Consolidated Financial Statements
(Expressed in Canadian dollars)

AFTERMATH SILVER LTD.

(An Exploration Stage Company)

Years ended May 31, 2017 and 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Aftermath Silver Ltd.

We have audited the accompanying consolidated financial statements of Aftermath Silver Ltd., which comprise the consolidated statements of financial position as at May 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Aftermath Silver Ltd. as at May 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Aftermath Silver Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

September 28, 2017

AFTERMATH SILVER LTD.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		May 31, 2017		May 31, 2016
Assets				
Current assets:				
Cash	$	542	$	5,828
Receivables		17,026		7,897
Prepaid expenses		1,257		1,257
	$	**18,825**	**$**	**14,982**
Liabilities and Shareholders' Deficiency				
Current liabilities:				
Accounts payable and accrued liabilities	$	312,329	$	208,829
Due to related parties (note 7)		685,586		548,868
Short-term loan (note 5)		44,000		-
		1,041,915		**757,697**
Shareholders' deficiency:				
Share capital (note 6)		5,089,506		5,089,506
Share-based payments reserve (note 6(d))		708,430		708,430
Cumulative translation adjustment		1,084		1,182
Deficit		(6,822,110)		(6,541,833)
		(1,023,090)		**(742,715)**
	$	**18,825**	**$**	**14,982**

Nature of operations and going concern (note 1)
Contingencies (note 12)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Doug Ramshaw" Director

"Michael J. Williams" Director

AFTERMATH SILVER LTD.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

		Years ended		
		May 31, 2017		May 31, 2016
Expenses:				
Accounting and legal (note 7)	$	71,418	$	13,000
Consulting - related party (note 7)		144,000		144,000
Corporate secretarial (note 7)		15,000		15,000
Foreign exchange		820		3,206
Insurance		-		1,231
Interest and bank charges		153		276
Listing and filing fees		29,999		5,208
Office and sundry (note 7)		23,375		18,534
		(284,765)		(200,455)
Gain on forfeiture of deposit (note 4)		4,488		10,014
Loss for the year	**$**	**(280,277)**	**$**	**(190,441)**
Other comprehensive loss:				
Foreign currency translation adjustment		(98)		1,485
Loss and comprehensive loss for the year	**$**	**(280,375)**	**$**	**(188,956)**
Loss per share - basic and diluted	$	(0.04)	$	(0.03)
Weighted average number of shares outstanding		6,655,099		6,655,099

See accompanying notes to consolidated financial statements.

AFTERMATH SILVER LTD.

Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

	Number of shares (note 6)		Share capital (note 6)		Share-based payments reserve		Foreign currency translation reserve		Deficit		Total deficiency
May 31, 2015	**6,655,099**	**$**	**5,089,506**	**$**	**708,430**	**$**	**(303)**	**$**	**(6,351,392)**	**$**	**(553,759)**
Loss for the year	-		-		-		1,485		(190,441)		(188,956)
May 31, 2016	**6,655,099**		**5,089,506**		**708,430**		**1,182**		**(6,541,833)**		**(742,715)**
Loss for the year	-		-		-		(98)		(280,277)		(280,375)
May 31, 2017	**6,655,099**	**$**	**5,089,506**	**$**	**708,430**	**$**	**1,084**	**$**	**(6,822,110)**	**$**	**(1,023,090)**

See accompanying notes to consolidated financial statements.

AFTERMATH SILVER LTD.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended	
	May 31, 2017	**May 31, 2016**
Cash flows from operating activities:		
Loss for the year	$ (280,277)	$ (190,441)
Changes in non-cash working capital:		
Accounts receivable	(9,129)	(3,429)
Prepaid expenses	-	1,231
Accounts payable and accrued liabilities	103,500	5,192
Due to related parties	136,718	183,198
Cash used in operating activities	(49,188)	(4,249)
Cash flows from financing activities:		
Loan from related party	44,000	-
Cash provided from financing activities	**44,000**	**-**
Change in cash	(5,188)	(4,249)
Effect of exchange rate changes on cash	(98)	1,485
Cash, beginning of year	5,828	8,592
Cash, end of year	**$ 542**	**$ 5,828**

There was no cash paid for income taxes or interest for the years presented.

See accompanying notes to consolidated financial statements.

1. Nature of operations and going concern:

The Company (or "Aftermath") was incorporated under the laws of British Columbia on January 27, 2011 as a wholly-owned subsidiary of Full Metal Minerals Ltd. ("FMM"). It became publicly listed on TSX Venture Exchange on July 12, 2011 and traded under the symbol AAG. Its principal business activity is the acquisition, exploration and development of mineral properties. On October 6, 2015, trading of the Company's shares on the TSX-V was suspended due to failure to meet the TSX-V's ongoing listing requirements. On February 17, 2016, the Company's shares were transferred to NEX and its symbol was changed to AAG.H. Effective August 18, 2017, the Company's shares were reinstated and recommenced trading on September 18, 2017.

The Company is in the exploration stage and engages principally in the acquisition and exploration of mineral properties. The recoverability of the amounts shown for mineral properties is ultimately dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the mineral properties, obtaining necessary financing to explore and develop the mineral properties, entering into agreements with others to explore and develop the mineral properties, and upon future profitable production or proceeds from disposition of the mineral properties.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business.

The Company has no operating revenue and has a history of losses. As at May 31, 2017, the Company has a net working capital deficiency. Management has forecasted that the Company's current working capital will not be sufficient to execute its planned expenditures for the coming year. These conditions are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations.

These financial statements do not reflect adjustments, which could be material to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Unless otherwise stated, amounts are expressed in Canadian dollars. On February 16, 2017, the Company consolidated its issued and outstanding shares on the basis of 10 pre-consolidation shares for one post-consolidation share, with any fractional shares being rounded down to the next whole number. This share consolidation was applied retro-actively, accordingly, all share, per share, option, and warrant figures are stated to on a post-consolidation basis.

These consolidated financial statements were authorized for issue by the Board of Directors on September 28, 2017.

2. Significant accounting policies (continued):

(b) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Minera ISP S. R.L. de C.V. Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

(c) Cash:

Cash consists of amounts held in bank accounts and highly liquid investments.

(d) Financial Instruments:

Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company has no financial assets classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss except for losses in value that provide objective evidence of impairment, which are recognized in profit or loss. The Company's cash and receivables are classified as loans and receivables.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated present value of the future cash flows of the financial assets are less than their carrying values.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, amounts due to related parties, and short-term loan are classified as other financial liabilities.

2. Significant accounting policies (continued):

(d) Financial Instruments (continued):

Financial liabilities (continued)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has no financial liabilities classified as FVTPL.

(e) Exploration and evaluation expenditures:

Exploration and evaluation expenditures are recognized in profit or loss. Costs incurred before the Company has obtained legal rights to explore areas of interest are also recognized in profit or loss. Expenditures incurred by the Company in connection with the development of mineral resources after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable are capitalized. Acquisition costs of mineral properties, such as cash and share consideration and option payments, are capitalized on an individual prospect basis. Amounts received for the sale of mineral properties and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in income. The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof. Subsequent recovery of the resulting carrying value depends on successful development or sale of the mineral property. If a mineral property does not prove viable, all unrecoverable costs associated with the project net of any impairment provisions are written off.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property costs or recoveries when the payments are made or received.

(f) Impairment of non-financial assets:

At the end of each reporting period the carrying amounts of the Company’s long-lived assets, being mineral property interests and property, plant and equipment, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. Significant accounting policies (continued):

(f) Impairment of non-financial assets (continued):

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(g) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a reduction of equity, net of any tax effects. Share capital issued for non-monetary consideration is recorded at fair value, being the quoted share price at the time of issuance.

(h) Related party transactions:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(i) Significant accounting estimates and judgments:

The preparation of financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported periods. The Company reviews its estimates and assumptions regularly; however, actual results could differ from those estimates. Significant judgments are used in the Company's assessment of its ability to continue as a going concern which is described in note 1, and the determination of functional currency of subsidiary entities.

Significant accounting estimates are used in the valuation of deferred income taxes. Key estimates made by management with respect to these areas have been described in the notes to these financial statements as appropriate.

(j) Foreign currency transactions:

The presentation currency and functional currency of the Company is the Canadian dollar. The functional currency of the Company's subsidiary is the Mexican peso. Transactions of the Company denominated in other currencies are translated into the relevant functional currency using the exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date and the related foreign exchange gains or losses are recognized in profit or loss.

2. Significant accounting policies (continued):

(j) Foreign currency transactions (continued):

The results and financial position of the subsidiary that has a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date
- Income and expenses are translated at average exchange rates for the period
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

On consolidation, exchange differences arising from the translation of the results and financial position of the subsidiary are taken to the foreign currency translation reserve (a component of other comprehensive income). When a foreign operation is sold, such exchange differences are recognized in the consolidated statement of loss as part of the gain or loss on sale.

(k) Loss per share:

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year.

The computation of the diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the loss per share. The dilutive effect of outstanding options and warrants and their equivalents assumes that the proceeds on exercise would be used to purchase common shares at the average market price during the year.

Since the Company has losses, the effect of outstanding warrants and stock options has not been included in this calculation as it would be anti-dilutive.

(l) Income taxes:

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws

2. Significant accounting policies (continued):

(l) Income taxes (continued):

that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, 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 for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

(m) Provision for closure and reclamation:

The Company recognizes statutory, contractual, legal, or other constructive obligations related to the retirement of its mineral properties and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for changes in the discount rate of the underlying future cash flows and for unwinding of the discount. The capitalized asset retirement cost is amortized to profit or loss over the life of the asset. Management has determined that there were no obligations for closure and reclamation for the years presented.

(n) Share-based payments:

The Company has a stock option plan. The cost of stock options granted to employees and directors for services received is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company. These estimates involve inherent uncertainties and the application of management judgment. The costs are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. The corresponding credit for these costs is recognized in the share-based payment reserve in shareholders' deficiency.

Share based compensation arrangements in which the Company receives other goods or services as consideration for its own equity instruments are accounted for as equity settled share based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

2. Significant accounting policies (continued):

(o) Accounting standards adopted in the current period:

The Company did not adopt any new standards or amendments effective June 1, 2016.

3. New standards and interpretations yet to be adopted:

Certain pronouncements were issued by the IASB or IFRS Interpretations Committee that are not mandatory for accounting periods beginning on or after June 1, 2017 or later periods. They have not been early adopted in these financial statements, and they are expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application date as indicated below:

IFRS 9, Financial Instruments, is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet made an assessment of the impact of the amendments.

IFRS 16, Leases, is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has not yet made an assessment of the impact of this standard.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. Mineral properties:

During the years ended May 31, 2017 and 2016, the Company did not incur any geological exploration expenditures.

<u>San Andres, Mexico</u>

On March 21, 2014, the Company acquired a total of four mineral concessions referred to as the San Andres Property located in Durango State, Mexico. The San Andres Property is comprised of two El Dorado concessions, the Tercera Ampliacion de San Andres concession and the San Andres concession.

During the year ended May 31, 2015, the Company determined that it would not be continuing work on its Mexico properties and wrote off all related costs.

On August 12, 2015, the Company signed a Letter of Intent ("LOI") with Reyna Minas, S.A. de C.V. ("Reyna") for the sale of Minera ISP. Total consideration was US$1,350,000 (US$10,000 received), payable in stages up to January 20, 2017. The terms of the LOI were not met and the initial payment of US$10,000 ($10,014) was considered forfeited by Reyna and recognized as a gain on forfeiture of deposit during the year ended May 31, 2016.

(Expressed in Canadian dollars)

4. Mineral properties (continued):

San Andres, Mexico (continued)

On February 17, 2016, the Company entered into a LOI with Reyna, pursuant to which the Company would sell the mill equipment held by Minera ISP to Reyna for cash consideration of US$100,000, payable in stages. The terms of the LOI were not met and the initial payment of US$3,500 ($4,488) was considered forfeited by Reyna and recognized as a gain on forfeiture of deposit during the year ended May 31, 2017.

5. Short-term loan:

During the year ended May 31, 2017, the Company received short-term loans totaling $44,000 (2016 - $nil) from a director of the Company. The loans have terms of 12 months and bear interest at 5% per annum.

6. Share capital:

(a) Authorized share capital:

Unlimited number of voting common shares without par value.

(b) Issued share capital:

The Company did not complete any share issuances during the years ended May 31, 2017 and 2016. On February 23, 2017, the Company consolidated its share capital on a 10:1 basis. All share and per share amounts have been restated to reflect the share consolidation.

(c) Warrants:

At May 31, 2017 and May 31, 2016, there were no warrants outstanding:

Number outstanding May 31, 2015	Granted	Exercised	Expired/ Cancelled	Number outstanding May 31, 2016 and 2017	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
440,000	-	-	440,000	-	$1.50	July 8, 2015	-
2,003,500	-	-	2,003,500	-	1.00	Feb 27, 2016	-
116,000	-	-	116,000	-	1.00	Feb 27, 2016	-
2,559,500	-	-	2,559,500	-			-
$1.09	-	-	$1.09	-	(weighted average)		

(d) Stock options:

The Board of Directors may grant options to purchase shares from time to time, subject to the aggregate number of common shares of the Company issuable under all outstanding stock options of the Company not exceeding 10% of the issued and outstanding common shares of the Company at the time of the grant.

The options are exercisable over periods of up to ten years to buy shares of the Company at a price not less than the closing market price prevailing on the date the option is granted, less a discount of up to 25%, the amount of the discount varying with market price in accordance with the policies of the TSX Venture Exchange. All option issuances vest over 12 months.

(Expressed in Canadian dollars)

6. Share capital (continued):

(d) Stock options (continued):

Number outstanding May 31, 2015	Granted	Exercised	Expired/ Cancelled	Number outstanding May 31, 2016 and 2017	Exercise price per share	Expiry date
98,500	-	-	-	98,500	$ 2.65	July 19, 2021
346,500	-	-	-	306,500	1.50	April 30, 2019
405,000	-	-	-	405,000		
$1.78	-	-	-	$1.78	(weighted average)	

As at May 31, 2017, there are 405,000 options fully vested. The weighted average remaining contractual life of all outstanding options is 2.46 years.

7. Related party balances and transactions:

Key management personnel consist of directors and senior management including the Executive Chairman, President and Chief Executive Officer, Chief Financial Officer, and Corporate Secretary.

During the years ended May 31, 2017 and 2016, the Company paid or accrued the following amounts to key management personnel or companies controlled by them:

	Year ended May 31, 2017	Year ended May 31, 2016
Accounting and legal	$ 27,000	$ 3,000
Consulting – related party	144,000	144,000
Corporate secretarial	15,000	15,000

In addition, payments to companies with common directors and officers for rent, office, and administration totaled $17,657 (2016 - $17,657).

As at May 31, 2017, there was $759,108 (2016 - $548,868) due to key management personnel. These amounts are unsecured with no specific terms of repayment. The Company received short-term loan proceeds of $44,000 from a related party (Note 5).

8. Income taxes:

(a) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Statutory tax rate	26%	26%
Recovery of income taxes based on statutory tax rate	$ (73,000)	$ (50,000)
Change in statutory, foreign tax, foreign exchange rates and other	(3,000)	101,000
Expiry of non-capital losses	174,000	116,000
Change in unrecognized deductible temporary differences	(98,000)	(167,000)
Total income tax expense (recovery)	$ -	$ -

(Expressed in Canadian dollars)

8. Income taxes (continued):

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse.

(b) Deferred tax assets have not been recognized as at May 31, 2017 and 2016 in respect of the following items:

		2017		2016
Exploration and evaluation assets	$	244,000	$	240,000
Property and equipment		29,000		28,000
Share issuance costs		3,000		6,000
Non capital losses available for future period		1,042,000		1,142,000
	$	1,318,000	$	1,416,000

The Company has non-capital losses of approximately $2,918,000 (2016 - $2,628,000) and $944,000 (2016 - $1,529,000) to reduce future income tax payable in Canada and Mexico, respectively. The Company's non-capital losses expire in Canada between 2031 and 2037, and in Mexico between 2017 and 2027.

No deferred tax asset has been recognized in respect of the above as the Company currently does not have any sources of taxable income and there is uncertainty as to whether the Company will earn taxable income in the future. As a result, it is not currently probable that the benefits of such amounts will be realized.

9. Financial instruments, fair values and risks:

IFRS 7, Financial Instruments: Disclosures ("IFRS 7") establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have any financial instruments recognized at fair value. The carrying values of cash, receivables, accounts payable and accrued liabilities, due to related parties, and short-term loan approximate their fair values due to their short terms to maturity.

9. Financial instruments, fair values and risks (continued):

(a) Financial instrument risk exposure and risk management:

Credit risk

Credit risk arises from the possibility that counterparties may be unable to fulfill their commitments to the Company. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The carrying value of these instruments represents the Company's maximum exposure to credit risk. The Company manages and limits exposure to credit risk by maintaining its cash with high-credit quality financial institutions. There is minimal credit risk with respect to GST receivable as this amount is recoverable from Canadian governmental agencies. At May 31, 2017, the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company is exposed to liquidity risk and manages it through the management of its capital structure, as outlined in note 10 of these consolidated financial statements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest bearing financial assets as at May 31, 2017.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign currency rates. The Company's functional and reporting currency is the Canadian dollar. The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of shareholders' equity.

The Company's main risks are associated with fluctuations in the US dollar ("US") and assets and liabilities are translated based on the foreign currency translated method described in note 2(j). The Company does not enter into any foreign exchange hedging contracts. In order to mitigate this risk, the Company maintains a portion of its cash in US dollar denominated bank accounts. As at May 31, 2017, the Company had amounts payable totaling approximately US$26,000. The Company has determined that a 10% increase or decrease in the US dollar against the Canadian dollar on these instruments, as at May 31, 2017, would result in a $3,400 change to profit or loss for the year.

10. Capital management:

The Company's objectives of capital management are intended to safeguard the entity's ability to acquire mineral properties. The capital of the Company consists of the items included in shareholders' deficiency. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. Notwithstanding the risks described in note 1 of the financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

11. Segmented information:

The Company operates in one segment being the acquisition and exploration of mineral properties. Geographical information can be found in note 4.

12. Contingencies:

The Company may be involved in legal proceedings from time to time, arising in the ordinary course of its business. Management of the Company is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations.