	38,921
Share issue costs	(1,873)	(21,037)
Part XII.6 taxes	-	14,980
Other	-	255
Stock-based compensation	-	46,466
Valuation allowance	38,948	43,770
Add: Deferred income tax recovery	<u>28,906</u>	<u>11,690</u>
Deferred tax recovery (a)	<u>\$ 28,906</u>	<u>\$ 11,690</u>

(a) The \$28,906 (2017 - \$11,690) of deferred income tax recovery above pertains to the deferred premium on flow- through shares.

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10. INCOME TAX (continued)

The deferred tax liability and asset calculated using a substantially enacted tax rate of 26.5% (2017 - 26.5%) is as follows:

	<u>31-May-18</u>	<u>31-May-17</u>
<i>Deferred income tax asset</i>		
Undeducted capital assets	\$ -	\$ -
Undeducted share issuance costs	6,716	3,475
Undeducted non-capital losses	897,471	858,523
Undeducted capital losses	599	599
Mineral properties and exploration and evaluation assets	682,426	617,050
	<u>1,587,212</u>	<u>1,479,647</u>
Less: Deferred income tax assets not recognized	<u>(1,587,212)</u>	<u>(1,479,647)</u>
	<u>\$ -</u>	<u>\$ -</u>
<i>Deferred income tax liability</i>		
Mineral properties and exploration and evaluation assets - fair value increments on acquisition	\$ -	\$ 11,906
Net deferred income tax liability	<u>\$ -</u>	<u>\$ 11,906</u>
<i>Consisting of:</i>		
Unrenounced flow-through premium	\$ -	\$ 11,906
Less: Flow-through premium renunciation		-
	<u>\$ -</u>	<u>\$ 11,906</u>

The Company has \$3,486,926 (2017 - \$3,339,955) of non-capital losses available to offset future income for tax purposes. The non-capital losses will expire as follows:

	<u>31-May-18</u>	<u>31-May-17</u>
2030	\$ 41,903	\$ 41,903
2031	405,847	405,847
2032	1,341,902	1,341,902
2033	313,360	313,360
2034	486,399	486,399
2035	114,640	114,640
2036	400,957	400,957
2037	234,947	234,947
2038	146,971	-
	<u>\$ 3,486,926</u>	<u>\$ 3,339,955</u>

BRAVEHEART RESOURCES INC.
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11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<i>Financial liabilities</i>	May 31, 2018	May 31, 2017
Other accruals	\$ 20,000	\$ 15,000
Other payables	129,243	163,781
	\$ 149,243	\$ 178,781

12. ADVANCE PAYABLE

Advance payable is \$40,000 (May 31, 2017 - \$46,000) and this amount does not have any terms or conditions.

13. LOSS PER SHARE

The calculation of basic loss per share for the period ended May 31, 2018 was based on the loss attributable to shareholders of the Company of \$652,764, and a weighted average number of ordinary shares of 40,732,961.

14. RELATED PARTIES

The following related party transactions occurred and were charged in the financial statements during the year ended May 31, 2018 and 2017 as follows:

<u>Consulting fees</u>	May 31, 2018	May 31, 2017
Management fees, consulting fees, accounting fees and salary expense:		
Management fees were charged by officers for corporate administrative and financial management services	\$ 19,202	\$ 135,833
Consulting fees were charged by officers and a relative of a director for corporate administrative and financial management services	\$ 55,700	\$ 30,000
Accounting fees were charged by an officer and former officer for financial management services	\$ 13,630	\$ 11,917
Wages were charged by a relative of a director for corporate administrative services	\$ -	\$ 1,950
Other		
Rent fees (office premises) were charged by a company with a common director	\$ 4,800	\$ 7,650

BRAVEHEART RESOURCES INC.
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14. RELATED PARTIES (continued)

Payments made to a director and a relative of a director in connection with property acquisition and eligible Exploration and Evaluation expenditures incurred	\$	-	\$	5,950
Loans payable to directors and officers	\$	6,944	\$	11,447
Other				
Payments made to Lucky Drilling Ltd., a contractor in which a Director of the Company is a significant shareholder	\$	222,412	\$	76,549

At year end, the Company owed the corporation owned by a director of the Company for management fees \$37,435 (May 31, 2017 - \$24,720) included in accounts payable. Also in accounts payable is \$5,000 (May 31, 2017 - \$1,978) owing to an officer of the Company for accounting services, and \$10,820 (May 31, 2017 - \$7,858) owing to a company with a common director for rent (office premises). Also, the Company owed to a relative of a director \$Nil for consulting fees (May 31, 2017 - \$7,500).

During the year ended May 31, 2017, certain members of the management team forgave debt of \$153,060 to the Company.

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15. COMMITMENTS AND CONTINGENCIES

The Company had a commitment to spend approximately \$453,000 from amounts raised through flow-through financing on eligible Canadian exploration and development expenses. At May 31, 2018, the Company has incurred these required expenses and fulfilled its spending obligations.

On November 2, 2016, the Company entered into an option agreement with regards to the Alpine Mine property. To earn its interest in the property, the Company assumed the following commitments:

	Cash Payment	Common Shares	Exploration Expenditures
December 31, 2016	\$ 10,000 (fulfilled)	400,000 (fulfilled)	\$ -
December 15, 2017	\$ 75,000 (fulfilled)	200,000 (fulfilled)	\$ -
December 31, 2017	\$ -	-	\$ 400,000 (fulfilled)
December 15, 2018	\$ 100,000	400,000	\$ -
December 31, 2018	\$ -	-	\$ 600,000
December 15, 2019	\$ 1,200,000	400,000	\$ -
December 30, 2019	\$ -	-	\$ 600,000
December 15, 2020	\$ 1,000,000	-	\$ -
December 30, 2020	\$ 1,000,000	-	\$ -
	\$ 3,385,000	1,400,000	\$ 1,600,000

16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end, the Company completed a private placement of 2,535,000 units at \$0.10 per unit for gross proceeds of \$253,500. The units comprise one common share and one common share purchase warrant. Each warrant will entitle its holder to acquire one additional common share of the Company at a price of \$0.15 for 24 months.