Bonterra Resources Inc.

Financial Statements

May 31, 2018 and 2017

(Expressed in Canadian Dollars)

Bonterra Resources Inc.

May 31, 2018 and 2017

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Crowe

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Independent Auditor's Report

To the Shareholders of
Bonterra Resources Inc.

We have audited the accompanying financial statements of Bonterra Resources Inc., which comprise the statements of financial position as at May 31, 2018 and May 31, 2017, and the statements of comprehensive loss, changes in equity (deficiency) and 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 audits 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 Bonterra 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 modifying our opinion, we draw attention to Note 2 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Bonterra Resources Inc. to continue as a going concern.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, British Columbia
September 27, 2018

Bonterra Resources Inc.
Statements of Financial Position
As at May 31
(Expressed in Canadian Dollars)

	2018	2017 (Restated – note 18)	2016 (Restated – note 18)
Assets			
Current			
Cash and cash equivalents	$ 22,136,434	$ 13,687,072	$ 351,029
Marketable securities (note 7)	800,000	-	-
Receivables (notes 8 and 12)	1,744,751	291,549	216,183
Prepaid expenses	333,252	67,716	108,690
	25,014,437	14,046,337	675,902
Property, Plant and Equipment (note 9)	3,111,149	27,487	8,818
	$ 28,125,586	$ 14,073,824	$ 684,720
Liabilities			
Current			
Accounts payable and accrued liabilities (notes 11 and 12)	$ 3,338,873	$ 1,214,714	$ 749,144
Due to related parties (note 12)	-	-	35,730
Other liabilities (note 11)	3,469,531	385,436	55,572
	6,808,404	1,600,150	840,446
Shareholders' Equity (Deficiency)			
Share Capital (note 13)	89,970,687	59,257,592	35,314,325
Share-based Payments Reserve (note 13)	7,810,473	7,677,200	4,421,229
Deficit	(76,463,978)	(54,461,118)	(39,891,280)
	21,317,182	12,473,674	(155,726)
	$ 28,125,586	$ 14,073,824	$ 684,720

Going Concern (note 2)
Commitments (note 16)
Subsequent Events (note 19)

Approved on behalf of the Board:

"Robert Gagnon" ……………………………… Director
Robert Gagnon

"Nav Dhaliwal" ……………………………… Director
Nav Dhaliwal

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

Bonterra Resources Inc.
Statements of Comprehensive Loss
For the Years Ended May 31
(Expressed in Canadian Dollars)

		2018		2017 (Restated – note 18)
Expenses				
Consulting fees	$	1,151,332	$	735,541
Depreciation (note 9)		14,196		8,009
Exploration and evaluation (notes 9, 10 and 12)		23,669,306		11,188,605
Management and director fees (note 12)		764,000		741,000
Office and general		359,251		191,859
Professional fees (note 12)		304,318		198,634
Rent (note 12)		203,583		28,064
Share-based payments (notes 12 and 13)		557,355		1,793,888
Shareholder communications and investor relations		1,635,655		1,100,179
Transfer agent and filings fees		106,960		35,631
Travel		668,316		423,093
Loss Before Other Items		(29,434,272)		(16,444,503)
Other Items				
Other income (note 11)		7,582,285		1,859,636
Interest income		232,115		15,029
Unrealized loss on marketable securities (note 7)		(400,000)		-
Part XII.6 tax and penalties recovered (note 11)		17,012		-
Net and Comprehensive Loss for the Year	$	(22,002,860)	$	(14,569,838)
Basic and Diluted Loss Per Share	$	(0.11)	$	(0.14)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted		198,114,555		103,692,956

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

Bonterra Resources Inc.
Statements of Changes in Equity (Deficiency)
(Expressed in Canadian Dollars)

	Share Capital								
	Number of Shares		**Share Capital**		**Share-based Payments Reserve**		**Deficit** (Restated – note 18)		**Total** (Restated – note 18)
Balance, May 31, 2016	**70,773,282**	**$**	**35,314,325**	**$**	**4,421,229**	**$**	**(39,891,280)**	**$**	**(155,726)**
Private placements	83,992,355		25,822,384		1,205,040		-		27,027,424
Flow-through liability	-		(2,189,500)						(2,189,500)
Share issue costs	-		(1,608,921)		-		-		(1,608,921)
Fair value of finder's warrants	-		(599,090)		599,090		-		-
Stock options granted and vested	-		-		1,793,888		-		1,793,888
Shares issued on exercise of stock options	400,000		88,000		-		-		88,000
Transfer of stock option fair value on exercise	-		76,894		(76,894)		-		-
Shares issued on exercise of warrants	4,455,317		1,203,088		-		-		1,203,088
Transfer of warrant fair value on exercise	-		265,153		(265,153)		-		-
Shares issued for exploration and evaluation expenditure	2,167,284		885,259		-		-		885,259
Net and comprehensive loss for year	-		-		-		(14,569,838)		(14,569,838)
Balance, May 31, 2017	**161,788,238**		**59,257,592**		**7,677,200**		**(54,461,118)**		**12,473,674**
Private placements	60,357,000		41,494,880		-		-		41,494,880
Flow-through liability	-		(10,666,380)		-		-		(10,666,380)
Share issue costs	-		(2,790,628)		-		-		(2,790,628)
Fair value of finder's warrants	-		(184,778)		184,778		-		-
Stock options granted and vested	-		-		557,355		-		557,355
Shares issued on exercise of stock options	600,000		168,000		-		-		168,000
Transfer of stock option fair value on exercise	-		129,851		(129,851)		-		-
Shares issued on exercise of warrants	3,850,341		1,333,141		-		-		1,333,141
Transfer of warrant fair value on exercise	-		479,009		(479,009)		-		-
Shares issued for exploration and evaluation expenditure	1,500,000		750,000		-		-		750,000
Net and comprehensive loss for year	-		-		-		(22,002,860)		(22,002,860)
Balance, May 31, 2018	**228,095,579**	**$**	**89,970,687**	**$**	**7,810,473**	**$**	**(76,463,978)**	**$**	**21,317,182**

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

Bonterra Resources Inc.
Statements of Cash Flows
For the Years Ended May 31
(Expressed in Canadian Dollars)

	2018	2017 (Restated – note 18)
Operating Activities		
Net loss for the year	$ (22,002,860)	$ (14,569,838)
Items not involving cash		
Depreciation	260,555	8,009
Share-based payments	557,355	1,793,888
Shares issued for exploration and evaluation	750,000	885,259
Other income	(7,582,285)	(1,859,636)
Unrealized loss on marketable securities	400,000	-
Changes in non-cash working capital		
Receivables	(1,453,202)	(75,366)
Prepaid expenses	(265,536)	40,974
Accounts payable and accrued liabilities	1,641,414	465,570
Due to related parties	-	(35,730)
Cash Used in Operating Activities	(27,694,559)	(13,346,870)
Investing Activities		
Purchase of marketable securities	(1,200,000)	-
Purchase of property, plant and equipment	(2,861,472)	(26,678)
Cash Used in Investing Activities	(4,061,472)	(26,678)
Financing Activities		
Shares and units issued for cash	42,996,021	28,318,512
Share issuance costs	(2,790,628)	(1,608,921)
Cash Provided by Financing Activities	40,205,393	26,709,591
Inflow of Cash and Cash Equivalents	8,449,362	13,336,043
Cash and Cash Equivalents, Beginning of Year	13,687,072	351,029
Cash and Cash Equivalents, End of Year	$ 22,136,434	$ 13,687,072
Cash and Cash Equivalents		
Cash	$ 2,286,427	$ 2,173,769
Term deposits	19,850,007	11,513,303
	$ 22,136,434	$ 13,687,072

Supplemental Disclosure with Respect to Cash Flows (note 14)

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Bonterra Resources Inc. (the "Company") is an exploration stage company incorporated on May 1, 2007, under the laws of the province of British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in the province of Québec, Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "BTR". The Company's shares also trade on the OTC Exchange in the United States under the symbol "BONXF" and on the Frankfurt Stock Exchange under the symbol "9BR1". The Company's head office and principal business address is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company's registered and records office is 1000 – 840 Howe Street, Vancouver, British Columbia, Canada, V6Z 2M1.

2. GOING CONCERN

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

The Company incurred a comprehensive loss of $22,002,860 for the year ended May 31, 2018 (2017 - $14,569,838) and has an accumulated deficit of $76,463,978 at May 31, 2018 (2017 - $54,461,118). Although the Company has a positive working capital at May 31, 2018, there are significant outlays in connection with the Acquisition and Arrangement (note 19(b)). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation projects when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation projects or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on September 27, 2018.

b) Basis of measurement

These financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale ("AFS") and fair value through profit or loss ("FVTPL"). These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout by the Company for purposes of these financial statements.

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

b) Exploration and evaluation expenditures

Exploration and evaluation expenditures, including acquisition costs, are expensed in the year in which they are incurred. Mining exploration tax credits for certain exploration expenditures incurred are recognized as other income when received.

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property acquisition costs, they are valued at the closing share price on the date of issuance. Payments related to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded upon payment.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development and development costs are capitalized to “mines under construction” on the statement of financial position.

c) Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset and charged against operating profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The residual value, useful life and depreciation method are evaluated every reporting period and changes to the residual value, estimated useful life or depreciation method resulting from such review are accounted for prospectively. Depreciation is provided for at the following rates per annum:

Computer equipment	30% declining-balance
Furniture and equipment	20% declining-balance
Camp and infrastructure	Straight-line over 7 years
Leasehold improvements	Straight-line over lease term

e) Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at every reporting period. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and at least annually. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive income/loss.

f) Financial instruments

i) Financial assets

The Company classifies its financial assets in the following categories: FVTPL, held-to-maturity (“HTM”) investments, loans and receivables, and AFS. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

- FVTPL
  Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss.

- HTM investments
  HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. HTM investments are carried at amortized cost, using the effective interest method, less any impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Financial instruments (continued)

i) Financial assets (continued)

- Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, using the effective interest method, less any impairment.

- AFS financial assets
  AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income/loss and classified as a component of equity.

  Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income/loss are reclassified to profit or loss.

- Effective interest method
  The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

  Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

- Impairment of financial assets
  Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period-end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Financial instruments (continued)

i) Financial assets (continued)

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

ii) Financial liabilities

The Company classifies its financial liabilities in the following categories: Borrowings and other financial liabilities, and financial liabilities at FVTPL.

- 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 profit or loss 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 at FVTPL
  These financial liabilities are initially recognized at their fair value and are subsequently remeasured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency.

iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3:	Inputs for assets or liabilities that are not based on observable market data.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

h) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share purchase warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a pro rata method with respect to the measurement of shares and warrants issued as private placement units. The pro rata method requires each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components.

The fair value of the common shares is based on the closing quoted bid price on the announcement date and the fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes option pricing model. The fair value attributed to the warrants is recorded in equity reserves.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Flow-through shares

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

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

j) Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

k) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in share-based payments reserve is transferred to share capital.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Share-based payments (continued)

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The amounts recorded in reserves for unexercised share options remain in share-based payments reserve upon their expiry or cancellation.

l) New accounting standard adopted during the year

Amendments to IAS 7 Statement of Cash Flows

These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfill the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment is effective for reporting periods beginning on or after January 1, 2017.

The Company adopted the amendments to IAS 7 during the year ended May 31, 2018 with no significant impact on its financial statements.

m) New accounting standards issued but not yet effective

The Company is currently evaluating the impact that these new accounting standards are expected to have on its financial statements.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. Additional amendments include introduction of a new hedge accounting model and a new expected-loss impairment model. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

5. CRITICAL ACCOUNTING 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. In the future, 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/loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical 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 within the next fiscal year are discussed below.

a) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

b) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

c) Going concern risk assessment

The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation projects when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

a) Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made that management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs, which will reflect the market condition at the time the rehabilitation costs are actually incurred.

The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at May 31, 2018, the Company has no known rehabilitation requirements, and accordingly, no provision has been made.

b) Share purchase warrant valuation

The Company measures the value of share purchase warrants issued as part of private placement units using a pro rata method. The pro rata method requires each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components. The fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes option pricing model. Estimating fair value for share purchase warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share purchase warrant, volatility and dividend yield, and making assumptions about them. The assumptions and models used for estimating fair value for share purchase warrants are disclosed in note 13.

(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

c) Valuation of flow-through premium

The determination of the valuation of flow-through premium and warrants in equity units is subject to significant judgment and estimates. The flow-through premium is valued as the estimated premium that investors pay for the flow-through feature, being the portion in excess of the market value of shares without the flow-through feature issued in concurrent private placement financing. In the case that the Company did not issue non-flow-through shares together with the flow-through shares, the market value of shares without the flow-through feature will be determined using their closing quoted bid price.

6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash and cash equivalents and marketable securities are classified as financial assets at FVTPL; receivables, as loans and receivables; and accounts payable and accrued liabilities and due to related parties, as other financial liabilities. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy:

May 31, 2018	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 22,136,434	$ -	$ -	$ 22,136,434
Marketable securities	$ 800,000	$ -	$ -	$ 800,000

May 31, 2017	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 13,687,072	$ -	$ -	$ 13,687,072

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

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash and cash equivalents, by placing it at major Canadian financial institutions. Included in receivables is $1,643,880 (2017 - $248,604) owing from the Canada Revenue Agency and Revenu Québec. The amounts owing from the Canada Revenue Agency and Revenu Québec have been subsequently collected. Accordingly, the Company has minimal credit risk.

6. FINANCIAL INSTRUMENTS (Continued)

b) 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of May 31, 2018 equal $3,095,079 (2017 - $970,920). All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

i) Currency risk – The Company has no funds held in a foreign currency, and as a result, is not exposed to significant currency risk on its financial instruments at year-end.

ii) Interest rate risk – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

iii) Other price risk – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to other price risk on its marketable securities.

d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

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

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the years ended May 31, 2018 and 2017. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

7. MARKETABLE SECURITIES

As at May 31, 2018, marketable securities consisted of shares in a publicly-traded company with a cost of $1,200,000 (2017 - $nil) and a fair value of $800,000 (2017 - $nil).

8. RECEIVABLES

		2018		2017
Sales tax receivable	$	1,643,880	$	248,604
Other receivables		100,871		42,945
Total receivables	$	1,744,751	$	291,549

9. PROPERTY, PLANT AND EQUIPMENT

		Furniture and Equipment		Computer Equipment		Camp and Infrastructure		Leasehold Improvements		Total
Cost										
Balance, May 31, 2016	$	18,130	$	21,576	$	-	$	-	$	39,706
Additions		2,875		23,803		-		-		26,678
Balance, May 31, 2017		21,005		45,379		-		-		66,384
Additions		21,044		13,331		3,284,787		25,055		3,344,217
Disposal		-		(3,106)		-		-		(3,106)
Balance, May 31, 2018	$	42,049	$	55,604	$	3,284,787	$	25,055	$	3,407,495
Depreciation										
Balance, May 31, 2016	$	13,119	$	17,769	$	-	$	-	$	30,888
Depreciation		1,290		6,719		-		-		8,009
Balance, May 31, 2017		14,409		24,488		-		-		38,897
Depreciation		3,424		8,266		246,359		2,506		260,555
Disposal		-		(3,106)		-		-		(3,106)
Balance, May 31, 2018	$	17,833	$	29,648	$	246,359	$	2,506	$	296,346
Net Book Value, May 31, 2017	$	6,596	$	20,891	$	-	$	-	$	27,487
Net Book Value, May 31, 2018	$	24,216	$	25,956	$	3,038,428	$	22,549	$	3,111,149

Depreciation of camp and infrastructure of $246,359 (2017 - $nil) is included in exploration and evaluation expenditures.

10. EXPLORATION AND EVALUATION EXPENDITURES

a) Gladiator Project

(i) Coliseum Property

During the year ended May 31, 2010, the Company acquired a 100% interest in 95 claim blocks in Québec near Windfall Lake at a cost of $20,000 (paid), the issuance of 50,000 common shares to the vendors and 5,440 common shares to a finder (issued), and incurring $140,000 of exploration expenditures (incurred). The shares were valued at $155,232 based on the market value of the shares on share issue date. The property is subject to a 2% net smelter returns royalty (“NSR”) of which 0.5% can be purchased by the Company for $1,000,000.

(ii) West Arena Property

The Company entered into an option agreement on September 15, 2010, as amended on February 8, 2011 and March 19, 2012, to acquire a 100% interest in 23 additional mineral claims adjacent to the Coliseum claims in Québec for aggregate consideration of $10,000 cash (paid), 87,500 common shares (issued) and $750,000 in exploration expenditures (incurred). The Company has completed the acquisition and owns 100% subject to the NSR below.

The agreement is subject to a 2% NSR of which 1% can be purchased for $500,000. A finder’s fee of 2,845 shares was paid in connection with this acquisition.

On November 7, 2013, the Company sold an additional 1% NSR to Gold Royalties Corporation (“GRO”) in exchange for 1,000,000 common shares of GRO, valued at $325,000.

(iii) East Arena Property

On December 30, 2010, the Company closed and received approval from the TSX-V for a property purchase agreement entered into on December 10, 2010 to acquire a 100% interest in 57 mineral claims east of the Urban-Barry Township in Québec. Consideration paid was 100,000 common shares valued at $860,000 based on the market price of the shares on the share issue date, and cash payments of $35,000. The agreement is subject to a 2% NSR of which 1% may be purchased for $1,000,000.

(iv) St-Cyr Property

On February 23, 2016, the Company entered into an agreement to acquire a 100% interest in the St-Cyr Property, located in Québec. In consideration, the Company issued 700,000 common shares of the Company (issued on March 2, 2016 and valued at $224,000). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

(v) West Lacroix Lake Property

On February 23, 2016, the Company entered into an agreement to acquire a 100% interest in the St-Cyr Property, located in Québec. In consideration, the Company issued 500,000 common shares of the Company (issued on March 2, 2016 and valued at $160,000). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

10. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

a) Gladiator Project (continued)

(vi) Lac Barry Property

On March 10, 2016, and as amended March 30, 2017, the Company entered into an option agreement with Golden Valley Mines Ltd. ("Golden Valley") to acquire an 85% interest in Golden Valley's Lac Barry Property, located in Québec.

In consideration, the Company issued 519,480 common shares of the Company (issued on March 16, 2016 and valued at $225,973) and paid $25,000. In order to maintain the option, the Company must incur expenditures of $2,000,000 as follows:

- $250,000 before April 15, 2017 (incurred);
- an additional $750,000 on or before March 10, 2018 (incurred); and
- an additional $1,000,000 on or before March 10, 2019.

Golden Valley retains a 15% interest in the property and a 3% NSR, of which 1% can be purchased by the Company for $1,000,000.

(vii) Macho South Property

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Macho South Property, located in Québec. In consideration, the Company issued 1,200,000 common shares of the Company (issued on March 21, 2016 and valued at $510,000). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

(viii) Barry Property

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Barry Property, located in Québec. In consideration, the Company issued 800,000 common shares of the Company (issued on March 21, 2016 and valued at $340,000). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

(ix) Bailly Property

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Bailly Property, located in Québec. In consideration, the Company issued 250,000 common shares of the Company (issued on March 21, 2016 and valued at $106,250). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

On March 21, 2016, the Company issued 202,232 common shares of the Company (valued at $85,949) as finder's fees on the acquisitions of the Macho South, Barry and Bailly properties.

(x) Thubiére Property

On March 10, 2017, the Company entered into an agreement to acquire a 100% interest in the Thubiére Property, located in Québec. In consideration, the Company paid $5,000 and issued 150,000 common shares (issued on March 21, 2017 and valued at $54,000).

10. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

a) Gladiator Project (continued)

(xi) Lac Mista Property

On March 14, 2017, the Company entered into an agreement to acquire a 100% interest in the Lac Mista Property, located in Québec. In consideration, the Company paid $10,000 and issued 150,000 common shares (issued on March 21, 2017 and valued at $54,000). The vendors retain a 2% gross overriding royalty reserve on the property, of which 1% may be repurchased by the Company for $1,000,000.

(xii) Trove Property

On March 29, 2017, the Company entered into an option agreement with Durango Resources Inc. ("Durango") to acquire a 100% interest in the Trove Property, located in Québec.

In consideration, the Company must make payments as follows:

- cash payment of $150,000 (paid) and issuance of 1,500,000 common shares of the Company upon approval by the TSX-V (issued on April 17, 2017 and valued at $630,000);
- an additional cash payment of $150,000 (paid) and issuance of an additional 1,500,000 common shares of the Company on or before April 19, 2018 (issued and valued at $750,000); and
- an additional cash payment of $200,000 on or before April 19, 2019.

In the event of a minimum discovery of an inferred mineral resource of 500,000 ounces or greater of gold, the Company will issue to Durango 2,000,000 common shares upon completion of a technical report.

The Company must also incur exploration expenditures of $1,000,000 by April 19, 2019. Durango retains a 2% NSR, of which 1% may be repurchased by the Company for $1,000,000.

In relation to the acquisition of the Trove Property, the Company paid a finder's fee of 267,284 common shares (issued and valued at $112,259).

Subsequent to May 31, 2018, the Company terminated its option on the Trove Property.

b) Larder Lake Project

On March 16, 2016, the Company entered into an option agreement to acquire a 100% interest in the Larder Lake Property from Kerr Mines and its wholly owned subsidiary, Bear Lake Gold Ltd., located in Ontario. The terms of the agreement were amended on April 14, 2016 and TSX-V approval for the transaction was received on April 26, 2016.

10. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

b) Larder Lake Project (continued)

In consideration for the Larder Lake Property, the Company issued 10,000,000 common shares of the Company (issued on April 26, 2016 and valued at $3,800,000). The Company was also required to pay $1,150,000 as follows:

- $200,000 upon TSX-V approval (paid);
- $300,000 on or before December 26, 2016 (paid);
- $350,000 on or before April 26, 2017 (paid); and
- $300,000 on or before October 26, 2017 (paid).

The Company was required to accelerate the final two payments as a result of completing an equity financing for gross proceeds of $4,000,000 or more in non-flow-through financing during the year ended May 31, 2017.

In relation to the acquisition of the Larker Lake Project, the Company paid a finder's fee of 558,908 common shares (issued and valued at $212,385).

On March 10, 2017, the Company entered into an agreement to acquire a 100% interest in the McVittie claim, located in Ontario. The Company issued 100,000 common shares as consideration (issued on March 20, 2017 and valued at $35,000). The vendors retain a 1.5% NSR on the claim, of which 1% may be repurchased by the Company for $750,000.

Subsequent to May 31, 2018, the Larder Lake Project was included in the spin-out of assets to Gatling Exploration Inc. ("Gatling") (note 19(b)).

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

A summary of exploration and evaluation expenditures for the years ended May 31, 2018 and 2017 is as follows:

For the Year Ended May 31, 2018	Gladiator Project	Larder Lake Project	Total
Acquisition Costs			
Acquisition and option payments	$ 900,000	$ -	$ 900,000
Claim renewals	19,235	104,160	123,395
Total Acquisition Costs	**919,235**	**104,160**	**1,023,395**
Property Exploration Costs			
Depreciation (note 9)	246,359	-	246,359
Assays and geochemistry	982,961	-	982,961
Camp and other costs	1,962,279	13,848	1,976,127
Drilling	17,209,257	-	17,209,257
Geochemistry	274,654	-	274,654
Geological	977,903	51,054	1,028,957
Geophysics	545,388	-	545,388
Travel and transport	382,208	-	382,208
Total Exploration Costs	**22,581,009**	**64,902**	**22,645,911**
Total Exploration and Evaluation Expenditures	**$ 23,500,244**	**$ 169,062**	**$ 23,669,306**

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

For the Year Ended May 31, 2017	Gladiator Project	Larder Lake Project	Total
Acquisition Costs			
Claim maintenance	$ 8,399	$ 74,405	$ 82,804
Option payments	928,000	985,000	1,913,000
Finder's fees	112,259	-	112,259
Total Acquisition Costs	**1,048,658**	**1,059,405**	**2,108,063**
Property Exploration Costs			
Assays and geochemistry	367,319	198	367,517
Camp and other costs	1,464,183	43,918	1,508,101
Drilling	6,063,946	-	6,063,946
Geological	739,916	129,227	869,143
Geophysics	190,367	-	190,367
Travel and transport	80,367	1,101	81,468
Total Exploration Costs	**8,906,098**	**174,444**	**9,080,542**
Total Exploration and Evaluation Expenditures	**$ 9,954,756**	**$ 1,233,849**	**$ 11,188,605**

(Expressed in Canadian Dollars)

11. OTHER LIABILITIES

Other liabilities consisted of the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through share issuances.

	Issued During the Year Ended May 31, 2017	Issued During the Year Ended May 31, 2018	Total
Balance, May 31, 2016	$ 55,572	$ -	$ **55,572**
Liability incurred on flow-through shares issued July 2016	1,287,750	-	**1,287,750**
Liability incurred on flow-through shares issued August 2016	131,750	-	**131,750**
Liability incurred on flow-through shares issued March 2017	770,000	-	**770,000**
Settlement of flow-through share liability by incurring expenditures	(1,859,636)	-	**(1,859,636)**
Balance, May 31, 2017	385,436	-	**385,436**
Liability incurred on flow-through shares issued June 2017	-	6,071,380	**6,071,380**
Liability incurred on super flow-through shares issued February 2018	-	3,059,000	**3,059,000**
Liability incurred on flow-through shares issued February 2018	-	1,536,000	**1,536,000**
Settlement of flow-through share liability by incurring expenditures	(385,436)	(7,196,849)	**(7,582,285)**
Balance, May 31, 2018	$ -	$ 3,469,531	$ **3,469,531**

During the year ended May 31, 2018

On June 30, 2017, the Company issued 17,857,000 flow-through shares at a price of $0.84 per share. The premium paid by investors was calculated as $0.34 per share. Accordingly, $6,071,380 was recorded as other liabilities.

On February 26, 2018, the Company issued 13,300,000 super flow-through shares at a price of $0.75 per share. The premium paid by investors was calculated as $0.23 per share. Accordingly, $3,059,000 was recorded as other liabilities.

On February 26, 2018, the Company issued 19,200,000 flow-through shares at a price of $0.60 per share. The premium paid by investors was calculated as $0.08 per share. Accordingly, $1,536,000 was recorded as other liabilities.

At May 31, 2018, the Company had a remaining commitment to incur exploration expenditures in relation to its February 2018 super flow-through and flow-through share financings of $6,304,991 and $11,520,000, respectively.

(Expressed in Canadian Dollars)

11. OTHER LIABILITIES (Continued)

Included in accounts payable and accrued liabilities at May 31, 2018 is a provision for tax liabilities as a result of not meeting flow-through expenditure requirements of $243,794 from flow-through common shares issued in calendar 2012 and 2013. The Company paid Part XII.6 tax of $808 during the year ended May 31, 2018 and has accrued $2,241 in relation to its June 2017 flow-through shares. The Company also reversed a $20,061 provision for Part XII.6 tax and penalties related to flow-through common shares issued in calendar 2012 and 2013.

During the year ended May 31, 2017

On July 7, 2016, the Company issued 7,575,000 flow-through shares at a price of $0.40 per share. The premium paid by investors was calculated as $0.17 per share. Accordingly, $1,287,750 was recorded as other liabilities.

On August 29, 2016, the Company issued 775,000 flow-through shares at a price of $0.40 per share. The premium paid by investors was calculated as $0.17 per share. Accordingly, $131,750 was recorded as other liabilities.

On March 2, 2017, the Company issued 11,000,000 flow-through shares at a price of $0.35 per share. The premium paid by investors was calculated as $0.07 per share. Accordingly, $770,000 was recorded as other liabilities.

At May 31, 2017, the Company had a remaining commitment to incur exploration expenditures in relation to its March 2017 flow-through share financing of $1,927,178.

Included in accounts payable and accrued liabilities at May 31, 2017 is a provision for tax liabilities as a result of not meeting flow-through expenditure requirements of $243,794 from flow-through common shares issued in calendar 2012 and 2013, and a provision for Part XII.6 tax and penalties of $20,061. The Company paid Part XII.6 tax of $3,640 during the year ended May 31, 2017.

12. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the statements of comprehensive loss:

		2018		2017
Share-based payments	$	-	$	879,212
Short-term compensation	$	1,313,000	$	1,150,000

During the year ended May 31, 2018, short-term compensation to related parties consisted of $764,000 (2017 - $741,000) in management and director fees, $165,000 (2017 - $98,000) in professional fees and $384,000 (2017 - $311,000) in exploration and evaluation expenditures.

During the year ended May 31, 2018, the Company received $59,155 (2017 - $26,304) for the recovery of rent expense from companies related by a common officer. Included in receivables at May 31, 2018 was $100,871 (2017 - $41,876) for the recovery of shared expenses from companies related by a common officer.

During the year ended May 31, 2018, the Company paid or accrued $108,807 (2017 - $132,621) to private companies with common directors for exploration and evaluation expenditures.

12. RELATED PARTY TRANSACTIONS (Continued)

At May 31, 2018, the Company had outstanding amounts payable to officers and directors of the Company of $2,974 (2017 - $nil) for outstanding expenses. The amounts payable are non-interest-bearing, uncollateralized and repayable on demand.

13. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value

b) Issued and outstanding

During the year ended May 31, 2018

On June 30, 2017, the Company closed a bought deal private placement for gross proceeds of $19,999,880. The Company issued 17,857,000 flow-through common shares of the Company at a price of $0.84 per share and 10,000,000 common shares of the Company at a price of $0.50 per share.

The premium paid by investors on the flow-through shares was calculated as $0.34 per share. Accordingly, $6,071,380 was recorded as other liabilities. The underwriters received a cash fee of $1,199,993. Other share issue costs of $143,921 were incurred.

On February 26, 2018, the Company closed a bought deal private placement for gross proceeds of $21,495,000. The Company issued 13,300,000 super flow-through common shares of the Company at a price of $0.75 per share and 19,200,000 flow-through common shares of the Company at a price of $0.60 per share.

The premium paid by investors on the super flow-through and flow-through shares was calculated as $0.23 and $0.08 per share, respectively. Accordingly, $3,059,000 and $1,536,000, respectively, was recorded as other liabilities. The underwriters received a cash fee of $1,289,700 and the Company issued 1,300,000 finder's warrants with an exercise price of $0.60 for a period of two years. The finder's warrants were valued at $184,778 (note 13(c)). Other share issue costs of $157,014 were incurred.

During the year ended May 31, 2018, the Company issued 3,850,341 common shares for proceeds of $1,333,141 on the exercise of 3,850,341 share purchase and finder’s warrants and 600,000 common shares for proceeds of $168,000 on the exercise of 600,000 stock options. The value of the warrants of $479,009 and the value of the stock options of $129,851 were transferred to share capital from share-based payments reserve upon exercise.

During the year ended May 31, 2018, the Company issued 1,500,000 common shares valued at $750,000 for exploration and evaluation expenditures (note 10(a)).

13. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

During the year ended May 31, 2017

On July 7, 2016, the Company completed a non-brokered private placement for gross proceeds of $5,056,970 (of which $3,030,000 is for flow-through expenditures). The Company issued 7,575,000 flow-through shares at a price of $0.40 per share and 5,791,343 non-flow-through units at a price of $0.35 per unit. Each non-flow-through unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.50 for a period of two years. These warrants had a value of $688,640 using the pro rata method.

The premium paid by investors on the flow-through shares was calculated as $0.17 per share. Accordingly, $1,287,750 was recorded as other liabilities.

The Company paid finder's fees of $228,210 and issued 782,800 finder's warrants with an exercise price of $0.40 for a period of two years. The finder's warrants were valued at $161,281 (note 13(c)). Other share issue costs of $27,467 were incurred.

On August 19, 2016, the Company completed a non-brokered private placement for gross proceeds of $1,770,750 (of which $310,000 is for flow-through expenditures). The Company issued 775,000 flow-through shares at a price of $0.40 per share and 4,173,572 non-flow-through units at a price of $0.35 per unit. Each non-flow-through unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.50 for a period of two years. These warrants had a value of $516,400 using the pro rata method.

The premium paid by investors on the flow-through shares was calculated as $0.17 per share. Accordingly, $131,750 was recorded as other liabilities.

The Company paid finder's fees of $66,900 and issued 126,000 finder's warrants with an exercise price of $0.35 for a period of two years. The finder's warrants were valued at $33,433 (note 13(c)). Other share issue costs of $9,604 were incurred.

On March 2, 2017, the Company closed a bought deal private placement for gross proceeds of $13,974,800. The Company issued 11,000,000 flow-through common shares of the Company at a price of $0.35 per share and 36,160,000 common shares of the Company at a price of $0.28 per share.

The premium paid by investors on the flow-through shares was calculated as $0.07 per share. Accordingly, $770,000 was recorded as other liabilities.

The underwriters received a cash fee of $826,504. The Company also issued 1,886,401 finder’s warrants, each warrant exercisable to acquire one common share at a price of $0.28 and expiring on March 2, 2019. The finder’s warrants were valued at $252,415 (note 13(c)). Other share issue costs of $137,818 were incurred.

On March 13, 2017, the Company closed a non-brokered private placement and issued 3,660,000 common shares of the Company at a price of $0.28 per share, for gross proceeds of $1,024,800.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

The Company issued 146,400 finder's warrants, each warrant exercisable to acquire one common share at a price of $0.28 and expiring on March 14, 2019. The finder's warrants were valued at $23,893 (note 13(c)).

On March 27, 2017, the Company closed a private placement and issued 14,857,440 common shares of the Company to Kinross Gold Corporation at a price of $0.35 per share, for gross proceeds of $5,200,104.

The Company paid finder's fees of $260,000 and issued 742,872 finder's warrants, each warrant exercisable to acquire one common share at a price of $0.35 and expiring on March 23, 2019. The finder's warrants were valued at $128,068 (note 13(c)). Other share issue costs of $52,418 were incurred.

During the year ended May 31, 2017, the Company issued 2,167,284 common shares valued at $885,259 for the exploration and evaluation expenditures (note 10).

During the year ended May 31, 2017, the Company issued 4,455,317 common shares for proceeds of $1,203,088 on the exercise of 4,455,317 share purchase warrants and 400,000 common shares for proceeds of $88,000 on the exercise of 400,000 stock options. The value of the warrants of $265,153 and the value of the stock options of $76,894 were transferred to share capital from share-based payments reserve upon exercise.

c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	2018		2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	17,841,633	$ 0.41	9,637,562	$ 0.27
Issued	1,300,000	0.60	13,649,388	0.45
Exercised	(3,850,341)	0.35	(4,455,317)	0.27
Expired	(169,850)	0.35	(990,000)	0.20
Outstanding, end of year	15,121,442	$ 0.44	17,841,633	$ 0.41

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

c) Warrants (continued)

The following warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding at May 31, 2018
July 6, 2018*	0.10	$ 0.30	2,210,000
July 7, 2018*	0.10	$ 0.40	770,800
July 7, 2018*	0.10	$ 0.50	5,641,343
August 19, 2018*	0.22	$ 0.35	126,000
August 19, 2018*	0.22	$ 0.50	3,066,429
March 2, 2019	0.75	$ 0.28	1,637,608
March 14, 2019	0.79	$ 0.28	146,400
March 23, 2019	0.81	$ 0.35	222,862
February 26, 2020	1.74	$ 0.60	1,300,000
	0.35		15,121,442

* See notes 19(c) and (d)

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its finder's warrants granted. The fair value of each finder's warrant grant was calculated using the following weighted average assumptions:

	2018	2017
Expected life (years)	2.00	2.00
Risk-free interest rate	1.79%	0.71%
Expected annualized volatility	61%	93%
Dividend yield	N/A	N/A
Stock price at grant date	$0.50	$0.32
Exercise price	$0.60	$0.32
Weighted average grant date fair value	$0.14	$0.16

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

d) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a twelve-month period with no more than 25% of the options vesting in any three-month period.

The following is a summary of option transactions under the Company's stock option plan for the years ended May 31, 2018 and 2017:

	2018		**2017**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	11,150,000	$ 0.39	5,800,000	$ 0.37
Granted	2,000,000	0.55	6,300,000	0.40
Exercised	(600,000)	0.28	(400,000)	0.22
Expired	(350,000)	0.49	(550,000)	0.40
Outstanding, end of year	12,200,000	$ 0.42	11,150,000	$ 0.39

The weighted average trading price on date of exercise for the stock options exercised during the year ended May 31, 2018 was $0.50 (2017 - $0.40).

The following options were outstanding and exercisable:

Expiry Date	**Weighted Average Remaining Contractual Life in Years**	**Exercise Price**	**May 31, 2018 Outstanding**	**May 31, 2018 Exercisable**
April 3, 2020	1.84	$ 0.40	6,050,000	6,050,000
October 14, 2020	2.38	$ 0.22	1,200,000	1,200,000
December 8, 2020	2.53	$ 0.22	400,000	400,000
December 14, 2020	2.54	$ 0.57	200,000	200,000
February 1, 2021	2.68	$ 0.55	1,800,000	1,800,000
March 30, 2021	2.83	$ 0.50	2,550,000	2,550,000
	2.26		12,200,000	12,200,000

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

d) Stock options (continued)

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. The fair value of each option grant was calculated using the following weighted average assumptions:

	2018	2017
Expected life (years)	2.99	3.00
Risk-free interest rate	1.99%	0.84%
Expected annualized volatility	75%	106%
Dividend yield	N/A	N/A
Stock price at grant date	$0.54	$0.42
Exercise price	$0.55	$0.40
Weighted average grant date fair value	$0.26	$0.27

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2018	2017
Income tax paid	$ -	$ -
Interest received	$ 212,507	$ 15,029
Non-cash investing and financing activities		
Fair value of finder's warrants issued	$ 184,778	$ 599,090
Fair value of options exercised	$ 129,851	$ 76,894
Fair value of warrants exercised	$ 479,009	$ 265,153
Accounts payable related to property, plant and equipment	$ 482,745	$ -

15. SEGMENTED DISCLOSURE

The Company has one operating segment, being mineral exploration and development. All of the Company's assets are located in Canada.

(Expressed in Canadian Dollars)

16. COMMITMENTS

a) The Company has entered into agreements with officers and consultants that include termination and change of control clauses. In the case of termination, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to two times) the annual base fee payable. In the case of a change of control, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to three times) the sum of the annual base fee and minimum incentive fee payable. As at May 31, 2018, the total annual base fee of the officers and consultants under the agreements is $864,000 and the total annual minimum incentive fee is $49,000. Certain of the agreements contain a cash bonus payable upon any non-flow-through equity financings at the discretion of the Board of Directors.

b) The Company has entered into an office sublease agreement commencing September 1, 2017 and expiring August 30, 2022 with basic rent and estimated operating costs per fiscal year approximately as follows:

Fiscal 2019	$	290,000
Fiscal 2020		295,000
Fiscal 2021		299,000
Fiscal 2022		304,000
Fiscal 2023		76,000
	$	1,264,000

17. INCOME TAXES

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

		2018		2017
Loss before income taxes	$	(22,002,860)	$	(14,569,838)
Statutory income tax rate		26.70%		26.86%
Income tax benefit computed at statutory tax rate		(5,888,000)		(3,913,000)
Items not deductible for income tax purposes		(1,811,000)		65,000
Renunciation of eligible expenditures		4,995,000		885,000
Share issue costs and other		(665,000)		(226,000)
Change in unrecognized benefit of deferred income tax assets		3,369,000		3,189,000
Deferred income tax expense	$	-	$	-

(Expressed in Canadian Dollars)

17. INCOME TAXES (Continued)

The significant components of the Company's deferred income tax assets and deferred income tax liabilities at May 31, 2018 and 2017 are presented below:

	2018	2017
Non-capital losses carried forward	$ 5,174,000	$ 3,629,000
Net capital losses carried forward	748,000	748,000
Canadian development expense carried forward	6,112,000	4,892,000
Share issue costs	891,000	409,000
Property, plant and equipment	78,000	9,000
Marketable securities	53,000	-
	13,056,000	9,687,000
Unrecognized deferred income tax assets	(13,056,000)	(9,687,000)
Net deferred income tax assets	$ -	$ -

The Company has net capital losses of $5,644,000 available for carry-forward to reduce future years' capital gains.

The Company has non-capital losses of $19,524,000 available for carry-forward to reduce future years' income for income tax purposes. These losses expire as follows:

2028	$ 65,000
2029	283,000
2030	839,000
2031	1,498,000
2032	1,733,000
2033	1,256,000
2034	601,000
2035	1,370,000
2036	2,213,000
2037	3,836,000
2038	5,830,000
	$ 19,524,000

(Expressed in Canadian Dollars)

18. CHANGE IN ACCOUNTING POLICY

Effective March 1, 2018, the Company changed its accounting policy for its exploration and evaluation expenditures, including acquisition costs, to recognize these costs in the statement of comprehensive loss in the period incurred, as permitted under IFRS 6 *Exploration for and Evaluation of Mineral Resources*.

The previous accounting policy was to capitalize direct exploration and evaluation expenditures and the related acquisition costs as an asset on the Company's statement of financial position. Tax credits were applied to reduce related exploration and evaluation assets in the period recognized. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, were expensed in the year in which they occurred.

The new accounting policy (note 4(b)) to expense exploration and evaluation expenditures has been applied retrospectively.

The impacts of this change in accounting policy in the financial statements are set out below:

Statements of Financial Position

As at June 1, 2016	As Previously Reported	Effect of Change in Accounting Policy	As Restated Under the New Policy
Exploration and evaluation assets	$ 16,376,551	$ (16,376,551)	$ -
Deficit	$ (23,514,729)	$ (16,376,551)	$ (39,891,280)
As at May 31, 2017			
Exploration and evaluation assets	$ 27,565,156	$ (27,565,156)	$ -
Deficit	$ (26,895,962)	$ (27,565,156)	$ (54,461,118)

Statements of Comprehensive Loss

For the Year Ended May 31, 2017	As Previously Reported	Effect of Change in Accounting Policy	As Restated Under the New Policy
Exploration and evaluation	$ -	$ 11,188,605	$ 11,188,605
Net loss for the year	$ (3,381,233)	$ (11,188,605)	$ (14,569,838)
Basic and diluted loss per share	$ (0.03)	$ (0.11)	$ (0.14)

(Expressed in Canadian Dollars)

18. CHANGE IN ACCOUNTING POLICY (Continued)

Statements of Cash Flows

For the Year Ended May 31, 2017	As Previously Reported	Effect of Change in Accounting Policy	As Restated Under the New Policy
Net loss for the year	$ (3,381,233)	$ (11,188,605)	$ (14,569,838)
Item not involving cash			
Shares issued for exploration and evaluation	$ -	$ 885,259	$ 885,259
Changes in non-cash working capital			
Prepaid expenses	$ (15,011)	$ 55,985	$ 40,974
Accounts payable and accrued liabilities	$ (20,301)	$ 485,871	$ 465,570
Cash Used in Operating Activities	$ (3,585,380)	$ (9,761,490)	$ (13,346,870)
Exploration and evaluation expenditures	$ (9,761,490)	$ 9,761,490	$ -
Cash Used in Investing Activities	$ (9,788,168)	$ 9,761,490	$ (26,678)

19. SUBSEQUENT EVENTS

a) On July 6, 2018, the Company entered into an agreement with Beaufield Resources Inc. to acquire a 70% interest in the Duke Property, located in Québec. In consideration, the Company must make payments as follows:

- Cash payment of $250,000 (paid) and issue 4,000,000 common shares of the Company (issued on July 12, 2018 and valued at $1,600,000) upon acceptance by the TSX-V;
- An additional $250,000 on or before July 6, 2019; and
- An additional $250,000 on or before July 6, 2020.

The Company must also incur exploration expenditures as follows:

- $1,500,000 on or before July 6, 2019;
- An additional $1,500,000 on or before July 6, 2020; and
- An additional $1,500,000 on or before July 6, 2021.

The Duke Property is subject to an underlying 2.3% NSR, of which 1% can be purchased for $1,000,000.

19. SUBSEQUENT EVENTS (Continued)

b) On September 24, 2018, the Company acquired Metanor Resources Inc. ("Metanor") by way of plan of arrangement (the "Acquisition") under section 192 of the *Canada Business Corporations Act*. Each holder of Metanor common shares received 1.6039 common shares of the Company for each Metanor share held, for a total of 163,513,129 common shares of the Company. The Company also loaned $4,000,000 to Metanor prior to closing, with a term of six months and an interest rate of 10%.

Prior to the Acquisition, the Company completed a plan of arrangement (the "Arrangement") whereby the Company spun out its Larder Lake Project assets and liabilities and $7,000,000 in cash (the "Spin-Out") in order to create a new exploration company (Gatling), by way of plan of arrangement under the *Business Corporations Act* (British Columbia). Each holder of common shares of the Company received one Gatling common share for each seven common shares of the Company held.

As a result of the Acquisition and Arrangement, the Company's existing stock option and warrant exercise prices were adjusted, outstanding warrants of Metanor were adjusted and stock options were granted to existing Metanor option holders.

c) Subsequent to May 31, 2018, the Company issued 1,890,000 common shares for proceeds of $575,000 on the exercise of 1,890,000 share purchase and finder's warrants.

d) Subsequent to May 31, 2018, 9,924,572 share purchase and finder's warrants and 550,000 stock options expired unexercised.

e) Subsequent to May 31, 2018, the Company granted 2,500,000 stock options to consultants at an exercise price of $0.42 and with a term to expiry of one year.