Bonterra Resources Inc.

Condensed Consolidated Interim Financial Statements

Six Months Ended November 30, 2018

(Unaudited – Expressed in Canadian Dollars)

Bonterra Resources Inc.

Six Months Ended November 30, 2018

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Condensed Consolidated Interim Financial Statements

Notice of No Auditor Review

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

January 29, 2019

Bonterra Resources Inc.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	November 30, 2018	May 31, 2018
Assets		
Current		
Cash and cash equivalents	$ 9,668,855	$ 22,136,434
Marketable securities (note 9)	1,224,640	800,000
Receivables (notes 10 and 15)	3,013,004	1,744,751
Materials, supplies and gold inventory (note 11)	2,935,957	-
Prepaid expenses	818,090	333,252
	17,660,546	25,014,437
Security and contract deposits (note 12)	4,893,101	-
Property, plant and equipment (note 13)	34,884,004	3,111,149
	$ 57,437,651	$ 28,125,586
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 15 and 16)	$ 18,989,481	$ 3,338,873
Royalties payable	395,248	-
Mining taxes payable	1,054,706	-
Current portion of long-term debt (note 17)	943,318	-
Other liabilities (note 16)	1,826,319	3,469,531
	23,209,072	6,808,404
Unearned revenue (note 18)	2,643,808	-
Asset retirement obligations (note 19)	4,771,963	-
Long-term debt (note 17)	1,322,221	-
	31,947,064	6,808,404
Shareholders' Equity		
Share Capital (note 20)	169,237,359	89,970,687
Share-based Payments Reserve (note 20)	8,408,971	7,810,473
Deficit	(152,155,743)	(76,463,978)
	25,490,587	21,317,182
	$ 57,437,651	$ 28,125,586

Going Concern (note 2)
Commitments (note 23)

Approved on behalf of the Board:

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

"Richard Boulay" ……………………………… Director
Richard Boulay

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

Bonterra Resources Inc.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended		Six Months Ended	
	November 30, 2018	November 30, 2017 (Restated – note 24)	**November 30, 2018**	November 30, 2017 (Restated – note 24)
Revenue	$ **3,380,728**	$ -	$ **3,380,728**	$ -
Operating costs	**7,146,182**	-	**7,146,182**	-
Royalties	**22,274**	-	**22,274**	-
Depreciation and depletion	**767,861**	-	**767,861**	-
Cost of Sales	**7,936,317**	-	**7,936,317**	-
Gross Loss	**(4,555,589)**	-	**(4,555,589)**	-
Expenses				
Consulting fees	**1,306,344**	127,155	**1,681,027**	404,488
Depreciation (note 13)	**9,661**	3,254	**13,445**	5,374
Exploration and evaluation (notes 7, 14 and 15)	**59,586,497**	5,031,388	**67,953,135**	9,435,388
Exploration and evaluation (in production)	**510,342**	-	**510,342**	-
Management and director fees (note 15)	**716,000**	66,000	**832,000**	332,000
Office and general	**132,765**	98,586	**170,480**	211,486
Professional fees (note 15)	**344,091**	73,060	**732,718**	107,206
Rent (note 15)	**59,405**	45,199	**112,665**	100,532
Salaries and fringe benefits (note 15)	**839,757**	-	**839,757**	-
Share-based payments (notes 15 and 20)	**368,229**	7,836	**368,229**	22,796
Shareholder communications and investor relations	**878,729**	407,593	**1,244,522**	614,636
Transfer agent and filing fees	**72,623**	3,693	**100,444**	6,275
Travel	**266,899**	174,243	**459,708**	233,944
	(65,091,342)	(6,038,007)	**(75,018,472)**	(11,474,125)
Loss Before Other Items	**(69,646,931)**	(6,038,007)	**(79,574,061)**	(11,474,125)
Other Items				
Other income (note 16)	**1,301,677**	2,466,549	**3,364,962**	3,501,713
Interest income	**35,122**	51,339	**72,289**	98,434
Unrealized gain on marketable securities	**314,640**	-	**414,640**	-
Part XII.6 tax and penalties recovered	**-**	-	**143,794**	-
Interest on long-term debt	**(124,820)**	-	**(124,820)**	-
Gain on spin-out of Larder Lake assets (note 6)	**27,128**	-	**27,128**	-
Accretion expense	**(15,697)**	-	**(15,697)**	-
Net Loss and Comprehensive Loss for the Period	$ **(68,108,881)**	$ (3,520,119)	$ **(75,691,765)**	$ (7,873,978)
Basic and Diluted Loss Per Share	$ **(2.26)**	$ (0.19)	$ **(2.52)**	$ (0.42)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	**30,175,785**	18,983,066	**30,055,922**	18,539,191

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

Bonterra Resources Inc.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Expressed in Canadian Dollars)

	Share Capital				
	Number of Shares	Share Capital	Share-based Payments Reserve	Deficit	Total
				(Restated – note 24)	(Restated – note 24)
Balance, May 31, 2017	**16,178,824**	**$ 59,257,592**	**$ 7,677,200**	**$ (54,461,118)**	**$ 12,473,674**
Private placements	2,785,700	19,999,880	-	-	19,999,880
Flow-through liability	-	(6,071,380)	-	-	(6,071,380)
Share issue costs	-	(1,343,915)	-	-	(1,343,915)
Stock options vested	-	-	22,796	-	22,796
Shares issued on exercise of warrants	283,117	977,907	-	-	977,907
Transfer of warrant fair value on exercise	-	355,316	(355,316)	-	-
Net loss and comprehensive loss for period	-	-	-	(7,873,978)	(7,873,978)
Balance, November 30, 2017	**19,247,641**	**73,175,400**	**7,344,680**	**(62,335,096)**	**18,184,984**
Private placements	3,250,000	21,495,000	-	-	21,495,000
Flow-through liability	-	(4,595,000)	-	-	(4,595,000)
Share issue costs	-	(1,446,713)	-	-	(1,446,713)
Fair value of finder's warrants	-	(184,778)	184,778	-	-
Stock options granted and vested	-	-	534,559	-	534,559
Shares issued on exercise of stock options	60,000	168,000	-	-	168,000
Transfer of stock option fair value on exercise	-	129,851	(129,851)	-	-
Shares issued on exercise of warrants	101,917	355,234	-	-	355,234
Transfer of warrant fair value on exercise	-	123,693	(123,693)	-	-
Shares issued for exploration and evaluation expenditure	150,000	750,000	-	-	750,000
Net loss and comprehensive loss for period	-	-	-	(14,128,882)	(14,128,882)
Balance, May 31, 2018	**22,809,558**	**89,970,687**	**7,810,473**	**(76,463,978)**	**21,317,182**
Private placements	6,119,800	21,917,090	-	-	21,917,090
Flow-through liability	-	(1,721,750)	-	-	(1,721,750)
Share issue costs	-	(1,423,376)	-	-	(1,423,376)
Stock options granted	-	-	368,229	-	368,229
Shares issued on exercise of warrants	333,351	1,166,839	-	-	1,166,839
Transfer of warrant fair value on exercise	-	167,311	(167,311)	-	-
Shares issued for exploration and evaluation expenditure	400,000	1,600,000	-	-	1,600,000
Consideration issued for acquisition of Metanor	16,351,312	64,587,686	397,580	-	64,985,266
Distribution to shareholders of Gatling shares	-	(7,027,128)	-	-	(7,027,128)
Rounding on share consolidation	(35)	-	-	-	-
Net loss and comprehensive loss for period	-	-	-	(75,691,765)	(75,691,765)
Balance, November 30, 2018	**46,013,986**	**$ 169,237,359**	**$ 8,408,971**	**$ (152,155,743)**	**$ 25,490,587**

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

Bonterra Resources Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the Six Months Ended November 30,
(Unaudited – Expressed in Canadian Dollars)

	2018	2017
		(Restated – note 24)
Operating Activities		
Net loss for the period	$ (75,691,765)	$ (7,873,978)
Items not involving cash		
Shares issued for exploration and evaluation	1,600,000	-
Depreciation and depletion	767,861	-
Depreciation	411,769	5,374
Allocation to exploration and evaluation on Metanor acquisition	50,243,675	-
Share-based payments	368,229	22,796
Other income	(3,364,962)	(3,501,713)
Unrealized gain on marketable securities	(414,640)	-
Interest on long-term debt	86,033	-
Gain on spin-out of Larder Lake assets	(27,128)	-
Accretion expense	15,697	-
Non-cash interest on unearned revenue	38,787	-
Reduction in unearned revenue	(654,630)	-
Changes in non-cash working capital		
Receivables	2,405,478	(108,773)
Inventory	3,281,470	-
Prepaid expenses	(375,471)	(1,659,732)
Accounts payable and accrued liabilities	(834,899)	1,094,387
Royalties payable	(56,911)	-
Cash Used in Operating Activities	(22,201,407)	(12,021,639)
Investing Activities		
Additions to property, plant and equipment	(1,476,970)	(2,841,695)
Cash acquired on acquisition of Metanor	883,047	-
Cash paid on acquisition of Metanor	(4,000,000)	-
Cash included in spin-out of Larder Lake assets	(7,000,000)	-
Cash Used in Investing Activities	(11,593,923)	(2,841,695)
Financing Activities		
Shares and units issued for cash	23,083,929	20,977,787
Share issuance costs	(1,423,376)	(1,343,915)
Payment of long-term debt	(332,802)	-
Cash Provided by Financing Activities	21,327,751	19,633,872
Inflow (Outflow) of Cash and Cash Equivalents	(12,467,579)	4,770,538
Cash and Cash Equivalents, Beginning of Period	22,136,434	13,687,072
Cash and Cash Equivalents, End of Period	$ 9,668,855	$ 18,457,610
Cash and Cash Equivalents		
Cash	$ 1,606,041	$ 1,928,472
Term deposits	8,062,814	16,529,138
	$ 9,668,855	$ 18,457,610

Supplemental Disclosure with Respect to Cash Flows (note 21)

The accompanying notes are an integral part of these condensed consolidated interim 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, as well as the production and sale of gold, 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.

On November 6, 2018, the Company consolidated its common shares on a one new share for ten old shares basis. All share and per share amounts have been revised to reflect the consolidation.

2. GOING CONCERN

These condensed consolidated interim financial statements (the "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's ability to continue its operations and to realize assets at their carrying values is dependent upon the existence of economically recoverable ore reserves, the 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

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 4 Interim Financial Reporting.

The condensed consolidated interim financial statements of the Company should be read in conjunction with the Company's May 31, 2018 annual financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. These condensed consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 29, 2019.

b) Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies (note 4). These condensed consolidated interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

3. BASIS OF PRESENTATION (Continued)

c) Subsidiaries

These condensed consolidated interim financial statements include the accounts of the Company and, as of September 24, 2018, the accounts of Metanor Resources Inc. ("Metanor"), a wholly owned subsidiary incorporated in Canada. Metanor's principal activities are the production and sale of gold, as well as the exploration and development of mining properties.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in note 4 to the audited financial statements for the year ended May 31, 2018, as well as the following accounting policies adopted in conjunction with the acquisition of Metanor, and a new accounting standard adopted during the year.

a) Materials, supplies and gold inventory

Materials, supplies, gold doré and gold in-circuit are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and selling costs.

For the above items, cost is determined on the following basis:

- Gold doré inventory includes doré bars in transit to, or being held at the refineries, and is valued at average production cost;
- Gold in-circuit is valued at the average cost of production of the material that is currently in the process of being converted to a gold doré; and
- Materials and supplies, including mine and mill operating supplies, are valued using the weighted average cost.

Any provision for obsolescence is determined by reference to specific items of materials. A review is undertaken at each reporting period to determine the extent of any provision for obsolescence. The average cost of production includes all costs directly attributable to the mineral extraction and processing process, including the systematic allocation of general fees incurred during the process.

b) Post-employment benefits and short-term employee benefits

The Company provides post-employment benefits through a defined contribution plan. A defined contribution plan is a pension plan under which the Company makes contributions, established according to a percentage of the employee's salary, to an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution during the employment period.

Short-term employee benefits, including vacation entitlement, are current liabilities included in "accounts payable and accrued liabilities", and are measured at the undiscounted amount that the Company expects to pay.

c) Royalties payable

Royalties payable are recognized initially at fair value in accordance with the terms of each royalty agreement.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Commercial production

The Company assesses the stage of each mine site to determine when a mine has moved into the commercial production phase. During the production phase of a mine, costs incurred relating to mining assets, additions or improvements, or mineable reserve development are assessed to determine whether capitalization is appropriate.

e) Property, plant and equipment

Producing properties

Producing properties include the mine development expenditures, estimated costs of restoring the sites of the Company's producing and mines under development, and are measured at cost less accumulated depletion and impairment.

Mine development expenditures

Mine development costs, which include vertical and horizontal development of the mine infrastructure, incurred after the commencement of production are capitalized to the extent that these costs benefit the entire ore body. Costs incurred to access single ore blocks are expensed as incurred.

Plant and equipment

The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and the borrowing costs incurred during its construction for the asset. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Repairs and maintenance of plant and equipment are expensed as incurred. Costs incurred to enhance the service potential of plant and equipment are capitalized and depreciated over the remaining useful life of the improved asset.

Depreciation and depletion

Management determines the appropriate method to depreciate mining assets over their estimated useful life taking into account the nature of a particular ore body and the method of mining that ore body. To achieve this, the following calculation method is used:

- Producing properties, including mine development expenditures and deferred stripping costs, are amortized over the life-of-mine using the unit-of-production method. The depreciation rate of producing properties is calculated based on the number of ounces sold. The life-of-mine is based on the proven and probable mineral reserves and a portion of measured, indicated and inferred resources that the Company considers highly likely to be able to convert into reserves. The depreciation calculation takes into account the development costs that will be incurred in the future to be able to access these reserves and resources.

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

e) Property, plant and equipment (continued)

Depreciation is provided for at the following rates per annum:

Buildings and infrastructure	10-15% declining-balance
Equipment and tools	20% declining-balance
Office equipment	20% declining-balance
Rolling stock	20% declining-balance
Leasehold improvements	Straight-line over lease term

The asset retirement costs of the mill are depleted on a 20% declining-balance basis.

The residual value, depreciation method and the useful life of each asset are reviewed at least at each reporting period.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

f) Financing fees

The financing fees related to long-term debt are presented as an offset to long-term debt and amortized using the effective interest rate method.

g) Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

Provision relating to the asset retirement obligations of property, plant and equipment

The Company reports the present value of the necessary estimated costs to settle its obligations arising from environmentally acceptable closure plans, relating notably to dismantling or demolition of infrastructures, removal of residual matter and site restoration, in the period in which the obligations are incurred. The asset retirement obligations of the property, plant and equipment are mainly related to the site restoration and the dismantling of the facilities at the mining site in production after the closure in accordance with the mining plan.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Revenue recognition

Revenue includes sales of gold doré bars that are physically delivered to customers in the period they are produced with their sales price based on prevailing spot market metal prices. Revenue from sales is recognized when all the following conditions have been satisfied:

- The significant risks and rewards of ownership have been transferred;
- Neither continued managerial involvement to the degree usually associated with ownership, nor effective control over metals sold, has been retained;
- The amount of revenue can be measured reliably;
- It is probable the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

These conditions are generally met when the sales price is fixed and the title has passed to the customer.

Revenue from the sales of other metal products are credited to operating costs. Interest revenue is recognized as it accrues, using the effective interest method.

i) Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance expenses.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

j) Borrowing costs

Interest and other financing costs that are directly attributable to the acquisition or construction of an asset are capitalized. Capitalization of borrowing costs ceases when all the activities necessary to prepare the asset for its intended use or sale are substantially complete.

To the extent that funds are part of general borrowing or are borrowed specifically for the purpose of constructing an asset, the amount of borrowing costs eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period. Interest earned on the temporary investment of borrowed funds is deducted from interest paid on the borrowed funds in arriving at the amounts so capitalized.

These costs are amortized on the same basis as the asset. No amounts were capitalized during the last two financial periods.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) New accounting standard adopted during the period

IFRS 9 *Financial Instruments*

The Company adopted all of the requirements of IFRS 9 as of June 1, 2018. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The impact on the classification and measurement of its financial instruments is set out below.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for the classification and measurement of financial liabilities.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

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

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

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Marketable securities	FVTPL	FVTPL
Receivables	Loans and receivable (amortized cost)	Amortized cost
Reclamation deposits	Loans and receivable (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Royalties payable	Other financial liabilities (amortized cost)	Amortized cost
Long-term debt	Other financial liabilities (amortized cost)	Amortized cost

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.

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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

d) Provisions and contingent liabilities

Judgments are made as to whether a past event has led to a liability that should be recognized in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors, including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received from previous experience and the probability of a loss being realized. Several of these factors are a source of estimated uncertainty.

e) Establishing cash-generating units ("CGU")

For the purpose of assessing impairment of its long-term assets, the Company determines the CGU, defined as being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The determination of the CGU and the classification of the Company's assets to the determined CGU require significant judgment having a potentially significant incidence on the result of the subsequent impairment analysis.

The Company periodically reviews the determination of the CGU and the corresponding grouping of the Company's assets, including its assets classified as common assets.

f) Impairment of long-term assets

The evaluation if an impairment test in accordance with IAS 36 *Impairment of Assets* needs to be performed on its long-term assets requires judgment in determining whether it is likely that future economic benefits will be achieved at certain mining properties, which may be based on assumptions about future events or circumstances. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written down in the condensed consolidated interim statement of comprehensive loss in the period when the new information becomes available.

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) Asset retirement obligations

The Company assesses its asset retirement obligations annually. Determining these obligations requires significant estimates and assumptions due to the numerous factors that affect the amount ultimately payable. Such factors include estimates of the scope and cost of restoration activities, legislative amendments, known environmental impacts, the effectiveness of maintenance and restoration measures, and changes in the discount rate. This uncertainty may lead to differences between the actual expense and the allowance. At the date of the condensed consolidated interim statement of financial position, asset retirement obligations represent management's best estimate of the charge that will result when the actual obligations are terminated.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

b) Fair value of net smelter return royalty ("NSR") agreements

As part of the Amending Agreement signed with Sandstorm Gold Ltd. ("Sandstorm") (notes 13 and 14), Metanor granted a NSR to Sandstorm for its Bachelor and Barry properties. The NSRs were recorded at fair value against property, plant and equipment and as recovery of exploration and evaluation expenses. The fair value was based on expected future discounted cash flows. The important assumptions in the calculation were as follows:

- Expected future production based on the life of mine calculation inherent to each property;
- Discount rate (between 5% and 8%); and
- Future gold price (between $1,604 and $1,616).

A change in those assumptions may generate a significant impact on the outcome of the fair value calculated.

c) Gold in-circuit

Given the non-observable nature of the asset, the determination of the ounces of gold in the circuit that ends up in the inventory for the condensed consolidated interim statement of financial position of the Company represents a significant estimate. A sampling is performed at each stage of the production process and recalculates the total ounces of gold included in the circuit by using an established scientific model.

d) 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.

e) Mineral reserve estimate

Mineral reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. In order to calculate the reserves and resources that the Company considers highly likely to be able to convert into reserves, which form the life-of-mine of producing mining properties of the Company, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques and recovery rates.

Estimating the quantity and grade of the mineral reserves requires the size, shape and depth of ore bodies to be determined by analyzing geological data such as the logging and assaying of drill samples. This process may require complex and sophisticated geological models and calculations to interpret the data.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

e) Mineral reserve estimate (continued)

The Company is required to determine and report on the mineral reserves in accordance with the requirements of the Canadian Institute of Mining Standards. Estimates of mineral reserves may change from period to period due to the change in economic assumptions used to estimate ore reserves and due to additional geological data becoming available during the course of operations. Changes in reported proven and probable mineral reserves and a portion of measured, indicated and inferred resources that the Company expects to convert into reserves may significantly affect the Company's financial results and position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated cash flows;
- Depreciation and amortization charges to the condensed consolidated interim statement of comprehensive loss may change as these are calculated on the unit-of production method, or where the useful economic lives of assets change; and
- Asset retirement obligations and environmental provisions may change where changes in ore reserves affect expectations about the timing or cost of these activities.

Included in the life-of-mine estimate are measured, indicated and inferred resources that are not converted in reserves but over which the Company has a high expectation to convert to reserves in the future. The inclusion of these resources is an estimate that has a significant impact on the above-mentioned items impacted by the life-of-mine estimate.

As at November 1, 2017, Metanor adjusted the life-of-mine estimate of its mining properties in production based on updated geological data. Consequently, the life-of-mine estimate was decreased, which will result in an increase of the yearly depreciation of property, plant and equipment amortized over the life-of-mine.

f) 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 20.

6. SPIN-OUT OF LARDER LAKE ASSETS

On September 24, 2018, 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 Exploration Inc. ("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.

6. SPIN-OUT OF LARDER LAKE ASSETS (Continued)

The Spin-Out is treated as a distribution of non-cash assets and is recorded at the fair value of the assets distributed. A total of 33,426,512 common shares of Gatling were spun-out. Using a trading price of $0.21, the fair value is $7,027,128.

Fair value of assets distributed	$	7,027,128
Less book value of Larder Lake Project assets and liabilities		-
Less cash spun-out		(7,000,000)
Gain on spin-out of Larder Lake assets	$	27,128

7. ACQUISITION OF METANOR

On September 24, 2018, the Company acquired 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 0.16039 common shares of the Company for each Metanor share held, for a total of 16,351,312 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%.

The Company has determined that the acquisition of Metanor was a business combination in accordance with IFRS 3 *Business Combinations*. The Company incurred transaction costs of $1,346,378 related to the Acquisition, which are expensed.

These financial statements include revenue of $3,380,728 and a net loss of $9,763,601 related to Metanor operations from the close of the Acquisition to November 30, 2018.

The following tables summarizes the fair value of the consideration paid and the preliminary estimates of the fair values of identified assets acquired and liabilities assumed from Metanor. Final valuations of assets and liabilities are not yet complete due to the timing required for the valuations. The Company expects to finalize the determination of the fair values of the assets and liabilities acquired and deferred taxes within twelve months of the acquisition date, which could result in material differences from the preliminary values presented in these financial statements.

Purchase Price		
Common shares issued	$	64,587,682
Stock options issued		397,580
Loan advanced		4,000,000
	$	**68,985,262**

Net Assets Acquired		
Cash	$	883,047
Other current assets		10,010,525
Security and contract deposits		4,893,101
Property, plant and equipment		31,958,260
Accounts payable and other current liabilities		(18,475,117)
Long-term debt		(2,512,308)
Unearned revenue		(3,259,651)
Asset retirement obligations		(4,756,266)
Exploration and evaluation expenditures		50,243,671
	$	**68,985,262**

8. 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, as FVTPL; receivables and reclamation deposits, as amortized cost; and accounts payable and accrued liabilities, royalties payable and long-term debt, as amortized cost. 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:

November 30, 2018	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 9,668,855	$ -	$ -	$ 9,668,855
Marketable securities	$ 1,224,640	$ -	$ -	$ 1,224,640

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

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 $2,855,348 (May 31, 2018 - $1,643,880) owing from the Canada Revenue Agency and Revenu Québec. Of the amounts owing from the Canada Revenue Agency and Revenu Québec, $924,683 has been subsequently collected. Accordingly, the Company has minimal credit risk.

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 November 30, 2018 equal $22,513,047 (May 31, 2018 - $3,095,079). All of the liabilities presented as accounts payable are due within 30 days of the reporting date. The cash available is not sufficient to meet the Company's financial obligations at November 30, 2018.

8. FINANCIAL INSTRUMENTS (Continued)

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 period-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. Long-term debt bears interest at fixed rates, thus exposing the Company to the risk of changes in fair value arising from interest rate fluctuations.

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 and the gold price.

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 six months ended November 30, 2018. The Company is not subject to externally imposed capital requirements.

9. MARKETABLE SECURITIES

As at November 30, 2018, marketable securities consisted of shares in publicly-traded companies with a cost of $1,210,000 (May 31, 2018 - $1,200,000) and a fair value of $1,224,640 (May 31, 2018 - $800,000).

10. RECEIVABLES

	November 30, 2018	May 31, 2018
Sales tax receivable	$ 1,572,943	$ 1,643,880
Mining tax credits receivable	1,307,783	-
Other receivables	132,278	100,871
Total receivables	$ 3,013,004	$ 1,744,751

11. MATERIALS, SUPPLIES AND GOLD INVENTORY

	November 30, 2018	May 31, 2018
Materials and supplies	$ 1,837,984	$ -
Gold in circuit	1,097,973	-
	$ 2,935,957	$ -

12. SECURITY AND CONTRACT DEPOSITS

As at November 30, 2018, the Company had $4,395,001 (May 31, 2018 - $nil) in deposits with the Government of Québec for the settlement of asset retirement obligations, comprised of $4,000,104 (May 31, 2018 - $nil) for the mill and $394,897 (May 31, 2018 - $nil) for the Barry site. The Company also had $498,100 (May 31, 2018 - $nil) in deposits with Hydro Québec and others.

13. PROPERTY, PLANT AND EQUIPMENT

	Mining Site in Production (i)	Exploration (ii)	Finance Leases (Mining Site and Exploration) (iii)	Corporate Office (iii)	Total
Cost					
Balance, May 31, 2017	$ -	$ -	$ -	$ 66,384	$ 66,384
Additions	-	3,284,787	-	59,430	3,344,217
Disposal	-	-	-	(3,106)	(3,106)
Balance, May 31, 2018	-	3,284,787	-	122,708	3,407,495
Acquisition of Metanor	26,615,529	2,565,394	2,694,747	82,590	31,958,260
Transfers	(146,764)	356,764	(210,000)	-	-
Additions	745,957	190,703	-	57,567	994,227
Balance, November 30, 2018	$ 27,214,722	$ 6,397,648	$ 2,484,747	$ 262,865	$ 36,359,982
Depreciation					
Balance, May 31, 2017	$ -	$ -	$ -	$ 38,897	$ 38,897
Depreciation	-	246,359	-	14,196	260,555
Disposal	-	-	-	(3,106)	(3,106)
Balance, May 31, 2018	-	246,359	-	49,987	296,346
Transfers	(32,735)	39,296	(6,561)	-	-
Depreciation	775,385	359,167	31,635	13,445	1,179,630
Balance, November 30, 2018	$ 742,650	$ 644,822	$ 25,074	$ 63,432	$ 1,475,978
Net book value, May 31, 2018	$ -	$ 3,038,428	$ -	$ 72,721	$ 3,111,149
Net book value, November 30, 2018	$ 26,472,072	$ 5,752,826	$ 2,459,673	$ 199,433	$ 34,884,004

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	(i) Mining Site in Production					
	Building	**Equipment and Tools**	**Underground Infrastructure**	**Vehicles**	**Asset Retirement Costs**	**Total**
Cost						
Balance, May 31, 2017 and 2018	$ -	$ -	$ -	$ -	$ -	$ -
Acquisition of Metanor	12,144,286	4,608,027	7,960,175	660,582	1,242,459	26,615,529
Transfers	-	(674,695)	-	527,931	-	(146,764)
Additions	304,248	-	441,709	-	-	745,957
Balance, November 30, 2018	$ 12,448,534	$ 3,933,332	$ 8,401,884	$ 1,188,513	$ 1,242,459	$ 27,214,722
Depreciation						
Balance, May 31, 2017 and 2018	$ -	$ -	$ -	$ -	$ -	$ -
Balance, May 31, 2018	-	-	-	-	-	-
Transfers	-	(77,680)	-	44,945	-	(32,735)
Depreciation	236,929	71,606	304,821	113,305	48,724	775,385
Balance, November 30, 2018	$ 236,929	$ (6,074)	$ 304,821	$ 158,250	$ 48,724	$ 742,650
Net book value, May 31, 2018	$ -	$ -	$ -	$ -	$ -	$ -
Net book value, November 30, 2018	$ 12,211,605	$ 3,939,406	$ 8,097,063	$ 1,030,263	$ 1,193,735	$ 26,472,072

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

(ii) Exploration						
	Buildings	**Equipment and Tools**	**Camp Infrastructure**	**Underground Infrastructure**	**Vehicles**	**Total**
Cost						
Balance, May 31, 2017	$ -	$ -	$ -	$ -	$ -	$ -
Additions	-	-	3,284,787	-	-	3,284,787
Balance, May 31, 2018	-	-	3,284,787	-	-	3,284,787
Acquisition of Metanor	1,373,268	764,089	-	117,357	310,680	2,565,394
Transfers	-	-	-	-	356,764	356,764
Additions	-	3,445	172,500	14,758	-	190,703
Balance, November 30, 2018	$ 1,373,268	$ 767,534	$ 3,457,287	$ 132,115	$ 667,444	$ 6,397,648
Depreciation						
Balance, May 31, 2017	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation	-	-	246,359	-	-	246,359
Balance, May 31, 2018	-	-	246,359	-	-	246,359
Transfers	-	-	-	-	39,296	39,296
Depreciation	29,316	13,604	246,959	7,993	61,295	359,167
Balance, November 30, 2018	$ 29,316	$ 13,604	$ 493,318	$ 7,993	$ 100,591	$ 644,822
Net book value, May 31, 2018	$ -	$ -	$ 3,038,428	$ -	$ -	$ 3,038,428
Net book value, November 30, 2018	$ 1,343,952	$ 753,930	$ 2,963,969	$ 124,122	$ 566,853	$ 5,752,826

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	(iii) Finance Leases			(iv) Corporate Office				
	Mining Site Equipment	Exploration Building & Equipment	Total	Leasehold Improvements	Furniture and Equipment	Computer Equipment	Vehicles	Total
Cost								
Balance, May 31, 2017	$ -	$ -	$ -	$ -	$ 21,055	$ 45,379	$ -	$ 66,384
Additions	-	-	-	25,055	21,044	13,331	-	59,430
Disposal	-	-	-	-	-	(3,106)	-	(3,106)
Balance, May 31, 2018	-	-	-	25,055	42,049	55,604	-	122,708
Acquisition of Metanor	1,028,002	1,666,745	2,694,747	-	-	-	82,590	82,590
Transfers	(641,500)	431,500	(210,000)	-	-	-	-	-
Additions	-	-	-	-	-	-	57,567	57,567
Balance, November 30, 2018	$ 386,502	$ 2,098,245	$ 2,484,747	$ 25,055	$ 42,049	$ 55,604	$ 140,157	$ 262,865
Depreciation								
Balance, May 31, 2017	$ -	$ -	$ -	$ -	$ 14,409	$ 24,488	$ -	$ 38,897
Depreciation	-	-	-	2,506	3,424	8,266	-	14,196
Disposal	-	-	-	-	-	(3,106)	-	(3,106)
Balance, May 31, 2018	-	-	-	2,506	17,833	29,648	-	49,987
Transfers	(6,561)	-	(6,561)	-	-	-	-	-
Depreciation	9,171	22,464	31,635	1,253	2,422	3,893	5,877	13,445
Balance, November 30, 2018	$ 2,610	$ 22,464	$ 25,074	$ 3,759	$ 20,255	$ 33,541	$ 5,877	$ 63,432
Net book value, May 31, 2018	$ -	$ -	$ -	$ 22,549	$ 24,216	$ 25,956	$ -	$ 72,721
Net book value, November 30, 2018	$ 383,892	$ 2,075,781	$ 2,459,673	$ 21,296	$ 21,794	$ 22,063	$ 134,280	$ 199,433

14. EXPLORATION AND EVALUATION PROPERTIES

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 5,000 common shares to the vendors and 544 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 the share issue date. The property is subject to a 2% 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, and as amended 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), 8,750 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 285 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 100,000 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 10,000 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 70,000 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 West Lacroix Lake Property, located in Québec. In consideration, the Company issued 50,000 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.

14. EXPLORATION AND EVALUATION PROPERTIES (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 51,948 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 (incurred).

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 120,000 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 80,000 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 25,000 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 20,223 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 15,000 common shares (issued on March 21, 2017 and valued at $54,000).

14. EXPLORATION AND EVALUATION PROPERTIES (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 15,000 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 was required to make payments as follows:

- cash payment of $150,000 (paid) and issuance of 150,000 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 150,000 common shares of the Company on or before April 19, 2018 (issued on April 13, 2018 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 was required to issue to Durango 2000,000 common shares upon completion of a technical report.

The Company was also required to incur exploration expenditures of $1,000,000 by April 19, 2019. Durango retained a 2% NSR, of which 1% could 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 26,728 common shares (issued and valued at $112,259).

During the six months ended November 30, 2018, the Company terminated its option on the Trove Property.

(xiii) Duke Property

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 400,000 common shares of the upon acceptance by the TSX-V Company (issued on July 12, 2018 and valued at $1,600,000);
- An additional $250,000 on or before July 6, 2019; and
- An additional $250,000 on or before July 6, 2020.

14. EXPLORATION AND EVALUATION PROPERTIES (Continued)

a) Gladiator Project (continued)

(xiii) *Duke Property* (continued)

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.

(xiv) Maximus Property

On July 23, 2018, the Company entered into an agreement to acquire a 100% interest in the Maximus Property, located in Québec, at a cost of $200,000 (paid).

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 April 14, 2016 and TSX-V approval for the transaction was received April 26, 2016.

In consideration for the Larder Lake Property, the Company issued 1,000,000 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 55,891 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 10,000 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.

On September 24, 2018, the Larder Lake Project was included in the spin-out of assets to Gatling (note 6).

14. EXPLORATION AND EVALUATION PROPERTIES (Continued)

c) Metanor Exploration Projects

(i) Barry

The Company holds a 100% interest in a mining lease and 7 mining titles in the Barry gold deposit. It is subject to a 3% NSR.

(ii) Barry United

The Company holds a 100% interest in 93 mining titles located near the Barry gold deposit. It is subject to NSRs of 1% to 4%.

(iii) Barry Extension

The Company holds a 100% interest in 79 mining titles located near the Barry gold deposit. It is subject to a 2% NSR, one-half of which may be repurchased by the Company for $1,000,000, and the other one-half at conditions to be agreed upon by the parties.

(iv) Barry Souart

The Company holds a 100% interest in 21 mining titles located near the Barry gold deposit. It is subject to a 3.5% NSR, one-half of which may be repurchased by the Company for $1,000,000, payable in cash or by the issuance of shares at the option of the seller.

(v) Moroy

The Company holds a 100% interest in 12 mining titles located near the Bachelor Lake property. It is subject to a 2% or 3% NSR.

(vi) MJL – Hansen

The Company holds a 100% interest in 55 mining titles located near the Bachelor Lake property. It is subject to a 2% NSR, one-half of which may be repurchased for $1,000,000.

(vii) MJL – 2

The Company holds a 100% interest in 51 mining titles located near the Bachelor Lake property. It is subject to a 2% NSR, one-half of which may be repurchased for $1,000,000, and the other one-half at conditions to be agreed upon by the parties.

(viii) Nelligan

The Company holds a 70% interest in 58 mining titles located near the Bachelor Lake property. It is subject to a 2% NSR, one-half of which may be repurchased for $1,000,000.

(ix) Geonova

The Company holds a 100% interest in 35 mining titles located near the Bachelor Lake property. It is subject to a 2% to 3% NSR.

(x) Coniagas

The Company holds a 100% interest in a mining lease located near the Bachelor Lake property.

14. EXPLORATION AND EVALUATION PROPERTIES (Continued)

c) Metanor Exploration Projects (continued)

(xi) Hewfran-2

The Company holds a 100% interest in 13 mining titles located near the Bachelor Lake property. It is subject to a 2% NSR.

(xii) Wahnapitei

The Company holds a 90% interest in a property comprised of 2 mining leases and 3 concessions located in Sudbury, Ontario.

A summary of exploration and evaluation expenditures for the six months ended November 30, 2018 and 2017 is as follows:

For the Six Months Ended November 30, 2018	**Gladiator Project**	**Larder Lake Project**	**Metanor Projects**	**Total**
Acquisition Costs				
Claim maintenance	$ 4,356	$ 13,023	$ 4,317	$ 21,696
Option payments	2,050,000	-	-	2,050,000
Acquisition of Metanor	-	-	50,243,671	50,243,671
Total Acquisition Costs	**2,054,356**	**13,023**	**50,247,988**	**52,315,367**
Property Exploration Costs				
Assays	933,285	-	72,142	1,005,427
Camp and other costs	1,248,650	1,344	133,447	1,383,441
Depreciation	246,949	-	151,379	398,328
Development	-	-	1,764,872	1,764,872
Drilling	10,467,658	-	221,312	10,688,970
Geochemistry	24,625	-	-	24,625
Geological fees and salaries	471,082	28,100	999,706	1,498,888
Geophysics	67,378	-	15,000	82,378
Tax credits	(1,370,685)	-	-	(1,370,685)
Travel and transport	108,195	-	53,329	161,524
Total Exploration Costs	**12,197,137**	**29,444**	**3,411,187**	**15,637,768**
Total Exploration and Evaluation Expenditures	**$ 14,251,493**	**$ 42,467**	**$ 53,659,175**	**$ 67,953,135**

14. EXPLORATION AND EVALUATION PROPERTIES (Continued)

For the Six Months Ended November 30, 2017	Gladiator Project	Larder Lake Project	Total
Acquisition Costs			
Claim maintenance	$ 9,514	$ 79,039	$ 88,553
Total Acquisition Costs	**9,514**	**79,039**	**88,553**
Property Exploration Costs			
Assays	421,358	-	421,358
Camp and other costs	333,265	4,032	337,567
Drilling	7,368,512	-	7,368,512
Geochemistry	221,539	-	221,539
Geological	638,596	4,000	642,596
Geophysics	277,289	-	277,289
Travel and transport	77,974	-	77,974
Total Exploration Costs	**9,338,533**	**8,302**	**9,346,835**
Total Exploration and Evaluation Expenditures	**$ 9,348,047**	**$ 87,341**	**$ 9,435,388**

15. RELATED PARTY TRANSACTIONS

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

	Six Months Ended November 30, 2018	Six Months Ended November 30, 2017
Short-term compensation		
Exploration and evaluation expenditures	$ 182,000	$ 192,000
Management and director fees	832,000	332,000
Professional fees	105,000	45,000
Operating costs and salaries and fringe benefits	766,212	-
	1,885,212	569,000
Defined contribution pension plan (included in operating costs and salaries and fringe benefits)	7,268	-
Share-based compensation	33,156	-
	$ 1,925,636	$ 569,000

During the six months ended November 30, 2018, the Company received $42,000 (2017 - $23,155) for the recovery of rent expense from companies related by a common officer. Included in receivables at November 30, 2018 was $3,098 (May 31, 2018 - $100,871) for the recovery of shared expenses from companies related by a common officer. Included in accounts payable at November 30, 2018 was $144,952 (May 31, 2018 - $2,974) due to officers for expense reimbursements and unpaid fees. The amounts payable are non-interest-bearing, uncollateralized and repayable on demand.

During the six months ended November 30, 2018, the Company paid or accrued $18,760 (2017 - $104,557) to private companies with common directors for exploration and evaluation expenditures.

16. 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	Issued During the Six Months Ended November 30, 2018	Total
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**
Liability incurred on flow-through shares issued November 2018	-	-	1,721,750	**1,721,750**
Settlement of flow-through share liability by incurring expenditures	-	(3,364,962)	-	**(3,364,962)**
Balance, November 30, 2018	$ -	$ 104,569	$ 1,721,750	$ **1,826,319**

For the six months ended November 30, 2018

On November 8, 2018, the Company issued 3,443,500 flow-through shares at a price of $3.80 per share. The premium paid by investors was calculated as $0.50 per share. Accordingly, $1,721,750 was recorded as other liabilities.

At November 30, 2018, the Company had a remaining commitment to incur exploration expenditures of $784,269 in relation to its February 2018 flow-through share financing and $13,085,300 in relation to its November 2018 flow-through share financing. This amount is on a cash basis, and excludes any qualifying expenditures included in accounts payable.

Included in accounts payable and accrued liabilities at November 30, 2018 is a provision for tax liabilities as a result of not meeting flow-through expenditure requirements of $100,000 from flow-through common shares issued in calendar 2012 and 2013, and $91,927 from flow-through common shares previously issued by Metanor. The Company reduced the 2012 and 2013 provision by $143,794 during the six months ended November 30, 2018. No payments related to calendar 2012 and 2013 flow-through penalties were made during the 2018 fiscal year or during the six months ended November 30, 2018.

For the year ended May 31, 2018

On June 30, 2017, the Company issued 1,785,700 flow-through shares at a price of $8.40 per share. The premium paid by investors was calculated as $3.40 per share. Accordingly, $6,071,380 was recorded as other liabilities.

On February 26, 2018, the Company issued 1,330,000 super flow-through shares at a price of $7.50 per share. The premium paid by investors was calculated as $2.30 per share. Accordingly, $3,059,000 was recorded as other liabilities.

16. OTHER LIABILITIES (Continued)

On February 26, 2018, the Company issued 1,920,000 flow-through shares at a price of $6.00 per share. The premium paid by investors was calculated as $0.80 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.

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.

17. LONG-TERM DEBT

	November 30, 2018	May 31, 2018
Notes payable, secured by rolling stock and mining equipment having a net book value of $860,099, 0% to 6.24%, payable in monthly instalments, maturing at varying dates to 2022	$ 679,660	$ -
Obligations under finance leases, 0% to 5.92%, payable in monthly instalments, maturing from 2018 to 2020	1,585,879	-
	2,265,539	-
Current portion of long-term debt	(943,318)	-
	$ 1,322,221	$ -

The instalments on long-term debt for the forthcoming years are as follows:

	Obligations under finance leases	Notes payable
2019	$ 865,471	$ 264,622
2020	512,865	240,103
2021	267,199	157,161
2022	187,020	17,774
2023	62,340	-
Total minimum payments	1,894,895	679,660
Interest expense included in minimum payments	(309,016)	-
	$ 1,585,879	$ 679,660

18. UNEARNED REVENUE

In 2012, Metanor entered into an agreement with Sandstorm where Sandstorm made advances totaling US $20 million. In exchange, Metanor was required to sell to Sandstorm 20% of the gold produced from its Bachelor Lake Property until 2052. For the first US $20 million of sales, Metanor received US $500 per ounce, with the difference between the prevailing market price and the US $500 reducing the US $20 million deposit. The full amount of the deposit was reduced to $nil, and sales of gold to Sandstorm were to be completed at the lesser of US $500 and the prevailing market price per ounce of gold. The initial deposit was recorded as unearned revenue and recognized on the basis of the ounces sold over the estimated quantity of gold to be delivered over the term of the contract.

On September 29, 2017, Metanor entered into an Amending Agreement with Sandstorm, effectively reducing the existing gold stream on the Bachelor mine (which required Metanor to sell 20% of its gold production at the fixed price of US $500) and replacing it with a 3.9% NSR on all minerals produced from the Bachelor and Barry properties (including the surrounding exploration properties held by Metanor at September 29, 2017); 2.1% of the NSR can be repurchased upon payment of US $2,000,000 for each property, thereby reducing the NSR to 1.8%. These NSRs become effective once the Company has delivered 12,000 ounces of gold to Sandstorm at the fixed price of US $500 (minimum of 1,500 ounces quarterly). As of November 30, 2018, 4,500 ounces were delivered, along with an additional 150 ounces for a late payment. As part of the consideration, Metanor issued 3,164,156 common shares to Sandstorm with an aggregate value of $2,436,400.

19. ASSET RETIREMENT OBLIGATIONS

The Company's production and exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment. The Company has recorded the asset retirement obligations on the basis of management's best estimates of future costs, based on information available on the reporting date. Best estimates of future cost are the amount the Company would reasonably pay to settle its obligation on the closing date.

The future costs are discounted using the risk-free interest rate of the Company and are recorded to liabilities. The counterparts of these obligations are capitalized to property, plant and equipment, which will be depreciated in accordance with the unit-of-production method based on the estimated life of the mine upon beginning commercial production. The asset retirement obligations are adjusted for accumulated accretion in accordance with the expected timing of payment of the cash flows required to settle these obligations.

a) Changes in obligations

The following table sets forth the changes in the asset retirement obligations:

	November 30, 2018	May 31, 2018
Balance, beginning of period	$ -	$ -
Acquisition of Metanor	4,756,266	-
Accretion expense	15,697	-
Balance, end of period	$ 4,771,963	$ -

19. ASSET RETIREMENT OBLIGATIONS (Continued)

b) Information used in the calculation of obligations

The rate used to determine the future value is 2%, while the rate reflecting the current market assessments (adjusted for the risks specific to this liability) used to determine the actual value is 2.01%. The schedule of payments was determined by taking into account the reserves and resources that the Company considers highly likely to be able to convert into reserves of related mining properties and the estimated annual production level. The Company plans to settle these obligations during the financial year ending in 2030.

c) Distribution of asset retirement obligations

The following table sets forth the changes in the asset retirement obligations:

	November 30, 2018	May 31, 2018
Barry site	$ 412,432	$ -
Mill	4,359,531	-
	$ 4,771,963	$ -

20. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value

b) Issued and outstanding

During the six months ended November 30, 2018

On September 24, 2018, the Company issued 16,351,213 common shares of the Company for the acquisition of Metanor (note 7).

On November 6, 2018, the Company closed a private placement for gross proceeds of $21,817,100. The Company issued 3,443,500 flow-through common shares of the Company at a price of $3.80 and 2,646,000 common shares of the Company at a price of $3.30.

The premium paid by investors on the flow-through shares was calculated as $0.50 per share. Accordingly, $1,721,750 was recorded as other liabilities. The underwriters received a cash fee of $1,309,026. Other share issue costs of $114,350 were incurred.

On November 14, 2018, the Company closed an additional tranche for gross proceeds of $99,990. The Company issued 30,300 common shares of the Company at a price of $3.30.

During the six months ended November 30, 2018, the Company issued 333,351 common shares for proceeds of $1,166,839 on the exercise of 333,351 warrants. The value of the warrants of $167,311 was transferred to share capital from share-based payments reserve upon exercise.

During the six months ended November 30, 2018, the Company issued 400,000 common shares valued at $1,600,000 for exploration and evaluation expenditures (note 14(a)).

20. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

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 1,785,700 flow-through common shares of the Company at a price of $8.40 per share and 1,000,000 common shares of the Company at a price of $5.00 per share.

The premium paid by investors on the flow-through shares was calculated as $3.40 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 1,330,000 super flow-through common shares of the Company at a price of $7.50 per share and 1,920,000 flow-through common shares of the Company at a price of $6.00 per share.

The premium paid by investors on the super flow-through and flow-through shares was calculated as $2.30 and $0.80 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 130,000 finder's warrants with an exercise price of $6.00 per unit for a period of two years. The finder's warrants were valued at $184,778 (note 20(c)). Other share issue costs of $157,014 were incurred.

During the year ended May 31, 2018, the Company issued 385,034 common shares for proceeds of $1,333,141 on the exercise of 385,034 share purchase and finder's warrants and 60,000 common shares for proceeds of $168,000 on the exercise of 60,000 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 150,000 common shares valued at $750,000 for exploration and evaluation expenditures (note 14(a)).

c) Warrants

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

	Six Months Ended November 30, 2018		**Year Ended May 31, 2018**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	1,512,143	$ 4.40	1,784,162	$ 4.10
Issued	-	-	130,000	$ 6.00
Addition of Metanor warrants	4,175,774	$ 5.33	-	-
Exercised	(333,351)	$ 3.50	(385,034)	$ 3.50
Expired	(1,500,095)	$ 4.57	(16,985)	$ 3.50
Outstanding, end of period	3,854,471	$ 5.39	1,512,143	$ 4.40

20. 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 November 30, 2018
March 2, 2019	0.25	$ 2.40	163,760
March 14, 2019	0.28	$ 2.40	14,640
March 21, 2019	0.30	$ 4.10	91,024
March 21, 2019	0.30	$ 5.60	1,437,098
March 23, 2019	0.31	$ 3.00	22,286
April 21, 2019	0.39	$ 5.60	1,013,836
December 28, 2019	1.08	$ 5.60	981,827
February 26, 2020	1.24	$ 5.20	130,000
	0.55		3,854,471

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:

	Six Months Ended November 30, 2018	Year Ended May 31, 2018
Expected life (years)	N/A	2.00
Risk-free interest rate	N/A	1.79%
Expected annualized volatility	N/A	61%
Dividend yield	N/A	N/A
Stock price at grant date	N/A	$5.00
Exercise price	N/A	$6.00
Weighted average grant date fair value	N/A	$1.40

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.

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.

20. SHARE CAPITAL (Continued)

d) Stock options (continued)

The following is a summary of option transactions under the Company's stock option plan for the six months ended November 30, 2018 and year ended May 31, 2018:

	Six Months Ended November 30, 2018		**Year Ended May 31, 2018**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,220,000	$ 4.20	1,115,000	$ 3.90
Granted		$7.84	200,000	$ 5.50
Exercised	-	-	(60,000)	$ 2.80
Expired	(80,000)	$ 4.99	(35,000)	$ 4.90
Outstanding, end of period	1,895,841	$ 5.32	1,220,000	$ 4.20

The weighted average trading price on date of exercise for the stock options exercised during the year ended May 31, 2018 was $5.00.

20. SHARE CAPITAL (Continued)

d) Stock options (continued)

The following options were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	November 30, 2018 Outstanding	Exercisable
December 17, 2018*	0.05	$ 7.50	1,603	1,603
January 17, 2019*	0.10	$ 5.50 - $ 20.00	24,056	24,056
February 16, 2019	0.21	$ 36.80	320	320
July 4, 2019	0.59	$ 7.50 - $ 43.60	83,402	83,402
September 15, 2019	0.79	$ 7.50	33,277	33,277
September 17, 2019	0.80	$ 3.70	250,000	250,000
September 24,2019	0.82	$ 4.40 - $ 43.60	163,588	163,588
February 18, 2020	1.22	$ 31.20	320	320
April 3, 2020	1.34	$ 3.50	595,000	595,000
July 18, 2020	1.63	$ 43.60	1,202	1,202
September 22, 2020	1.81	$ 31.20	1,603	1,603
October 14, 2020	1.87	$ 1.70	120,000	120,000
November 25, 2020	1.99	$ 3.10	8,017	8,017
December 8, 2020	2.02	$ 1.70	40,000	40,000
February 1, 2021	2.18	$ 5.00	140,000	140,000
February 25, 2021	2.24	$ 20.00	802	802
March 30, 2021	2.33	$ 4.50	245,000	245,000
March 23, 2022	3.31	$ 4.40	4,009	4,009
May 15, 2022	3.46	$ 5.50	156,378	156,378
July 14, 2022	3.62	$ 5.10	16,039	16,039
September 14, 2022	3.79	$ 15.60	9,622	9,622
March 11, 2023	4.28	$ 15.60	1,603	1,603
	1.62		1,895,841	1,895,841

* expired unexercised subsequent to November 30, 2018

20. 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:

	Six Months Ended November 30, 2018	Year Ended May 31, 2018
Expected life (years)	1.94	2.99
Risk-free interest rate	2.20%	1.99%
Expected annualized volatility	68%	75%
Dividend yield	N/A	N/A
Stock price at grant date	$3.95	$5.40
Exercise price	$9.88	$5.50
Weighted average grant date fair value	$0.932	$2.60

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.

21. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2018		2017
Income tax paid	$	-	$	-
Interest received	$	72,889	$	98,434
Interest paid	$	86,003		
Non-cash investing and financing activities				
Fair value of warrants exercised	$	167,311	$	355,316
Accounts payable related to property, plant and equipment (opening)	$	482,745	$	-

22. SEGMENTED DISCLOSURE

The Company operates several exploration and evaluation properties in Québec, as well as a gold mine. These operating sites are managed separately given their different locations. The Company assesses the performance of each segment. Accounting policies for each segment are the same as those used for the preparation of the condensed consolidated interim financial statements.

Prior to the acquisition of Metanor, and for the year ended May 31, 2018, the Company's only operating segment was mineral exploration and development.

22. SEGMENTED DISCLOSURE (Continued)

Six months ended November 30, 2018	Mining Site	Exploration	Corporate	Total
Revenue	$ 3,380,728	$ -	$ -	$ 3,380,728
Operating costs	(7,146,182)	-	-	(7,146,182)
Royalty expense	(22,274)	-	-	(22,274)
Depreciation and depletion	(767,861)	-	-	(767,861)
Cost of sales	(7,936,317)	-	-	(7,936,317)
Gross loss	(4,555,589)	-	-	(4,555,589)
Exploration and evaluation	(510,342)	(67,953,135)	-	(68,463,477)
Administration	-	-	(6,541,550)	(6,541,550)
Depreciation of property, plant and equipment	-	-	(13,445)	(13,445)
Operating loss	(5,065,931)	(67,953,135)	(6,554,995)	(79,574,061)
Finance expense	(124,820)	-	3,934,827	3,810,007
Finance income	-	-	72,289	72,289
Net loss	$ (5,190,751)	$ (67,953,135)	$ (2,547,879)	$ (75,691,765)
Addition of property, plant and equipment	745,957	190,703	57,567	994,227

23. 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 November 30, 2018, the total annual base fee of the officers and consultants under the agreements is $1,274,000 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

c) On September 9, 2013, the Ministry of Natural Resources of Québec approved the update of the restoration plan of the Bachelor mine. The financial guarantee covering the restoration costs amounted to $4,000,104, which has been paid as at November 30, 2018.

24. 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 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 May 31, 2017	**As Previously Reported**	**Effect of Change in Accounting Policy**	**As Restated Under the New Policy**
Exploration and evaluation assets	$ 27,565,156	$ (27,565,156)	$ -
Deficit	$ (26,895,962)	$ (27,565,156)	$ (54,461,118)
As at November 30, 2017			
Exploration and evaluation assets	$ 37,000,544	$ (37,000,544)	$ -
Deficit	$ (25,334,552)	$ (37,000,544)	$ (62,335,096)

Statements of Comprehensive Loss

For the Three Months Ended November 30, 2017	**As Previously Reported**	**Effect of Change in Accounting Policy**	**As Restated Under the New Policy**
Exploration and evaluation	$ -	$ 5,031,388	$ 5,031,388
Net income (loss) for the period	$ 1,511,269	$ (5,031,388)	$ (3,520,119)
Basic and diluted earnings (loss) per share	$ 0.08	$ (0.27)	$ (0.19)
For the Six Months Ended November 30, 2017			
Exploration and evaluation	$ -	$ 9,435,388	$ 9,435,388
Net income (loss) for the period	$ 1,561,410	$ (9,435,388)	$ (7,873,978)
Basic and diluted earnings (loss) per share	$ 0.08	$ (0.50)	$ (0.42)

24. CHANGE IN ACCOUNTING POLICY (Continued)

Statements of Cash Flows

For the Six Months Ended November 30, 2017	**As Previously Reported**	**Effect of Change in Accounting Policy**	**As Restated Under the New Policy**
Net income (loss) for the period	$ 1,561,410	$ (9,435,388)	$ (7,873,978)
Changes in non-cash working capital			
Prepaid expenses	$ (254,732)	$ (1,405,000)	$ (1,659,732)
Accounts payable and accrued liabilities	$ (290,964)	$ 1,385,351	$ 1,094,387
Cash Used in Operating Activities	$ (2,566,602)	$ (9,455,037)	$ (12,021,639)
Exploration and evaluation expenditures	$ (9,455,037)	$ 9,455,037	$ -
Cash Used in Investing Activities	$ (12,296,732)	$ 9,455,037	$ (2,841,695)