Teras Resources Inc.

Consolidated Financial Statements

For the years ended May 31, 2019 and 2018

(Expressed in Canadian Dollars)

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May 31, 2019 and 2018
(Expressed in Canadian Dollars)

Management Report

To the Shareholders of Teras Resources Inc.

The consolidated financial statements of Teras Resources Inc. were prepared by management in accordance with appropriately selected International Financial Reporting Standards and have been approved by the Board of Directors. Management has used estimates and careful judgment, particularly in those circumstances where transactions affecting current periods are dependent on information not known until a future period.

Management is responsible for the integrity of the financial and operational information contained in these consolidated financial statements. The Company has designed and maintains internal controls to provide reasonable assurance that assets are properly safeguarded and that the financial records are well maintained and provide relevant, timely and reliable information to management. The consolidated financial statements have been prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in the notes to the consolidated financial statements.

External auditors appointed by the shareholders have conducted an independent examination of the corporate and accounting records in order to express their opinion on the consolidated financial statements. The Audit Committee has met with the external auditors and management in order to determine if management has fulfilled its responsibilities in the preparation of the consolidated financial statements. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

Teras Resources Inc.

(Signed) "Peter Leger"
President Chief Executive Officer

(Signed) "Kuldip Baid"
Chief Financial Officer

Calgary, Canada
September 30, 2019

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Independent Auditor's Report

To the Shareholders of Teras Resources Inc.

Opinion

We have audited the consolidated financial statements of Teras Resources Inc. ("the Company"), which comprise the consolidated statements of financial position as at May 31, 2019 and May 31, 2018 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2019 and May 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Independent Auditor's Report (continued)

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (continued)

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Todd Freer.

Calgary, Canada
September 30, 2019

“Crowe MacKay LLP”
Chartered Professional Accountants

Teras Resources Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	May 31, 2019	May 31, 2018
Assets		
Current		
Cash	**$ 204,341**	$ 284,975
GST receivable	**22,195**	23,060
Prepaid expenses and deposits	**19,393**	18,998
	245,929	327,033
Reclamation deposit	**20,291**	-
Investment (note 4)	**54,123**	64,740
Equipment (note 5)	**843**	3,369
Exploration and evaluation assets (note 6)	**25,182,355**	24,916,502
	$ 25,503,541	$ 25,311,644
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 7 and 11)	**$ 285,301**	$ 181,448
Shareholders' Equity		
Share capital (note 8)	**44,116,417**	43,165,270
Subscriptions received (note 8)	**-**	70,000
Contributed surplus (note 9)	**4,014,308**	3,880,467
Accumulated other comprehensive income (note 9)	**206,089**	149,536
Deficit	**(23,118,574)**	(22,135,077)
	25,218,240	25,130,196
	$ 25,503,541	$ 25,311,644

Nature of operations and going concern (note 1)
Commitments and contingencies (note 15)
Subsequent events (note 16)

Approved by the Board of Directors:

(*Signed*) "Peter Leger"________, Director

(*Signed*) "John Batiuk"________, Director

Teras Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended May 31,	**2019**	2018
Revenues		
Oil and gas royalty income	**$ 101**	$ 851
Expenses		
General and administrative (note 11)	**573,623**	678,710
Pre-exploration expense	**70,735**	-
Amortization	**2,526**	2,526
Stock-based compensation (note 8(vi) and 11)	**121,483**	133,219
Impairments (note 6)	**215,231**	-
	983,598	814,455
Net loss for the year	**(983,497)**	(813,604)
Other comprehensive income		
Unrealized gain (loss) on investment (note 4)	**(10,617)**	24,240
Unrealized gain on translation	**67,170**	11,697
	56,553	35,937
Net and comprehensive loss for the year	**$ (926,944)**	$ (777,667)
Basic and diluted loss per share	**$ (0.00)**	$ (0.00)
Weighted average number of shares outstanding	**185,443,011**	173,376,975

Teras Resources Inc.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Number of shares	Share capital	Subscriptions received	Contributed surplus	Accumulated other comprehensive income (note 9)	Deficit	Total
Balance May 31, 2017	161,001,478	$ 42,114,372	$ -	$ 3,733,764	$ 113,599	$ (21,321,473)	$ 24,640,262
Net and comprehensive loss	-	-	-	-	35,937	(813,604)	(777,667)
Issued for private placement, net	13,483,750	1,050,898	-	13,484	-	-	1,064,382
Share subscriptions received	-	-	70,000	-	-	-	70,000
Stock-based compensation	-	-	-	133,219	-	-	133,219
Balance, May 31, 2018	**174,485,228**	**43,165,270**	**70,000**	**3,880,467**	**149,536**	**(22,135,077)**	**25,130,196**
Net and comprehensive loss	**-**	**-**	**-**	**-**	**56,553**	**(983,497)**	**(926,944)**
Issued for private placement, net	**18,157,725**	**951,147**	**(70,000)**	**12,358**	**-**	**-**	**893,505**
Stock-based compensation	**-**	**-**	**-**	**121,483**	**-**	**-**	**121,483**
Balance, May 31, 2019	**192,642,953**	**$ 44,116,417**	**$ -**	**$ 4,014,308**	**$ 206,089**	**$ (23,118,574)**	**$ 25,218,240**

Teras Resources Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the years ended May 31,	**2019**	2018
Operating activities		
Net loss	**$ (983,497)**	$ (813,604)
Items not affecting cash		
Amortization	**2,526**	2,526
Pre-exploration expenditures	**13,300**	-
Stock-based compensation	**121,483**	133,219
Impairments (note 6)	**215,231**	-
	(630,957)	(677,859)
Changes in working capital items:		
GST receivable	**865**	2,667
Prepaid expenses and deposits	**(395)**	(1,055)
Accounts payable and accrued liabilities	**113,306**	(31,065)
	(517,181)	(707,312)
Financing activity		
Issuance of share capital, net of issuance costs	**880,205**	1,064,382
Share subscriptions received	**-**	70,000
	880,205	1,134,382
Investing activities		
Exploration and evaluation expenditures	**(423,367)**	(797,945)
Reclamation deposit	**(20,291)**	-
	(443,658)	(797,745)
Decrease in cash	**(80,634)**	(370,875)
Cash, beginning of year	**284,975**	655,850
Cash, end of year	**$ 204,341**	$ 284,975

Supplemental cash flow information

Non-cash transactions:		
Shares issued for pre-exploration expenses	**$ 13,300**	$ -
Share subscriptions transferred to share capital on issuance of shares	**$ 70,000**	$ -

1. Nature of operations and going concern

Teras Resources Inc. (the "Company") is incorporated in Alberta, Canada. The address of the Company's head office is 206, 6025 - 12th Street SE, Calgary, Alberta, T2H 1K1. The address of the Company's registered office is 1000, 250 - 2nd Street SW, Calgary, Alberta, T2P 0C1. The Company is involved in the acquisition and exploration of mineral property interests in Montana, Nevada and Cahuilla in California. At the date of these consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties. The ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, complete the processing mill and obtain commercial grade ore for processing, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the properties.

These consolidated 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 obligations in the normal course of operations.

The Company's ability to maintain its current level of operations is dependent on its ability to generate sufficient cash to fund its strategic business plan. To date, the Company has no ongoing recurring source of revenue. At May 31, 2019 the Company had cash of $204,341 and a working capital deficiency of $39,372.

In the fourth quarter of fiscal 2019, the Company issued 5,800,000 units at a price of $0.05 per unit consisting of one common share and one common share purchase warrant exercisable into one common share at a price of $0.05 per share for a period of one year from issuance for net proceeds of $287,229.

In the first quarter of fiscal 2019, the Company issued 12,357,725 units at a price of $0.055 per unit consisting of one common share and one common share purchase warrant exercisable into one common share at a price of $0.075 per share for a period of one year from issuance for net proceeds of $676,276.

In the first quarter of fiscal 2018, the Company issued 13,483,750 units at a price of $0.08 per unit consisting of one common share and one common share purchase warrant exercisable into one common share at a price of $0.15 per share for a period of one year from issuance for net proceeds of $1,064,382.

While management believes the Company has sufficient cash to discharge its obligations in the normal course of operations for the short-term, future operations will continue to be dependent upon the successful ongoing exploration and development of the Company's mineral property interests and/or raising of sufficient capital, and the corresponding generation of future cash flows. Management believes the going concern assumption is appropriate for these consolidated financial statements. The Company's ability to continue as a going concern on a longer term basis depends on its ability to successfully raise additional financing for further exploration activity and development or to enter into profitable operations. While the Company has been successful to date in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These factors cast significant doubt on the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments might be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used.

2. Basis of presentation and statement of compliance

These consolidated financial statements for the years ended May 31, 2019 and 2018, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). A summary of the Company's significant accounting policies is presented in Note 3.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on September 30, 2019.

Basis of consolidation

The Company has consolidated the assets, liabilities, revenues and expenses of the Company and its wholly-owned subsidiaries, Profile (US) Inc. and Teras Resources Ltd. USA.

All significant intercompany transactions and balances have been eliminated.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value as described in the policies below.

Foreign currency translation

The functional and presentation currency of the Company is the Canadian dollar. The functional currency for each of the subsidiaries is the US dollar. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation. Items in the consolidated statements of loss and comprehensive loss are translated using average exchange rates. Assets and liabilities are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of entities with functional currencies other than the Canadian dollar are recognized in a separate component of equity through other comprehensive income (loss).

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in Accumulated other comprehensive income (loss) are recognized in the consolidated statement of loss.

3. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include bank balances and temporary money market instruments with initial maturities of three months or less. The Company places its cash with institutions of high credit worthiness. At times, such investments may be in excess of federal insurance limits. At May 31, 2019 and 2018, the Company did not have any cash equivalents.

Exploration and evaluation expenditures

Pre-exploration costs

Pre-exploration costs are expensed as incurred.

Exploration and evaluation expenditures

The cost of mineral properties and their related exploration costs are deferred until the properties are placed into production, sold or abandoned. These costs are amortized on a unit-of-production basis following the commencement of production or written-off if the properties are sold or abandoned. If the properties are considered to be impaired in value, an appropriate charge will be made at the time.

Costs include the cash consideration and the fair market value of share and options issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined the property is to be under development and is classified as development properties. The carrying value of exploration and evaluation assets is transferred to development properties after being tested for impairment.

The recorded cost of mineral claims and deferred exploration costs represents costs incurred to date less write-down and are not intended to reflect present or future values. The ultimate recovery of such capitalized costs is dependent upon the discovery and development of economic reserves or the sale of mineral rights.

On an ongoing basis, the Company evaluates each mineral property based on results obtained to date to determine the nature of exploration, other assessment and development work, if any, that is warranted in the future and the potential for recovery of the capitalized costs. If there is little prospect of future work on a property being carried out within a three-year period from completion of previous activities, the deferred costs related to that property are written-down to the estimated amount recoverable unless there is persuasive evidence that an impairment allowance is not required.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

3. Significant accounting policies (continued)

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment at least annually or whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount of an asset is determined as the higher of its fair value less cost to sell and its value in use. An impairment loss exists if the asset's carrying amount exceeds the recoverable amount and is recorded as an expense immediately. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash generating unit ("CGU") to which the asset belongs is determined. For mining assets, CGU's are based on an individual property basis.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mining assets, fair value less cost to sell is often estimated using a discounted cash flow approach as a fair value from an active market or binding sale agreement is not readily available. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

Tangible assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized into the consolidated statement of loss immediately.

Valuation of equity instruments issued in private placements

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any was allocated to the attached warrants and is recorded as contributed surplus.

Joint venture contributions

Joint venture contributions related to equipment and exploration and evaluation assets are applied to reduce the related carrying costs.

3. Significant accounting policies (continued)

Equipment

Equipment is recorded at cost, being the purchase price and the directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components having different useful lives, they are accounted for as separate items of equipment. Maintenance and repairs of equipment of a routine nature are expensed as incurred. Equipment is depreciated on a straight-line basis at the rate of 30% per annum. No amortization is provided for equipment not in use by the Company. Depreciation commences when an asset is available for use. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

The gain or loss arising on disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of loss and comprehensive loss.

Income taxes

Current income taxes are recognized for the estimated taxes payable for the current year.

Deferred taxes are accounted for using the asset and liability method of tax accounting. Under this method, deferred tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of the respective assets and liabilities, using the enacted or substantively enacted tax rates anticipated to apply in the period that the temporary differences are expected to reverse. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Revenue recognition

Royalty revenue is recognized at the time it is earned and the Company has a contractual right to receive the revenue.

The Company has only one source of revenue hence disaggregated revenue information is limited to geographical disclosure as outlined in Note 10.

3. Significant accounting policies (continued)

Decommissioning obligations

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows discounted at a credit-adjusted risk-free rate of return. The decommissioning obligation is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the credit-adjusted risk-free discount rate. The liability is also accreted to full value over time through periodic charges to earnings. This unwinding of the discount is charged to financing expense in the consolidated statement of loss and comprehensive loss.

The amount of the obligation initially recognized is capitalized as part of the related asset's carrying value and amortized to earnings. The method of amortization follows that of the underlying asset. The costs related to the obligation are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit. For a closed site or where the asset which generated an obligation no longer exists, there is no longer a future benefit related to the costs and as such, the amounts are expensed. For operating sites, a revision in estimates or a new disturbance will result in an adjustment to the liability with an offsetting adjustment to the capitalized retirement cost. For closed sites, adjustments to the obligation that are required as a result of changes in estimates are charged to earnings in the period in which the adjustment is identified. The Company has assessed each of its mineral properties and has determined that decommissioning obligations exist as at May 31, 2019, see note 7.

Stock-based compensation

The fair value for each stock option granted is estimated at the date of the grant using the Black-Scholes option pricing model. This expense is recognized over a graded vesting period, the fair value of each tranche is recognized over its respective vesting period. When recognizing the fair value of each tranche over its respective vesting period, the Company incorporates an estimate of the number of options expected to vest and revises the estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates. These fair values are recognized as stock-based compensation in the consolidated statement of loss and comprehensive loss with a corresponding increase to contributed surplus over the vesting period of the grant.

As the options are exercised, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed.

Equity-settled stock-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3. Significant accounting policies (continued)

Per share amounts

Per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury stock method which assumes that any proceeds obtained on the exercise of options and warrants would be used to purchase common shares at the average price during the period. Where the effect of options and warrants is anti-dilutive, they are not included in the calculation of diluted per share amounts.

Joint interest operations

The Company conducts some of its mineral property exploration and production activities jointly with other non-affiliated companies and accordingly, the consolidated accounts reflect only the Company's share in such activities.

Financial instruments

Financial instruments are comprised of cash, GST receivable, investment and accounts payable and accrued liabilities. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

a. Financial assets

Classification and Measurement

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;

- Fair value through other comprehensive income ("FVOCI"): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest. An irrevocable election may also be made to present in other comprehensive income changes in the fair value of investments in equity instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination; or

- Fair Value through Profit and Loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The Company has classified its cash and GST receivable as financial assets at amortized cost, and has classified its investment as a financial asset at FVOCI.

3. Significant accounting policies (continued)

Financial instruments (continued)

a. Financial assets (continued)

Impairment of Financial Assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

b. Financial liabilities

Financial liabilities include accounts payable and accrued liabilities. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Classification and Measurement of Financial Liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable. Financial liabilities at FVTPL (other than financial liabilities designated at FVTPL) are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings. A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

The Company has classified its accounts payable and accrued liabilities as a financial liability at amortized cost.

3. Significant accounting policies (continued)

Critical judgments in applying accounting policies

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies apart from those involving estimations that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

- Economic recoverability and probability of future economic benefits of exploration and evaluation assets

  Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans at each reporting period date.

Key sources of estimation uncertainty

The preparation of consolidated financial statements requires that the Company's management makes assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the Company's consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of the Company's assets and liabilities are as follows:

- Impairment of exploration and evaluation assets.

  The Company considers both external and internal sources of information in assessing whether there are any indications that exploration and evaluation assets are impaired at each reporting period date. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests.

  In determining the recoverable amounts of the Company's exploration and evaluation assets, the Company's management makes estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about prices, future capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, production cost estimates, discount rates and exchange rates. Reductions in price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

3. Significant accounting policies (continued)

Key sources of estimation uncertainty (continued)

- Contingencies

  Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

- Stock-based compensation

  The Company uses the Black-Scholes option pricing model in determining stock-based compensation which requires a number of assumptions to be made, including the risk-free interest rate, expected option life, forfeiture rate, and expected share price volatility which is based upon historical volatility determined in reference to the expected option life.

  Consequently, the actual stock-based compensation expense may vary from the amount estimated.

- Income taxes

  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual fact and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

- Decommissioning liabilities

  Decommissioning costs are incurred when certain of the Company's long-lived assets are retired. Assumptions, based on current economic factors which management believes are reasonable, have been made to estimate the future liability. However, the actual cost of decommissioning is uncertain and cost estimates may change in response to numerous factors including changes in legal requirements, technological advances, inflation and the timing of expected decommissioning and restoration. The impact to net earnings over the remaining economic life of the assets could be significant due to the changes in cost estimates as new information becomes available.

3. Significant accounting policies (continued)

New and revised standards and interpretations

The Company has adopted the new and revised standards and interpretations issued by the IASB listed below effective June 1, 2018. These changes were made in accordance with the transitional provisions outlined in the respective standards and interpretations.

IFRS 9 Financial Instruments

The Company adopted IFRS 9, "Financial Instruments" on June 1, 2018. The transition to IFRS 9 had no material effect on the Company's consolidated financial statements.

IFRS 9 contains three principal classification categories for financial assets: amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39, "Financial Instruments: Recognition and Measurement", categories of held to maturity, loans and receivables and available for sale.

IFRS 9 also replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39. See Note 14 for additional disclosure on the Company's credit risk.

Cash is now measured at amortized cost while GST receivable continues to be measured at amortized cost. Both financial assets and are now classified as "amortized cost". The Company's investment continues to be measured at FVOCI and is now classified as a financial asset at "FVOCI". There was no change to the Company's classification of accounts payable and accrued liabilities which are classified as "other financial liabilities" and are measured at amortized cost. The Company has not designated any financial instruments as FVTPL, nor does the Company use hedge accounting.

Transition

On transition, the Company:

- Identified the business model used to manage its financial assets and classified its financial instruments into the appropriate IFRS 9 category; and

- Applied the ECL model to financial assets classified as measured at amortized cost.

The classification and measurement of financial instruments under IFRS 9 did not have a material impact on the Company's opening retained earnings as at June 1, 2018. In addition, the application of the ECL model to financial assets classified as measured at amortized cost did not result in a material adjustment on transition. The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at June 1, 2018 for each class of the Company's financial assets and financial liabilities.

3. Significant accounting policies (continued)

New and revised standards and interpretations (continued)

IFRS 9 Financial Instruments (continued)

Financial Instrument	IAS 39		IFRS 9	
Assets	Classification	Measurement	Classification	Measurement
Cash	FVTPL	Fair value	Amortized cost	Amortized cost
GST receivable	Loans and receivables	Amortized cost	Amortized cost	Amortized cost
Investment	Available for sale	Fair value	FVOCI	Fair value
Liabilities				
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	Amortized cost	Amortized cost

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15, “Revenue from Contracts with Customers” on June 1, 2018.

This standard provides a single model that applies to contracts with customers as well as two revenue recognition approaches: at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, when and the amount of revenue is recognized. The new standard applies to contracts with customers. The new revenue standard permits a full retrospective method of adoption with restatement of all prior periods presented, or a modified retrospective method with the cumulative effect of applying the new standard recognized as an adjustment to opening retained earnings in the period of adoption.

The adoption of this standard had no material impact on the Company’s consolidated financial statements.

Amendments to IFRS 2 Share-based Payment

These amendments added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. They introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety, provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Finally, they clarify the accounting treatment in situations where a cash-settled share-based payment changes to an equity-settled share based payment because of modifications of the terms and conditions. The adoption of this new standard had no material effect on the Company’s consolidated financial statements.

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

Future accounting pronouncements

The following accounting standards and amendments are effective for future periods.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company does not believe this new standard will have a material impact when adopted.

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

4. Investment

During the year ended May 31, 2010, the Company purchased 1,000,000 shares of NexGen Mining (formerly "Brilliant Sands Incorporated"), a Montana mining company originally valued at US $0.45 per share giving it approximately 10% ownership of the outstanding shares of the mining company at the time. The original purchase price was US $450,000 (CDN $478,734). The long-term investment does not provide the Company the ability to exercise significant influence over the operations of the entity. The investment is measured at fair value using level one input as the shares have a quoted market price in an active market.

	May 31, 2019	May 31,2018
Balance, beginning of year	**$ 64,740**	$ 40,500
Unrealized gain (loss) on investment	**(10,617)**	24,240
Balance, end of year	**$ 54,123**	$ 64,740

5. Equipment

			May 31, 2019
	Cost	**Accumulated amortization**	**Net book Value**
Other equipment	**$ 14,035**	**$ 13,192**	**$ 843**

			May 31, 2018
	Cost	Accumulated amortization	Net book value
Other equipment	$ 14,035	$ 10,666	$ 3,369

(Expressed in Canadian Dollars)

6. Exploration and evaluation assets

Accumulated costs in respect of mineral tenures and mineral rights owned, leased or under option, consist of the following:

	Watseca Mills	Golden Jubilee	Other	Cahuilla	Total
Balance, May 31, 2017	$ 51,888	$ 115,923	$ 18,410	$ 23,908,376	$24,094,597
Deferred exploration costs:					
Contract services	-	-	-	813,271	813,271
Revisions to ARO estimate	388	10,585	-	-	10,973
Administration costs	-	4,289	12,891	-	17,180
Foreign exchange on translation of subsidiaries	-	-	-	(19,519)	(19,519)
Total expenditures for the year	388	14,874	12,891	793,752	821,905
Balance, May 31, 2018	52,276	130,797	31,301	24,702,128	24,916,502
Deferred exploration costs:					
Contract services	-	-	-	423,145	423,145
Administration costs	-	-	222	-	222
Foreign exchange on translation of subsidiaries	-	325	310	57,082	57,717
Total expenditures for the year	-	325	532	480,227	481,084
Accumulated amortization and impairment:					
Impairments	(52,276)	(131,122)	(31,833)	-	(215,231)
Balance, May 31, 2019	**$ -**	**$ -**	**$ -**	**$ 25,182,355**	**$25,182,355**

Watseca Mills

On October 22, 2012, the Company entered into an agreement to dispose of the Watseca Mills (“Watseca”) property for a cash price of US $3,000,000 (the “Purchase Price”) with the following payment terms: (i) a non-refundable payment of US $500,000 has been received; (ii) a payment of US $250,000 to be received on the day that is 6 months after closing; and (iii) payments of US $250,000 to be received on the first day of each calendar quarter commencing after the payment made in (ii) above until the Company has received the full Purchase Price. As a result of the payment terms, subject to increasing quarterly payments, the full payment of the Purchase Price for the Watseca property is anticipated to be received by the Company 36 months after closing. If certain conditions in respect of the processing of ore on the Watseca property are met, quarterly payments will be increased to US$500,000, thus shortening the time period for receipt of the full payment of the Purchase Price.

6. Exploration and evaluation assets (continued)

Watseca Mills (continued)

In the event that there is a default by the Purchaser in respect of its obligations in the Purchase Agreement ("Agreement"), including in respect of the quarterly payments as set forth above, after the expiry of a cure period of up to 30 days, the Purchaser will forfeit all rights and interests in the Watseca property and the Watseca property will revert, unencumbered, back to the Company. Upon such a default, all payments received by the Company to the date of such default remain non-refundable and shall be kept by the Company.

The Purchaser was in default of its obligations under the Agreement in that none of the ten payments of US $250,000 each due after closing have been made. On March 22, 2017, Teras provided a formal termination letter to the Purchaser, terminating the Agreement. As a result, the property reverted, unencumbered, back to Teras.

During the year ending May 31, 2017, $50,000 of reclamation work was performed on the Watseca property. During fiscal 2019, the remaining costs required to complete the reclamation were incurred leaving a balance of $nil (2018 - $2,000) in accounts payable and accrued liabilities (note 7) with respect to the abandonment and reclamation of this property.

During the year ended May 31, 2019, management reviewed the carrying value of the capitalized exploration and evaluation costs of the Watseca property for indications of impairment and concluded that, given no exploration activity was undertaken on the property during the current or preceding year and no exploration activity was budgeted for the property, the carrying value is impaired. This resulted in an impairment expense of $52,276 in the consolidated statement of loss and comprehensive loss.

Golden Jubilee

The Golden Jubilee property consists of twenty-two mineral lode claims located in Granite County, Montana.

An estimate for reclamation obligations in the amount of US $54,175 has been included in the carrying costs of Golden Jubilee. The Company is required to reclaim the property if it decides that no further exploration work will be performed (note 7).

In December 2012, the Company leased its Golden Jubilee property on a royalty basis whereby the company will receive a 3% net smelter royalty on production. The lessor has the option to purchase 2% of the royalty for a cash payment of $2,000,000. The Purchaser is currently in default of this Agreement. On January 5, 2018 Teras provided a formal termination letter to the Purchaser terminating the Agreement. As a result the property reverted, unencumbered, back to Teras.

During the year ended May 31, 2019, management reviewed the carrying value of the capitalized exploration and evaluation costs of the Golden Jubilee property for indications of impairment and concluded that, given no exploration activity was undertaken on the property during the current or preceding year and no exploration activity was budgeted for the property, the carrying value is impaired. This resulted in an impairment expense of $131,122 in the consolidated statement of loss and comprehensive loss.

6. Exploration and evaluation assets (continued)

Cahuilla

The Company entered into an Earn-In Agreement with NexGen Mining (formerly "Brilliant Sands Incorporated"), a Montana corporation ("NexGen") for an exclusive option to earn a 65% undivided interest in certain properties, including Cahuilla. Pursuant to this Agreement, the Company during the year ended May 31, 2011 paid NexGen US $1,000,000 (2010 - US $800,000) and issued 5,000,000 (2010 - 4,000,000) common shares. For the years ended May 31, 2013 and 2012, the Company recorded the commitment to issue 5,300,000 common shares within equity and an addition to the exploration and evaluation assets for $3,074,000 determined based on the closing price on the Company's shares on September 14, 2011, the date the second earn-in agreement was signed. The value of the property has been recorded in reference to the consideration given up due to the exploration nature of the property at the point in time the earn-in agreement was signed. The commitment was initially included in equity and not as a financial liability, as it can only be settled through the issuance of shares upon the request by NexGen. NexGen acknowledged the Company's interest to issue the shares and has granted the full working interest as outlined in the agreement. The Company issued 5,300,000 shares on May 29, 2014.

On September 14, 2011, the Company received confirmation from NexGen accepting the exercise of the 65% Earn-In Agreement. At which point the Company owned 65% of the Cahuilla project.

On September 29, 2011, the Company signed an Exploration and Earn-In Agreement with NexGen for the 35% balance of the Cahuilla project giving the Company 100% interest in the Project. In addition to controlling 100% of the Cahuilla project, the Company received four other gold projects.

The terms of the agreement specify that the Company will have a twenty-four month option to earn the 35% balance of the Cahuilla gold project and 100% interest in four other gold projects. The Company can exercise the option at any time within the twenty-four month period by issuing 10 million common shares of the Company to NexGen and spending $1,000,000 in work commitment on the Cahuilla project within that period. The Company issued the 10,000,000 shares in June 2014 and has met the work commitment to spend $1,000,000 thereby earning a 100% interest in the project.

The Company previously purchased 1,000,000 common shares of NexGen at an original cost of US $0.45 per share (note 4).

The Cahuilla project is subject to minimum annual work commitments as well as annual land lease payments to various third party leaseholders in order to maintain title to the project. The agreements with these leaseholders have varying expiration dates ranging from fiscal 2021 to indefinitely. See Note 15 to the consolidation financial statements for additional details on the Company's commitments with respect to this project.

Other properties

As part of the Cahuilla acquisition, the Company received title to four other gold projects. During the year ended May 31, 2019, management reviewed the carrying value of the capitalized exploration and evaluation costs of these other properties for indications of impairment and concluded that, given no exploration activity was undertaken on the properties during the current or preceding year and no exploration activity was budgeted for the properties, the carrying value is impaired. This resulted in an impairment expense of $31,833 in the consolidated statement of loss and comprehensive loss.

(Expressed in Canadian Dollars)

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is a $74,926 (2018 - $70,088) provision for estimated reclamation costs on the Company's Golden Jubilee Property and an additional $nil (2018 - $2,000) for estimated costs expected to be incurred related to the reclamation of the Company's Watseca Mills property. Due to the uncertainty with respect to the timing of the reclamation, the costs have not been discounted or accreted. As the Company is in the initial exploration phase of its mineral properties, there are no other legal obligations relating to reclamation at May 31, 2019. The total amount included in accounts payable and accrued liabilities relating to these obligations as at May 31, 2019 is $74,926 (2018 - $72,088).

The estimated reclamation costs have been charged to the exploration and evaluation assets for Golden Jubilee and Watseca Mills (note 6).

8. Share capital

i) Authorized:

Unlimited number of common shares
Unlimited number of preferred shares

ii) Issued:

	May 31, 2019		May 31, 2018	
	Number	**Amount**	Number	Amount
Balance, beginning of year	**174,485,228**	**$ 43,165,270**	161,001,478	$42,114,372
Issued for private placement	**18,157,725**	**969,675**	13,483,750	1,078,700
Value assigned to warrants	**-**	**(12,358)**	-	(13,484)
Share issue costs	**-**	**(6,170)**	-	(14,318)
Balance, end of year	**192,642,953**	**$ 44,116,417**	174,485,228	$43,165,270

iii) Share capital transactions in 2019

In the fourth quarter 5,800,000 units consisting of one common share and one common share purchase warrant exercisable into one common share at a price of $0.05 per share for a period of one year from issuance for gross proceeds of $290,000 were issued.

In the first quarter of fiscal 2019, the Company issued 12,357,725 units at a price of $0.055 per unit consisting of one common share and one common share purchase warrant exercisable into one common share at a price of $0.075 per share for a period of one year from issuance for gross proceeds of $679,675. The attached warrants were valued at $12,358 using the residual value method.

iv) Share capital transactions in 2018

In the first quarter 13,483,750 units consisting of one common share and one common share purchase warrant exercisable into one common share at a price of $0.15 per share for a period of one year from issuance for gross proceeds of $1,078,700 with related share issue costs of $14,318, were issued. The attached warrants were valued at $13,484 using the residual value method.

(Expressed in Canadian Dollars)

8. Share capital (continued)

iv) Share capital transactions in 2018 (continued)

The Company received share subscriptions of $70,000 from a private placement unit offering. The shares from this private placement were issued in the first quarter of fiscal 2019.

v) Share purchase warrants

A summary of the status of the Company's share purchase warrants as of May 31, 2019 and May 31, 2018 and changes during the period then ended is presented below:

	May 31, 2019		May 31, 2018	
	Number of warrants	**Weighted average exercise price ($)**	Number of warrants	Weighted average exercise price ($)
Outstanding, beginning of year	**22,972,032**	**0.19**	9,488,282	0.24
Private placement warrants	**18,157,725**	**0.067**	13,483,750	0.15
Expired/cancelled	**(33,950)**	**(0.12)**	-	-
Outstanding, end of year	**41,095,807**	**0.13**	22,972,032	0.19

A summary of the share purchase warrants outstanding as at May 31, 2019 which have a weighted average remaining life of 0.57 years is set out below with each warrant entitling the holder to acquire one common share per warrant:

	Number	**Exercise price ($)**	**Expiry Date**
Private placement warrants	**9,454,332**	**0.24**	July 22, 2019
Private placement warrants	**13,483,750**	**0.15**	July 4, 2019
Private placement warrants	**12,357,725**	**0.075**	August 2, 2020
Private placement warrants	**5,800,000**	**0.05**	April 17, 2020
Outstanding, end of period	**41,095,807**	**0.13**	

vi) Stock option plan

The Company adopted an amended incentive stock option plan in 2008 (the “2008 Plan”). The essential elements of the 2008 Plan provide that the aggregate number of common shares issuable pursuant to options granted under the 2008 Plan may not exceed 10% of the number of issued shares of the Company at the time of granting of the options. Options granted under the 2008 Plan will have a maximum term of ten years. The exercise price of the options granted under the 2008 Plan will not be less than the discounted market price of the common shares or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange. Options granted under the 2008 Plan vest as determined by the Board of Directors on the date of grant.

(Expressed in Canadian Dollars)

8. Share capital (continued)

vi) Stock option plan (continued)

A summary of the status of the Company's stock option plan as of May 31, 2019, and May 31, 2018 and changes during the years then ended is presented below:

	May 31, 2019		May 31, 2018	
	Number of options	**Weighted average exercise price ($)**	Number of options	Weighted average exercise price ($)
Outstanding, beginning of year	**5,850,000**	**0.17**	6,170,000	0.17
Granted	**3,000,000**	**0.09**	-	-
Expired/Cancelled	**(650,000)**	**0.26**	(320,000)	0.21
Outstanding, end of period	**8,200,000**	**0.13**	5,850,000	0.17

The stock options have a weighted average remaining life of 2.41 years.

A summary of stock options outstanding at May 31, 2019 is set out below:

	Number Outstanding	**Number Exercisable**	**Exercise price**	**Expiry date**
	1,900,000	1,900,000	0.20	June 5, 2019
	500,000	500,000	0.085	January 6, 2020
	400,000	400,000	0.115	May 4, 2021
	1,250,000	1,250,000	0.15	September 30, 2021
	1,150,000	1,150,000	0.15	April 4, 2022
	3,000,000	1,000,000	0.09	September 9, 2023
	8,200,000	6,200,000	0.13	

The Company calculated and recorded stock-based compensation expense for the year ended May 31, 2019 of $121,483 (2018 - $133,219) using the Black-Scholes option pricing model. The Company has unvested stock-based compensation of approximately $30,757 (2018 - $6,568) to be recorded in fiscal 2020. Significant assumptions used are as follows:

	May 31, 2019
Risk-free interest rate	2.21%
Average expected option life	5 years
Share price volatility	148%
Expected dividend payments	nil
Forfeiture rate	8.14%
Fair value of options granted	$0.06

For the year ended May 31, 2019, the weighted average share price on the dates the options were granted was $0.06.

(Expressed in Canadian Dollars)

9. Contributed surplus and Accumulated other comprehensive income

A summary of the contributed surplus as at May 31, 2019 and 2018 and the changes during the years then ended are presented below:

	May 31, 2019	May 31, 2018
Balance, beginning of year	**$ 3,880,467**	$ 3,733,764
Fair value assigned to stock options vested	**121,483**	133,219
Fair value ascribed to warrants	**12,358**	13,484
Balance, end of period	**$ 4,014,308**	$ 3,880,467

Accumulated other comprehensive income is comprised of the following components as at May 31, 2019 and 2018:

	May 31, 2019	May 31, 2018
Foreign currency translation gain on subsidiaries	**$ 630,700**	$ 563,530
Unrealized loss on investment	**(424,611)**	(413,994)
	$ 206,089	$ 149,536

The unrealized loss on investments will be recognized in other comprehensive income (loss) until the financial instrument is derecognized or reclassified, at which point in time, it will be transferred to profit or loss.

Foreign currency translation balances relate to the translation of foreign subsidiaries to the presentation currency of the consolidated financial statements. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, shall be reclassified from accumulated other comprehensive income (loss) to profit or loss when the gain or loss on disposal is recognized.

(Expressed in Canadian Dollars)

10. Segmented information

The Company's assets and net loss by geographic location are as follows:

	May 31, 2019	May 31, 2018
Assets		
Canada		
Current assets	**$ 227,023**	$ 282,544
Equipment	**843**	3,369
	227,866	285,913
United States		
Current assets	**18,906**	44,489
Investment	**54,123**	64,740
Exploration and evaluation assets	**25,182,355**	24,916,502
Reclamation bond	**20,291**	-
	25,275,675	25,025,731
	$ 25,503,541	$ 25,311,644

Net loss for the years ended May 31,	**2019**	2018
Canada	**$ 617,270**	$ 747,348
United States	**366,227**	66,256
	$ 983,497	$ 813,604

(Expressed in Canadian Dollars)

11. Related party balances and transactions

As of May 31, 2019, included in accounts payable and accrued liabilities is $152,493 (2018 - $75,062) due to related parties. The amounts payable to related parties are due to directors and senior officers of the Company or to private companies controlled by them for various services rendered and expenditures incurred on behalf of the Company.

For the years ended May 31, 2019 and 2018, the following includes all amounts paid to key management personnel and directors and officers, in these consolidated financial statements:

	May 31,2019	May 31,2018
Consulting fees and benefits	**$ 314,660**	$ 350,260
Stock-based compensation	**60,073**	103,984
Capitalized exploration and evaluation expenditures	**-**	33,440
	$ 374,733	$ 487,684

These transactions were made in the normal course of operations for consideration established and accepted by the Company and related parties.

12. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of its projects. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess the exploration and development potential of its existing projects and new projects and seek to explore and develop its existing projects and acquire an interest in additional projects if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management and the Company was not subjected to externally imposed covenants during the years ended May 31, 2019 and 2018.

(Expressed in Canadian Dollars)

13. Income taxes

A reconciliation of income tax provision computed at statutory rates to the reported income tax provision is provided as follows:

Years ended May 31,		**2019**		2018
Income tax rate		**27.0%**		**27.0%**
Income tax benefit computed at Canadian statutory rates	**$**	**250,000**	**$**	**210,000**
Permanent differences				
Stock-based compensation		**(33,000)**		**(36,000)**
Other		**(3,000)**		**(1,000)**
Non-recognition of temporary differences		**2,000**		**24,000**
Change in tax benefits not recognized		**(216,000)**		**(197,000)**
	$	**-**	$	-

Significant components of the Company's deferred income tax assets, after applying the effective corporate income tax rate of 27% (2018 - 27%), are as follows:

As at May 31,		**2019**		2018
Exploration and evaluation assets	**$**	**2,460,000**	**$**	**2,400,000**
Non-capital losses		**2,397,000**		**2,238,000**
Share issue costs		**7,000**		**11,000**
Investment		**57,000**		**56,000**
		4,921,000		**4,705,000**
Tax benefits not recognized		**(4,921,000)**		**(4,705,000)**
Deferred income tax assets	**$**	**-**	$	-

The tax benefits not recognized reflects the Company's estimate that it is not probable that the deferred tax assets will be realized.

(Expressed in Canadian Dollars)

13. Income taxes (continued)

The Company has approximate non-capital losses available that may be carried forward to apply against future year's income for Canadian income tax purposes. The losses expire as follows:

2026	$ 320,000
2027	481,000
2028	441,000
2029	258,000
2030	731,000
2031	746,000
2032	203,000
2033	732,000
2034	953,000
2035	811,000
2036	1,087,000
2037	650,000
2038	621,000
2039	437,000
Total	$ 8,471,000

14. Financial instruments and risk management

The Company is involved in the acquisition and exploration of mineral property interests in Montana, Nevada and California. At the date of these consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties. The ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, and commercial processing, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the properties.

The Company's risk exposures and their impact on the financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and GST receivable. Cash consists of funds on deposit with financial institutions that have high international credit ratings, from which management believes the risk of loss to be minimal.

GST receivable consists of sales tax receivable from government authorities in Canada. The credit risk exposure is minimal and; accordingly, the Company has a $nil (2018 - $nil) allowance for doubtful accounts.

14. Financial instruments and risk management (continued)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of May 31, 2019, the Company had cash of $204,341 (2018 - $284,975) to settle current liabilities of $285,301 (2018 - $181,448). The majority of the Company's financial liabilities have contractual maturities of less than ninety days and are subject to normal trade terms.

Market risk

Market risks that are applicable to the Company primarily arise from changes in foreign exchange rates and commodity prices.

(a) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases other than the exploration and development expenses are transacted in Canadian dollars. The Company funds certain operational, exploration and development expenses in US dollars from its Canadian and US dollar bank accounts held in Canada. Management monitors the foreign exchange risk derived from currency conversions and does not hedge its foreign exchange risk.

(b) Price risk

The Company is exposed to price risk with respect to commodity prices and investments. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to gold to determine the appropriate course of action for the Company. Price risk with respect to investments is defined as the potentially adverse impact on earnings and economic value due to fluctuations in the market value of the Company’s investment.

(c) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

i) The Company is exposed to foreign currency risk on Canadian-US dollar exchange rate fluctuations related to cash and accounts payable and accrued liabilities denominated in US dollars. As at May 31, 2019, a 5% variance in the Canada-US dollar exchange rate would result in a $2,000 (2018 - $nil) foreign exchange gain (loss), respectively.

ii) Commodity price risk could adversely affect the Company. In particular, the Company’s future profitability and viability of development depends upon the world market price of gold. The price of gold has fluctuated widely in recent years hence there is no assurance that, even if commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of gold may also require the Company to reduce its mining rights and deferred exploration expenditures, which could have a material and adverse effect on the Company’s value. As at May 31, 2019, the Company is not a gold producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options. Price risk associated with investments can fluctuate significantly over time based on the investee’s operations and other market factors. A 5% variance in the market value would result in a $2,800 (2018 - $3,200) gain (loss) on the investment, respectively.

15. Commitments and contingencies

(a) The Company is currently operating in the United States. Operations in this jurisdiction may be subject to laws which are significantly different than domestic laws. Due to the nature of the operations and the location being in a foreign jurisdiction, the Company may not be adequately insured with respect to potential accidents on its properties.

(b) The Company has signed an office lease expiring October 31, 2019 that requires monthly payments of $1,500, inclusive of operating costs.

(c) In November 2010, the Company entered into a Performance Share Agreement with the CEO of the Company whereby 500,000 common shares of the Company shall vest and be issued when the closing price of the common shares of the Company on the Stock Exchange on which the common shares then trade is above $1.40 for a period of twenty consecutive business days and a further 500,000 common shares shall vest and be issued when the common shares trade above $2.10 for a period of 20 consecutive business days. The agreement is subject to regulatory approval. If regulatory approval is not obtained, any amount of shares not approved or issued shall be paid in cash based on the number of shares not issued multiplied by the market price of the common shares when the vesting occurs.

(d) The Company is obligated to spend US $300,000 on minimum work commitments for its Cahuilla project on an annual basis. The Company has met its work commitment obligations until the end of fiscal 2019. The Company is also committed to make anniversary lease payments each year on its Cahuilla project totaling approximately US $341,000 as well as the issuance of 280,000 stock options and cash payments totaling US $250,000 upon completion of successive exploration phases. The lease agreements can be terminated by the Company by providing one year's notice to the lessors.

16. Subsequent events

Subsequent to year-end the Company received TSX Venture Exchange approval for the acquisition of NV Mine Development, Inc. ("NV Mines") of Nevada through the issuance of 3,565,000 common shares of the Company in exchange for all the issued and outstanding shares of NV Mines. This transaction was subject to the completion of all the terms and conditions of the Agreement, including satisfaction of the purchase price. On August 15, 2019 the shares were issued thereby completing the transaction.

On July 31, 2019 the Company signed a Loan Agreement for $500,000 in exchange for a 4% interest in the Company's Cahuilla property. The loan is non-interest bearing, repayable on or before January 31, 2020 and is secured by the assets of the Company. The Company may repurchase the 4% interest on mutually acceptable terms.

Subsequent to year-end, the Company received TSX Venture Exchange approval to extend the expiry date of 13,483,750 outstanding share purchase warrants that are exercisable for common shares of the Company at $0.15. The warrants were issued as part of the private placement which closed on July 6, 2017. The warrants were set to expire on July 4, 2019 and will now expire on July 4, 2020. All other terms of the warrants remain unchanged.