Teras Resources Inc.

Consolidated Financial Statements

For the three and nine months ended February 28, 2019 and 2018

(Expressed in Canadian Dollars)

Management Report

To the Shareholders of Teras Resources Inc.

The unaudited consolidated interim 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 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.

Auditor involvement

The auditor of Teras Resources Inc. has not performed a review of the unaudited consolidated interim financial statements for thenine months ended February 28, 2019.

Teras Resources Inc.

(Signed) "Peter Leger"
President Chief Executive Officer

(Signed) "Kuldip Baid"
Chief Financial Officer

Calgary, Canada
April 20, 2019

Teras Resources Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

		February 28, 2019		May 31, 2018
Assets				
Current				
Cash	**$**	**101,104**	$	284,975
GST receivable		**15,057**		23,060
Prepaid expenses and deposits		**12,537**		18,998
		128,698		327,033
Investment (note 4)		**13,164**		64,740
Equipment (note 5)		**1,474**		3,369
Exploration and evaluation assets (note 6)		**25,339,116**		24,916,502
	$	**25,482,452**	$	25,311,644
Liabilities				
Current				
Accounts payable and accrued liabilities (notes 7 and 11)	**$**	**255,913**	$	181,448
Shareholders' Equity				
Share capital (note 8)		**43,829,188**		43,165,270
Subscriptions received (note 8)		**-**		70,000
Contributed surplus (note 9)		**4,027,184**		3,880,467
Accumulated other comprehensive income		**113,157**		149,536
Deficit		**(22,742,990)**		(22,135,077)
		25,226,539		25,130,196
	$	**25,482,452**	$	25,311,644

Nature of operations and going concern (note 1)
Commitments and contingencies (note 14)
Subsequent event (note 15)

Approved by the Board of Directors on April 20, 2019

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

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

Teras Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Three months ended February 28,		Nine months ended February 28,	
	2019	2018	**2019**	2018
Revenues				
Oil and gas royalty and lease income	**$ -**	253	**$ 101**	578
Expenses				
General and administrative (note 11)	**127,189**	118,936	**407,920**	455,124
Pre-exploration expense	**373**	-	**63,840**	-
Amortization	**631**	632	**1,895**	1,895
Stock-based compensation (note 8 vii)	**67,765**	26,708	**134,359**	116,902
	195,958	146,276	**608,014**	573,921
Net loss before other item	**(195,958)**	(146,023)	**(607,913)**	(573,343)
Other item				
Unrealized loss on investment (note 4)	**-**	-	**-**	15,342
Net loss for the period	**(195,958)**	(146,023)	**(607,913)**	(588,685)
Other comprehensive income (loss)				
Unrealized loss on investment (note 4)	**(13,427)**	-	**(51,576)**	-
Unrealized gain (loss) on translation	**(67,534)**	12,405	**(36,379)**	(3,458)
	(80,961)	12,405	**(87,955)**	(3,458)
Net (loss) and comprehensive (loss) for the period	**$ (276,919)**	$ (133,618)	**$ (695,868)**	$ (592,143)
Basic and diluted (loss) per share	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of shares outstanding	**186,842,953**	174,485,228	**181,629,009**	172,274,777

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 (loss)	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	**-**	**-**	**-**	**-**	**(3,458)**	**(588,685)**	**(592,143)**
Issued for private placement, net	**13,483,750**	**1,050,898**	**-**	**13,484**	**-**	**-**	**1,064,382**
Stock-based compensation	**-**	**-**	**-**	**116,902**	**-**	**-**	**116,902**
Balance, February 28, 2018	**174,485,228**	**43,165,270**	**-**	**3,864,150**	**110,141**	**(21,910,158)**	**25,229,403**
Net and comprehensive loss	**-**	**-**	**-**	**-**	**39,395**	**(224,919)**	**(185,524)**
Share subscriptions received	**-**	**-**	**70,000**	**-**	**-**	**-**	**70,000**
Stock-based compensation	**-**	**-**	**-**	**16,317**	**-**	**-**	**16,317**
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	**-**	**-**	**-**	**-**	**(36,379)**	**(607,913)**	**(644,292)**
Issued for private placement, net	**12,357,725**	**663,918**	**-**	**12,358**	**-**	**-**	**676,276**
Share subscriptions received	**-**	**-**	**(70,000)**	**-**	**-**	**-**	**(70,000)**
Stock-based compensation	**-**	**-**	**-**	**134,359**	**-**	**-**	**134,359**
Balance, February 28, 2019	**186,842,953**	**$43,829,188**	**$ -**	**$ 4,027,184**	**$ 113,157**	**$ (22,742,990)**	**$ 25,226,539**

Teras Resources Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the nine months ended February 28,	**2019**	2018
Operating activities		
Net loss	**$ (607,913)**	$ (588,685)
Items not affecting cash		
Amortization	**1,895**	1,895
Stock-based compensation	**134,359**	116,902
Unrealized loss on investment	**-**	15,342
	(471,659)	(454,546)
Changes in working capital items:		
GST receivable	**8,003**	7,718
Prepaid expenses and deposits	**6,461**	4,273
Accounts payable and accrued liabilities	**74,465**	(128,115)
	(382,730)	(570,670)
Financing activities		
Issuance of share capital, net of issuance costs	**676,276**	1,064,382
Subscriptions received	**(70,000)**	-
	606,276	1,064,382
Investing activity		
Exploration and evaluation expenditures	**(407,417)**	(756,428)
Decrease in cash	**(183,871)**	(262,716)
Cash, beginning of year	**284,975**	655,850
Cash, end of period	**$ 101,104**	$ 393,134

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 condensed interim 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 February 28, 2019 the Company had cash of $101,104 and a working capital deficiency of $127,215.

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 may 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

These condensed interim consolidated financial statements for the nine months ended February 28, 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”).

These financial statements were authorized for issue by the board of directors on April 20, 2019.

3. Significant accounting policies

The significant accounting policies used in the preparation of these unaudited condensed interim consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended May 31, 2018. There have been no changes to the Company’s accounting policies since May 31, 2018 other than outlined below.

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 and had no material impact on the consolidated financial statements.

<u>Amendments to IFRS 2 Share-based Payment</u>

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.

<u>IFRS 9 Financial Instruments</u>

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

New and revised standards and interpretations (continued)

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service.

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 is still assessing the impact of this new standard.

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 available for sale investment is measured at fair value using level one input as the shares have a quoted market price in an active market.

	February 28, 2019	May 31, 2018
Balance, beginning of year	**$ 64,740**	$ 40,500
Unrealized gain (loss) on investment	**(51,576)**	24,240
Balance, end of period	**$ 13,164**	$ 64,740

(Expressed in Canadian Dollars)

5. Equipment

						February 28, 2019
		Cost		**Accumulated amortization**		**Net book Value**
Other equipment	**$**	**14,035**	**$**	**12,561**	**$**	**1,474**

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

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	$24,094,597
Deferred exploration costs:					
Contract services	-	-	-	793,752	793,752
Revisions to ARO estimate	388	10,585	-	-	10,973
Administration costs	-	4,289	12,891	-	17,180
Total expenditures for the year	388	14,874	12,891	793,752	821,905
Balance, May 31, 2018	52,276	130,797	31,301	24,702,128	24,916,502
Deferred exploration costs:					
Contract services	-	-	-	207,571	207,571
Administration costs	-	(737)	1,065	214,715	215,043
Total expenditures for the year	-	(737)	1,065	422,286	422,614
Balance, February 28, 2019	**$ 52,276**	**$ 130,060**	**$ 32,366**	**$ 25,124,414**	**$25,339,116**

Watseca Mills

On October 22, 2012, the Company sold its 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.

6. Exploration and evaluation assets (continued)

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.

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 Mills property. The remaining costs required to complete the reclamation are estimated to be $2,000 at November 30, 2018, which is included in accounts payable and accrued liabilities (note 7).

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 to the same company who purchased Watseca 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.

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 could only be settled through the issuance of shares upon the request by NexGen.

6. Exploration and evaluation assets (continued)

Cahuilla (continued)

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 high ranking 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 high ranking 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. It now owns 100% of the Cahuilla project.

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

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is a $70,895 (May 31, 2018 - $70,088) provision for estimated reclamation costs on the Company's Golden Jubilee Property and an additional $2,000 (May 31, 2018 - $2,000) for estimated costs expected to be incurred related to the reclamation of the Company's Watseca Mills property. As the Company is in the initial exploration phase of its mineral properties, there are no other legal obligations relating to reclamation at February 28, 2019. The total amount included in accounts payable and accrued liabilities relating to these obligations as at November 30 is $72,895 (May 31, 2018 - $72,088).

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

(Expressed in Canadian Dollars)

8. Share capital

i) Authorized:

Unlimited number of common shares
Unlimited number of preferred shares

ii) Issued:

	February 28, 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	**12,357,725**	**679,675**	13,483,750	1,078,700
Value assigned to warrants	**-**	**(12,358)**	-	(13,484)
Share issue costs	**-**	**(3,399)**	-	(14,318)
Balance, end of year	**186,842,953**	**$ 43,829,188**	174,485,228	$ 43,165,270

iii) Share capital transactions in 2019

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.

iv) Share capital transactions in 2018

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.

v) Share purchase warrants

A summary of the status of the Company's share purchase warrants as of February 28, 2019 and May 31, 2018 and changes during the period then ended is presented below:

	February 28, 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	**12,357,725**	**0.075**	13,483,750	0.15
Expired/cancelled	**(33,950)**	**(0.24)**	-	-
Outstanding, end of period	**35,295,807**	**0.15**	22,972,032	0.19

(Expressed in Canadian Dollars)

8. Share capital (continued)

v) Share purchase warrants (continued)

A summary of the share purchase warrants outstanding as at February 28, 2019 which have a weighted average remaining life of 0.38 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 1, 2019
Outstanding, end of period	**35,295,807**	**0.15**	

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.

A summary of the status of the Company's stock option plan as of February 28, 2019, and May 31, 2018 and changes during the years then ended is presented below:

	February 28, 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**	5,983,334	0.17
Granted	**3,000,000**	**0.09**	-	-
Expired/Cancelled	**(450,000)**	**0.24**	(2,213,334)	0.21
Outstanding, end of period	**8,400,000**	**0.14**	5,850,000	0.17

The stock options have a weighted average remaining life of 2.59 years.

(Expressed in Canadian Dollars)

8. Share capital (continued)

vi) Stock option plan (continued)

A summary of stock options outstanding at February 28, 2019 is set out below:

Number Outstanding	Number Exercisable	Exercise price	Expiry date
200,000	200,000	0.300	March 14, 2019
1,900,000	1,900,000	0.200	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	0.150	September 30, 2021
1,150,000	1,150,000	0.150	April 4, 2022
3,000,000	498,001	0.090	September 9, 2023
8,400,000	5,898,001	0.140	

The Company calculated and recorded stock-based compensation expense for the three and nine months ended February 28, 2019 of $67,765 (2018 - $26,708) and $134,359 (2018 – $116,902) using the Black-Scholes option pricing model. The Company has unvested stock-based compensation of approximately $96,296 (May 31, 2018 - $6,568) to be recorded in fiscal 2019. Significant assumptions used are as follows:

	February 28, 2019	May 31, 2018
Risk-free interest rate	2.21%	0.62% - 1.08%
Average expected option life	5 years	5 years
Share price volatility	148%	142% - 171%
Expected dividend payments	Nil	Nil
Forfeiture rate	8.14%	9.47%
Fair value of options granted	$0.09	$0.15

For the period ended February 28, 2019 and May 31, 2018, the weighted average share price on the dates the options were granted was $0.09 and $0.15, respectively.

9. Contributed surplus

A summary of the contributed surplus as at February 28, 2019 and May 31, 2018 and the changes during the periods ended are presented below:

	February 28, 2019	May 31, 2018
Balance, beginning of year	**$ 3,880,467**	$ 3,733,764
Fair value assigned to stock options vested	**134,359**	133,219
Fair value ascribed to warrants	**12,358**	13,484
Balance, end of period	**$ 4,027,184**	$ 3,880,467

(Expressed in Canadian Dollars)

10. Segmented information

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

		February 28, 2019		May 31, 2018
Assets				
Canada				
Current assets	**$**	**120,698**	$	282,544
Equipment		**1,474**		3,369
		122,172		285,913
United States				
Current assets		**8,000**		44,489
Investment		**13,164**		64,740
Exploration and evaluation assets		**25,339,116**		24,916,502
		25,360,280		25,025,731
	$	**25,482,452**	$	25,311,644

		Three months ended February 28, 2019		2018		**Nine months ended February 28, 2019**		2018
Canada	**$**	**182,160**	$	135,398	**$**	**484,837**	$	536,168
United States		**13,798**		10,625		**123,076**		52,517
Net loss	**$**	**195,958**	$	146,023	**$**	**607,913**	$	588,685

11. Related party balances and transactions

As of February 28, 2019, included in accounts payable and accrued liabilities is $124,462 (May 31, 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 three and nine months ended February 28, 2019 and 2018, the following includes all amounts paid to key management personnel and directors and officers, in these consolidated financial statements:

		Three months ended February 28, 2019		2018		**Nine months ended February 28, 2019**		2018
Consulting fees and benefits	**$**	**79,015**	$	71,818	**$**	**237,045**	$	208,458
Stock-based compensation		**31,623**		20,628		**65,119**		91,555
	$	**110,638**	$	92,446	**$**	**302,164**	$	300,013

11. Related party balances and transactions (continued)

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 nine months ended February 28, 2019 and year ended May 31, 2018.

13. 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 consist of sales tax receivable from government authorities in Canada. The credit risk exposure is minimal and; accordingly, the Company has a $nil (May 31, 2018 - $nil) allowance for doubtful accounts.

13. 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 February 28, 2019, the Company had cash of $101,104 (May 31, 2018 - $284,975) to settle current liabilities of $255,913 (May 31, 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 risk is the risk of loss that may arise from changes in interest rates, foreign exchange rates, commodity prices and mineral properties.

(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. 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.

(c) Fair values

The methods and assumptions used to develop fair value measurements for those financial instruments carried at fair value in the consolidated statement of financial position have been prioritized into three levels of a fair value hierarchy. Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities, Level 2 includes inputs that are observable other than quoted prices included in Level 1 and Level 3 includes inputs that are not based on observable market data.

The Company's cash and investment are measured using a Level 1 assessment. The fair values of financial instruments consisting of GST receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

(d) 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 that is denominated in US dollars. As at February 28, 2019, cash would have changed by approximately $325 had the US dollar varied by 5% as a result of

13. Financial instruments and risk management (continued)

foreign exchange variances on translation of cash and transactions that are denominated in US dollars.

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 February 28, 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.

14. 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 until April 30, 2019 that calls for monthly payments of $1,500, which includes 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 over the next three years. The Company is also committed to make anniversary payments ranging from US $100,000 to US $110,000 totaling US $210,000 over that same time period as well as payments totaling US $250,000 and the issuance of 280,000 stock options upon completion of successive exploration phases.

(e) On April 6, 2018, the Company signed a two year consulting agreement with the CEO that calls for monthly compensation of $20,833 plus GST. The agreements also provide for termination benefits for termination without cause totaling 12 months compensation and change of control totaling 12, 24, or 36 months compensation dependent upon the market capitalization of the Company at the time of change of control.

15. Subsequent events

In June 2018, 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 in exchange for all of the issued and outstanding shares of NV Mines. This transaction is subject to the completion of all the terms and conditions of the Agreement, including satisfaction of the purchase price, which has not occurred as of the date these condensed interim consolidated financial statements were approved.

On April 17, 2019, the Company announced the closing of a non-brokered private placement of 5,800,000 units ("Unit") at a price of $0.05 per Unit for gross proceeds of up to $290,000, subject to TSX Venture Exchange approval. Each Unit will consist of one common share and one common share purchase warrant exercisable at a price of $0.05 per share for a period of one year from issuance.

The Company has agreed to extend the expiry date of 12,357,725 warrants set to expire on August 1, 2019 issued through a financing and announced on July 27, 2018: the new expiry date will be August 1, 2020, subject to TSX Venture Exchange approval. The exercise price of the warrants of $0.075 per share will remain unchanged.