VICTORY RESOURCES CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared By Management)
(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MAY 31, 2018

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

VICTORY RESOURCES CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	May 31, 2018	February 28, 2018
ASSETS		
Current assets		
Cash	$ 743,520	$ 1,063,930
Receivables	12,542	7,190
Subscription receivable (Note 7)	-	19,200
Total current assets	756,062	1,090,320
Non-current assets		
Reclamation deposit	3,050	3,050
Exploration and evaluation assets (Note 4)	1,820,546	1,820,546
Total non-current assets	1,823,596	1,823,596
Total assets	$ 2,579,658	$ 2,913,916
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	$ 705,027	$ 656,808
Due to related parties (Note 6)	11,652	72,747
Total liabilities	716,679	729,555
Shareholders' equity		
Capital stock (Note 7)	27,870,693	27,870,693
Subscription received in advance	-	-
Reserves (Note 7)	1,167,270	693,270
Deficit	(27,174,984)	(26,379,602)
Total shareholders' equity	1,862,979	2,184,361
Total liabilities and shareholders' equity	$ 2,579,658	$ 2,913,916

Nature of operations and going concern (Note 1)
Segmented information (Note 8)

Approved and authorized on behalf of the Board of Directors on June 28, 2018.

"Glen Harder" Director — Glen Harder

"David Lane" Director — David Lane

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

VICTORY RESOURCES CORPORATION
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31,

		2018		2017
EXPENSES (RECOVERY)				
Consulting	$	107,500	$	-
Investor relations		9,750		-
Management and directors fees (Note 6)		24,000		21,000
Office and administration (Note 6)		21,466		(2,792)
Professional fees (Note 6)		58,673		16,666
Property investigation		72,169		-
Share-based compensation		474,000		-
Transfer agent and filing fees		9,610		1,434
Travel		18,214		826
Wages and salaries (Note 6)		-		15,566
Income (loss) for the period		(795,382)		(52,700)
Other comprehensive income (loss)				
Item that may be reclassified subsequently to income or loss:				
Exchange differences on translating foreign operations		-		(50,783)
Comprehensive income (loss) for the period	$	(795,382)	$	(103,493)
Basic and diluted earnings (loss) per common share	$	(0.06)	$	(0.02)
Weighted average number of common shares outstanding – basic and diluted		13,740,000		4,140,847

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

VICTORY RESOURCES CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	$ (795,382)	$ (52,700)
Items not affecting cash:		
Gain (loss) on foreign exchange	-	(50,793)
Share-based compensation	474,000	-
Changes in non-cash working capital:		
Receivables	-	(500)
Accounts payable and accrued liabilities	48,219	110,734
Net cash used in operating activities	(273,163)	6,741
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(5,352)	(5,065)
Mining exploration tax credit	-	-
Net cash used in investing activities	(5,352)	(5,065)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received from (paid to) related parties	(61,095)	-
Proceeds from the issuance of share capital	-	-
Share issuance costs	-	(1,050)
Share subscription received in advance	19,200	-
Net cash provided by financing activities	(41,896)	(1,050)
Change in cash for the period	(320,411)	626
Cash, beginning of the period	1,063,930	4,575
Cash, end of the period	$ 743,519	$ 5,201
Supplemental cash flow information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 10)

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

VICTORY RESOURCES CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Capital Stock			Reserves				
	Number	**Amount**	**Subscription received in advance**	**Options and warrants reserve**	**Foreign currency translation**	**Total Reserves**	**Deficit**	**Total equity**
Balance as at February 28, 2017	4,102,758	26,216,182	70,000	177,050	456,341	633,391	(25,993,914)	925,659
Private placements	48,001	60,000	(60,000)	-	-	-	-	-
Share issuance costs (Note 6)	-	(1,050)	-	-	-	-	-	(1,050)
Exchange differences on translating foreign operations	-	-	-	-	(50,793)	(50,793)	-	(50,793)
Loss for the period	-	-	-	-	-	-	(52,700)	(52,700)
Balance as at May 31, 2017	4,150,759	26,275,132	10,000	177,050	456,341	633,391	(25,993,914)	925,659
Private placements	9,589,475	1,929,240	-	36,000	-	36,000	-	1,965,240
Reallocated to accounts payable	-	-	(10,000)	-	-	-	-	(10,000)
Share issuance costs (Note 6)	-	(123,968)	-	-	-	-	-	(123,968)
Share issuance costs - warrants	-	(209,711)	-	209,711	-	209,711	-	-
Options cancelled	-	-	-	(160,707)	-	(160,707)	160,707	-
Exchange differences on translating foreign operations	-	-	-	-	(25,125)	(25,125)	-	(25,125)
Loss for the period	-	-	-	-	-	-	(546,395)	(546,395)
Balance as at February 28, 2018	13,740,234	27,870,693	-	262,054	431,216	693,270	(26,379,602)	2,184,361
Share-based compensation	-	-	-	474,000	-	-	-	474,000
Loss for the period	-	-	-	-	-	-	(795,382)	(795,382)
Balance as at May 31, 2018	13,740,234	$ 27,870,693	$ -	$ 736,054	$ 431,216	$ 693,270	$ (27,174,984)	$ 1,862,979

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Victory Resources Corporation, ("Victory" or the "Company") is a publicly traded junior mineral exploration company. The Company is principally engaged in the acquisition, exploration and evaluation of mineral properties, and has no significant revenues. The common shares of the Company trade on the TSX Venture Exchange ("TSX-V") under the symbol "VR".

The Company was incorporated in British Columbia on February 8, 1984. The Company's head office address is Suite 734 – 1055 Dunsmuir St., Vancouver, BC, V7X 1B1. The Company's registered and records office address is 1400 – 1125 Howe Street, Vancouver, BC, V6Z 2K8.

In fiscal 2011 the Company incorporated two wholly-owned subsidiaries, Victory Resources Corporation U.S.A., incorporated under the laws of Arizona, U.S.A. in August 2010 and VicRes Mining Mexico S.A. de C.V., incorporated under the laws of Sonora, Mexico in April 2010. In fiscal 2017, Victory Resources Corporation U.S.A. was dissolved.

These condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at May 31, 2018, the Company has a deficit of $27,174,984 (February 28, 2018 - $26,379,602). The Company is in the process of exploring and developing its mineral properties and has not yet determined whether those properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to fund property commitments and to complete the exploration and development of the properties and upon achieving future profitable production or proceeds from the disposition thereof. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The Company has financed its operations primarily through the issuance of common shares, proceeds from loans and advances from related parties. The Company continues to seek capital through various means including the issuance of equity and/or debt. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future or on terms that are favorable to the Company. Accordingly these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of presentation

These condensed interim consolidated financial statements for the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended February 28, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on June 28, 2018.

2. BASIS OF PREPARATION (cont'd...)

Basis of presentation (cont'd...)

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Basis of consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and the entity controlled by the Company. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The condensed consolidated financial statements include the financial statements of Victory Resources Corporation and its subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
VicRes Mining Mexico S.A. de C.V.	Mexico	100%	Mineral exploration

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the parent company's functional currency. The functional currency for VicRes Mining Mexico S.A. de C.V. is the Mexican peso.

Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include the following:

Carrying value and recoverability of exploration and evaluation assets

The assessment of the potential impairment of the carrying value and recoverability of exploration and evaluation assets included in the consolidated statements of financial position are based on management's best estimate.

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Changes in the input assumptions can materially affect the fair value estimate of stock options.

2. BASIS OF PREPARATION (cont'd...)

Use of estimates and judgments (cont'd…)

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the condensed consolidated statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the consolidated statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recognized any deferred tax assets.

Determination of functional currency

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" management determined that the functional currency of the Company is Canadian dollars, and the functional currency of its Mexican subsidiary is the Mexican peso based on the primary economic environment in which each entity operates.

Going concern

The assessment of the Company's ability to continue as a going concern is a significant judgment. See Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The presentation currency of the Company is the Canadian dollar.

<u>Transactions and balances</u>

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation (cont'd...)

Subsidiary

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at period-end rates; and
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations in each period are classified within other comprehensive income (loss) in the statement of comprehensive income (loss) and the cumulative effect as at the period end is reported as a component of shareholders' equity reserves titled "Foreign currency translation". Cumulative differences are recognized in profit or loss in the period in which the operation is disposed of.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss ("FVTPL") - This category comprises financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the assets.

Loans and receivables ("LAR") - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating interest income or interest expense over the relevant period.

Held-to-maturity investments ("HTM") - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale ("AFS") - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss ("FVTPL") - This category comprises financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Transaction costs associated with fair value through profit or loss financial liabilities are expensed as incurred.

Other financial liabilities ("OFL") - This category consists of liabilities carried at amortized cost using the effective interest method. These financial liabilities are initially recognized at fair value less directly attributable transaction costs.

Exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or other consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess consideration accounted for as a gain in profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. If impairment is assessed, exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are tested for impairment before the assets are transferred to mines under construction.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation assets (cont'd...)

Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If an 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

Provision for environmental rehabilitation

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In a loss period, potentially dilutive stock options and warrants are excluded from the loss per share calculation as the effect would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

Where equity-settled stock options are awarded to employees, consultants, officers and directors, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Fair value is determined on the grant date using the Black-Scholes option pricing model. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received in profit or loss, unless they are related to the issuance of shares. Amount related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured using the Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

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

Income taxes

Income tax on profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes (cont'd...)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned the residual value after the main component of the equity financing (common shares) is valued, which is determined by the closing price on the announcement date. Warrants that are issued as payment for agency fees or other transaction costs are accounted for as share-based payments.

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date the shares were issued or received.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid by the investor for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

Accounting policies adopted

During the period ended May 31, 2018, the Company adopted the following accounting policies. The adoption did not have a significant impact on the Company's condensed consolidated financial statements.

The amendments to IFRS 2 Share-based Payment 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.

IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments Recognition and Measurement, resulting in two categories for classification and measurement of financial assets and liabilities: amortized cost and fair value.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Accounting policies adopted (cont'd...)

IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. It covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

Future accounting pronouncements

IFRS 16 Leases was issued in January 2016 resulting in significant changes to how an entity 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. This standard is effective for the Company's fiscal year beginning on March 1, 2019.

These changes are not expected to have a significant impact on the Company's condensed consolidated financial statements.

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. EXPLORATION AND EVALUATION ASSETS

	Toni Property	Reforma Project	Rich Lake Property	Total
Balance, February 28, 2017	$ 1,805,033	$ 1	$ 39,623	$ 1,844,657
Additions:				
Property costs	11,836	-	(155)	11,681
Analysis and report preparation	21,600	-	-	21,600
Mining expenditure tax credit	(17,925)	-	-	(17,925)
Write-down	-	-	(39,467)	(39,467)
Balance, February 28, 2018 and May 31, 2018	$ 1,820,544	$ 1	$ 1	$ 1,820,546

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims that may be impacted by the conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and to the best of its knowledge, title to all of its properties is properly registered and in good standing.

Toni Property, Nicola Division, British Columbia

The Company has a 100% interest in the Toni Property and is not aware of any charges, encumbrances or claims. As consideration the Company paid $30,000, issued 300,000 common shares and incurred at least $250,000 in cumulative exploration expenditures during the years ended February 28, 2006 and 2007. The property is subject to a 2% net smelter returns royalty.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Reforma Project, Mexico

During the year ended February 28, 2014, the Company determined the Reforma Project to be impaired and wrote down the carrying value of the Reforma Project to $1. The Company has earned a 70% interest in the Reforma Project.

Rich Lake Lithium Property, Ontario

During the year ended February 29, 2016, the Company acquired claims in the area designated as the Rich Lake Lithium Property.

During the year ended February 28, 2017, the Company entered a joint venture with Urban Mining Ventures Inc. in which Urban Mining Ventures Inc. could earn 25% of the mineral rights on the Rich Lake Lithium Property.

During the year ended February 28, 2017, Urban Mining Ventures Inc. abandoned the joint venture agreement.

During the year ended February 28, 2018, the Company determined the Rich Lake Lithium Property to be impaired and wrote down the carrying value to $1.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		May 31, 2018		May 31, 2017
Trade payables	$	685,527	$	634,344
Accrued liabilities		19,500		56,632
Total	$	705,027	$	690,976

All accounts payable and accrued liabilities for the Company are expected to fall due within the next 12 months.

6. RELATED PARTY TRANSACTIONS

Management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

Key management personnel compensation during the period ended May 31, 2018 and 2017 was as follows:

		May 31, 2018		May 31, 2017
Management and directors fees	$	10,500	$	-
Wages and salaries		-		22,500
Share-based compensation		152,289		-
Exploration expenditures (i)		-		24,000
Accounting fees, included in professional fees		13,500		5,900
Legal fees, included in professional fees		24,834		-
Rent expense, included in office and administration		-		1,500
	$	201,123	$	53,900

(i) Capitalized to exploration and evaluation assets.

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (cont'd...)

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

The amounts due to the related parties are as follows:

		May 31, 2018		May 31, 2017
Due to directors and officers	$	16,715	$	354,168
Due to a company with common directors		11,652		2,437
Due to other related parties		-		168
	$	28,367		356,773

The amounts owing are unsecured, non-interest bearing and have no fixed term for repayment.

7. CAPITAL STOCK AND RESERVES

a) Authorized share capital:

As at May 31, 2018, the Company has unlimited authorized common shares without par value.

b) Issued share capital:

During the three month period ended May 31, 2018, no shares were issued by the Company.

During the year ended February 28, 2018, the Company:

i) completed a non-brokered private placement of 48,000 units for gross proceeds of $60,000. Each unit consists of one common share issued at $1.25 per share and one warrant. Each warrant may be exercised by the holder to purchase one common share at a price of $2.50 expiring on March 19, 2019 (valued at $36,000). Proceeds were received during the year ended February 28, 2017.

ii) issued 4,734,476 non-flow-through units at $0.21 per unit for gross proceeds of $994,240, of which $19,200 was received subsequent to February 28, 2018. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at price of $0.275 per share, with an expiry date of January 21, 2020.

Finder's fees totalling $47,303 and 224,737 finder's warrants (valued at $97,969 using the Black-Scholes valuation) exercisable at a price of $0.275 until January 21, 2020 were paid and issued to qualified parties in connection with the non-flow-through unit issuance. The fair value of the warrants was recognized as a share issuance cost with a corresponding increase in reserves.

iii) issued 4,855,000 flow-through units at a price of $0.20 per units for gross proceeds of $971,000. Each unit consists of one flow-through share and one warrant. Each warrant entitles the holder to purchase one additional non-flow through share at a price of $0.21 per share, with an expiry date of January 21, 2020.

Finder's fees totalling $50,400 and 252,000 finder's warrants (valued at $111,742 using the Black-Scholes valuation) exercisable at a price of $0.21 until January 21, 2020 were paid and issued to qualified parties in connection with the flow-through unit issuance. The fair value of the warrants was recognized as a share issuance cost with a corresponding increase in reserves.

(Expressed in Canadian Dollars)

7. CAPITAL STOCK AND RESERVES (cont'd...)

b) Issued share capital: (cont'd...)

iv) the Company incurred an additional $27,315 in share issuance costs during the year ended February 28, 2018.

c) Stock options:

The Company grants options under the terms of its rolling stock option plan to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding shares of the Company. The exercise price of each option equals the market price of the Company's shares, less allowable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

There were no stock options granted during the year ended February 28, 2018.

On March 20, 2018, the Company granted 1,230,000 stock options to officers, directors, employees and consultants of the Company. The options are exercisable at a price of $0.285 per option for a period of five years. The Company used the Black-Scholes option pricing model to calculate the fair value of $474,000 in share-based compensation.

A summary of stock options is presented as follows:

	Number of Options		Weighted Average Exercise Price
Outstanding and exercisable, February 28, 2017	130,000	$	2.50
Cancelled	(118,000)		2.50
Outstanding and exercisable, February 28, 2018	12,000	$	2.50
Cancelled	(4,000)		2.50
Issued	1,230,000		0.285
Outstanding and exercisable, May 31, 2018	1,238,000	$	0.30

At May 31, 2018, the following stock options were outstanding and exercisable:

Expiry Date	Number of Options		Exercise Price
August 6, 2020	8,000	$	2.50
March 20, 2023	1,230,000	$	0.285

(Expressed in Canadian Dollars)

7. CAPITAL STOCK AND RESERVES (cont'd...)

c) Stock options: (cont'd...)

The following weighted average assumptions were used for the Black-Scholes valuation of the options:

	May 31, 2018	February 28, 2017
Share price	$ 0.40	-
Exercise price	$ 0.285	-
Risk-free interest rate	2.04%	-
Expected life of warrants	5 years	-
Expected annualized volatility	179.04%	-
Expected dividend rate	0.00%	-

d) Warrants:

A summary of warrants is presented as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, February 28, 2017	201,933	$ 3.25
Issued	10,114,213	0.25
Expired	(153,933)	3.58
Outstanding, February 28, 2018 and May 31, 2018	10,162,213	$ 0.26

At May 31, 2018, the following warrants were outstanding and exercisable:

	Number of Warrants Outstanding	Exercise Price
August 30, 2018	48,000	$ 2.50
March 21, 2019	48,000	2.50
January 21, 2020	4,734,476	0.275
January 21, 2020	224,737	0.275
January 21, 2020	4,855,000	0.21
January 21, 2020	252,000	0.21
	10,162,213	

(Expressed in Canadian Dollars)

7. CAPITAL STOCK AND RESERVES (cont'd...)

d) Warrants: (cont'd...)

The following weighted average assumptions were used for the Black-Scholes valuation of the warrants:

	May 31, 2018	February 28, 2018
Share price	-	$ 0.49
Exercise price	-	$ 0.24
Risk-free interest rate	-	1.76%
Expected life of warrants	-	2 years
Expected annualized volatility	-	202.41%
Expected dividend rate	-	0.00%

8. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of mineral properties. Geographical information is as follows:

	May 31, 2018	February 28, 2018
Exploration and evaluation assets		
Canada	$ 1,820,545	$ 1,820,545
Mexico	1	1
	$ 1,820,546	$ 1,820,546

	May 31, 2018	May 31, 2017
Net income (loss) for the period		
Canada	$ (321,382)	$ (52,700)

9. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (cont'd...)

The Company's financial instruments are classified as follows:

Financial instrument	Classifications
Cash	FVTPL
Subscription receivable	LAR
Reclamation deposit	LAR
Accounts payable and accrued liabilities	OFL
Due to related parties	OFL

The fair value of these assets and liabilities approximates their respective carrying amounts due to their short term nature except as otherwise noted. The fair value of the Company's cash constitutes a Level 1 fair value measurement. The Company does not currently hold any financial instruments that would be included in the classification of AFS.

The Company's risk exposures and the impact on the Company's 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. As at February 28, 2018, the Company has a subscription receivable of $19,200 which was received during the period ended May 31, 2018. Substantially all cash balances are held at chartered banks in Canada. The Company's maximum exposure to credit risk is the balance of cash on the consolidated statements of financial position.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure, as outlined below. As at May 31, 2018, the Company had a cash balance of $743,520 (February 28, 2018 - $1,063,930), and receivable of $12,542 (February 28, 2018 - $7,190) to settle current liabilities of $716,679 (February 28, 2018 - $729,555). All of the Company's trade accounts payable and amounts due to related parties have contractual maturities of 30 days or are due on demand and accounts payable are subject to normal trade terms. The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short term business requirements. The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

As of May 31, 2018, the Company did not hold any investments and has no significant interest rate risk.

b) Foreign currency risk

The Company is exposed to changes in foreign exchange rates as expenses in the international subsidiary, or financial instrument values may fluctuate due to changes in rates. The Company has not entered into any derivative instruments in an effort to mitigate exposure to fluctuations in foreign exchange rates.

At May 31, 2018, the Company had $9,170 U.S dollars (USD) and 25,357 Mexican pesos (MXP) in cash, and $Nil USD and 7,803,636 MXP in accounts payable.

9. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (cont'd…)

b) Foreign currency risk (cont'd…)

A 10% fluctuation in the USD/CAD exchange rate would result in an immaterial effect to profit or loss.

c) Price risk

The recoverability of the Company's exploration and evaluation assets is indirectly related to the market price of commodities. The Company's ability to continue with its exploration of the Toni Property is also indirectly subject to commodity prices. The Company is not currently directly exposed to fluctuations in commodity prices as the Company is currently in the exploration phase and has no production.

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, and/or acquire or dispose of assets.

The Company is dependent on the capital markets as its sole source of operating capital. The Company's capital resources are largely determined by the strength of the junior resource markets, the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended May 31, 2018.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not require the use of cash are excluded from the statement of cash flows. The following transactions have been excluded from the condensed consolidated statement of cash flows for the period ended May 31, 2018:

a) Included in accounts payable and amounts due to related parties is $536,477 of exploration and evaluation asset costs.

The following transactions have been excluded from the consolidated statement of cash flows for the year ended May 31, 2017:

a) Included in accounts payable and amounts due to related parties is $538,278 of exploration and evaluation asset costs.

11. COMMITMENT

During the period ended May 31, 2018, the Company incurred $Nil of qualified flow-through funded exploration expenditures, under the flow-through financing on January 22, 2018 (Note 7b). As at May 31, 2018, $971,000 remains to be incurred on qualifying expenditures by December 31, 2018.