KOIOS BEVERAGE CORP.
(FORMERLY SUPER NOVA PETROLEUM CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
MAY 31, 2018

(Expressed in US Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Koios Beverage Corp. (formerly Super Nova Petroleum Corp.)

We have audited the accompanying consolidated financial statements of Koios Beverage Corp., which comprise the consolidated statement of financial position as at May 31, 2018, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Koios Beverage Corp. as at May 31, 2018, and its financial performance and its cash flows for the year 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 describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Koios Beverage Corp.'s ability continue as a going concern.

Restated Comparative Information
Without modifying our opinion, we draw attention to Note 1b) to the consolidated financial statements, which explains that the comparative information for the year ended May 31, 2017 has been restated to be presented in US dollars. The consolidated financial statements of Koios Beverage Corp. for the year ended May 31, 2017 (prior to the restatement of the comparative information) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on September 7, 2017.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
September 28, 2018

KOIOS BEVERAGE CORP.
(FORMERLY SUPER NOVA PETROLEUM CORP.)
Consolidated Statements of Financial Position
As at May 31, 2018 and 2017
(Expressed in US dollars)

	Note	**May 31, 2018**	May 31, 2017
ASSETS		**$**	$
Cash		**852,436**	1,721
GST receivables		**6,944**	-
Prepaid expenses		**64,520**	99
Total assets		**923,900**	1,820
LIABILITIES			
Provision for indemnity	8	**23,865**	23,865
Accounts payable and accrued liabilities	4	**342,811**	243,156
Short term loan	6	**151,241**	13,333
Due to related parties	6	**124,463**	131,940
		642,380	412,294
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	5	**7,609,618**	2,217,156
Special warrants	5	**-**	769,179
Reserves	5	**247,416**	162,177
Deficit		**(7,575,514)**	(3,558,986)
		281,520	(410,474)
Total liabilities and shareholders' equity (deficiency)		**923,900**	1,820

Approved and authorized for issue by the board of directors on September 28, 2018 and signed on its behalf by:

/s/ Chris Miller
Chris Miller, Director

/s/ Anthony Jackson
Anthony Jackson, Director

(The accompanying notes are an integral part of these consolidated financial statements.)

KOIOS BEVERAGE CORP.
(FORMERLY SUPER NOVA PETROLEUM CORP.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended May 31, 2018 and 2017
(Expressed in US dollars)

	Note	2018	2017
Revenue		$ **43**	$ -
Cost of sales		**(9,206)**	-
		(9,163)	-
General and administration expenses			
Administrative fees	6	**102,126**	86,848
Advertising		**480,051**	-
Consulting fees		**230,306**	34,750
Filing fees and regulatory fees		**25,876**	14,280
Interest charges		**786**	18,435
Office		**27,868**	30,409
Professional fees		**102,974**	42,078
Rent		**2,500**	9,111
Salaries and commission	6	**12,500**	-
Share-based compensation	6	**85,239**	-
Travel		**3,525**	-
		(1,073,751)	(235,911)
Other income (loss)			
Mineral exploration tax credit		**-**	2,142
Foreign exchange loss (gain)		**(45,772)**	9,151
Gain on adjustment of accounts payable and accrued liabilities		**113,141**	1,324
Loss on settlement of debt	5	**(11,730)**	(278,462)
Loss on acquisition of subsidiary	9	**(3,028,568)**	-
Gain on disposal of mineral property interest	6	**39,315**	-
		(2,933,614)	(265,845)
Loss and comprehensive loss		**(4,016,528)**	(501,756)
Loss per share, basic and diluted		**(0.16)**	(0.10)
Weighted average number of shares outstanding - basic and diluted		**8,680,011**	4,813,710

(The accompanying notes are an integral part of these consolidated financial statements.)

KOIOS BEVERAGE CORP.
(FORMERLY SUPER NOVA PETROLEUM CORP.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the years ended May 31, 2018 and 2017
(Expressed in US dollars)

	Number of Shares	Share Capital	Number of Special Warrants	Special Warrants	Reserves	Deficit	Total
Balance, May 31, 2016	4,813,707	$ 2,217,156	-	$ -	$ 162,177	$ (3,057,230)	$ (677,897)
Special warrants issued (note 5)	-	-	13,399,333	769,179	-	-	769,179
Loss for the year	-	-	-	-	-	(501,756)	(501,756)
Balance, May 31, 2017	**4,813,707**	**2,217,156**	**13,399,333**	**769,179**	**162,177**	**(3,558,986)**	**(410,474)**
Private Placement (note 5)	1,000,000	59,185	-	-	-	-	59,185
Acquisition of subsidiary (note 9)	15,000,000	2,381,400	-	-	-	-	2,381,400
Finder's shares – acquisition (note 9)	1,500,000	238,140	-	-	-	-	238,140
Share subscription receipts (note 5)	11,900,000	1,889,244	-	-	-	-	1,889,244
Share issuance cost (note 5)	-	(93,531)	-	-	-	-	(69,815)
Special warrants issued (note 5)	-	-	2,377,505	148,845	-	-	148,845
Special warrants conversion (note 5)	15,776,838	918,024	(15,776,838)	(918,024)	-	-	-
Share-based compensation (note 5)	-	-	-	-	85,239	-	85,239
Loss for the year	-	-	-	-	-	(4,016,528)	(4,016,528)
Balance, May 31, 2018	**49,990,545**	**$ 7,609,618**	**-**	**$ -**	**$ 247,416**	**$ (7,575,514)**	**$ 281,520**

(The accompanying notes are an integral part of these consolidated financial statements.)

KOIOS BEVERAGE CORP.
(FORMERLY SUPER NOVA PETROLEUM CORP.)
Consolidated Statements of Cash Flows
For the years ended May 31, 2018 and 2017
(Expressed in US dollars)

	2018	2017
Cash flows from operating activities	$	$
Loss for the year	**(4,016,528)**	(501,756)
Items not affecting cash:		
Share-based payment	**85,239**	-
Loss on acquisition of subsidiary	**3,028,568**	-
Accrual on loan interest	**1,000**	741
Loss on settlement of debt	**11,730**	272,935
Gain on extinguishment of accounts payable and accrued liabilities	**(113,141)**	(1,298)
Changes in non-cash working capital items:		
GST receivable	**(6,944)**	7,286
Prepaid expense	**(64,421)**	-
Accounts payable and accrued liabilities	**97,291**	486,510
Net cash flows used in operating activities	**(977,206)**	264,416
Cash flows from financing activities		
Shares issued	**1,854,898**	-
Cash acquired on acquisition of subsidiary	**9,238**	-
Due to related parties	**(36,215)**	(264,632)
Net cash flows from financing activities	**1,827,921**	(264,632)
Net increase (decrease) in cash	**850,715**	(216)
Cash, beginning of the year	**1,721**	1,937
Cash, ending of the year	**852,436**	1,721

(The accompanying notes are an integral part of these consolidated financial statements.)

1. NATURE AND CONTINUANCE OF OPERATIONS

Koios Beverage Corp. (formerly Super Nova Petroleum Corp.) (the "Company") was incorporated on November 13, 2002, under the *Business Corporations Act (British Columbia).* The Company, through its wholly owned subsidiary Koios, LLC , is an emerging beverage company. The corporate and registered and records offices of the Company are located at Suite 318, 1189 West Pender Street, Vancouver, British Columbia, V6E 2R1. The Company's common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "KBEV".

On April 13, 2018, the Company completed a transaction with Koios, LLC ("Koios"), a company incorporated under the laws of the State of Colorado. Koios is in the business of producing, marketing and selling functional beverages. As a result, the Company acquired 100% of Koios by issuing 15,000,000 common shares (the "Payment Shares") to the securityholders of Koios (the "Transaction"). Upon the closing of the Transaction, Koios became a wholly owned subsidiary of the Company. (Note 9)

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Issues Committee ("IFRIC"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The presentation and functional currency of the Company is the US dollar.

Effective June 1, 2016, the Company has changed its presentation currency and the comparative information that was previously presented in Canadian dollars has been translated to the US dollars as follows:

- Balance sheet using the closing rate at May 31, 2017, which was CAD 1.2948 per USD;
- Income, expenses and cash flows using the average rate for the year ended May 31, 2017 which was CAD 1.2873 per USD.

c) Going concern

To date, the Company has incurred losses and further losses are anticipated. The Company's ability to continue as a going concern and meet its corporate objectives will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence.

1. NATURE AND CONTINUANCE OF OPERATIONS (cont'd…)

d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Koios Inc. (formerly Koios, LLC) ("Koios"), Cannavated Beverage Co. (BC) ("Cannavated BC") and Cannavated Beverage Corp. (Nevada) ("Cannavated Nevada"). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses during the reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the consolidated financial statements. Actual results could differ materially from those reported.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the consolidated statement of financial position date, that could result in material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The provision of deferred tax is based on judgments in applying income tax law and estimates on timing, likelihood and reversal of temporary differences between the accounting and tax basis of the assets and liabilities;
- The assessment of indications of impairment of the exploration and evaluation assets and related determination of the net realizable value and write-down of those assets where applicable;
- The estimated value of the Company's provision of the indemnity of shareholders; and
- The valuation of the Company's securities issued to settle amounts payable.

b) Foreign currency

The Company's functional currency is the Canadian dollar. The functional currency of its subsidiary is US dollar. Monetary assets and liabilities denominated in currencies other than the US dollar are initially recorded at the respective spot rate of exchange at the date of the transaction, and then translated into US dollars at the rates of exchange prevailing at the reporting date. All differences are taken to profit or loss on the statement of loss and comprehensive loss. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at average rates throughout the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

c) Valuation of equity units issued in private placements

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

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

d) Stock-based compensation

The fair value of stock options granted is measured at grant date using the Black-Scholes option pricing model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock options granted is used instead. At each reporting date, prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are expected to ultimately vest is computed. The movement in cumulative expense is recognized in the statement of loss and comprehensive loss with a corresponding entry within equity, against reserves. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received, together with any related amount in reserves, are credited to share capital.

e) Special warrants

Special warrants are convertible into common shares and share purchase warrants of the Company. The Company measures the fair value of the special warrants by its components: the fair value of the common shares are valued at the closing price of the Company's shares on the special warrant issuance date; the fair value of the share purchase warrants are determined by using the Black-Scholes option pricing model on the special warrant issuance date.

f) Loss per share

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. To compute diluted loss per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, if later, all options and warrants were exercised. The proceeds from exercise would be used to purchase the Company's common shares at their average market price during the period. If this computation is anti-dilutive, diluted loss per share is the same as basic loss per share.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

g) Income taxes

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 statement of financial position 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 both accounting nor 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 statement of financial position date.

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. To the extent that the Company does not consider it is probable that a future tax asset will be recovered, it does not recognize the asset.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

h) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available for sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. It is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets and include cash, which is initially recognized at fair value.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current or non-current assets based on their maturity date. Assets in this category include receivables and are measured at amortized cost less impairment.

Available-for-sale financial assets
Available-for-sale financial assets are either designated as available for sale or not classified in any other categories. They are initially recognized at fair value plus transaction costs and are subsequently carried at fair value, with unrealized gains and losses recorded in other comprehensive income until disposition or other-than-temporary impairment at which time the gain or loss is recorded in earnings. The Company does not have any available-for sale financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – this category comprises of derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss.

Other financial liabilities – are initially recognized at fair value and subsequently stated at amortized cost and include accounts payable, accrued liabilities, short term loans, and due to related parties. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the date of the consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

h) Financial instruments (cont'd…)

Impairment of financial assets

At each reporting date the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

1. Financial assets carried at amortization: the loss is the difference between the amortized cost and its value of estimated future cash flows, discounted using the instrument's original effective interest rate; and

2. Available-for-sale financial asset: The loss is the amount comprising the difference between its original cost and its current fair value, less any impairment previously recognized in the consolidated statement of loss and comprehensive loss This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net loss.

   Reversals of impairment losses on financial assets carried at amortized cost are recorded through the statement of loss and comprehensive loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss had been recognized. Impairment on available-for-sale instruments is not reversed.

i) Revenue

Revenue is recognized only when: (i) significant risk and rewards of ownership has been passed to the buyer; (ii) the Company no longer has effective control over the products sold; (iii) amount of revenue is known; (iv) collectability is reasonably assured; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue excludes sales tax and is recorded net of discounts and an allowance for estimated returns unless the terms of the sale are final.

3. NEW ACCOUNTING STANDARDS

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the May 31, 2018 reporting period. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these consolidated financial statements.

IFRS 16, Leases

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. While the Company is currently evaluating the impact this new guidance will have on its consolidated financial statements, the recognition of certain leases is expected to increase the assets and liabilities on the consolidated statements of financial position. As a result, the Company expects IFRS 16 to have a significant change to the consolidated statements of financial position.

Expressed in US Dollars, unless otherwise stated

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	May 31, 2018	May 31, 2017
	$	$
Accounts payable	253,681	243,156
Accrued liabilities	89,130	-
	342,811	243,156

5. SHARE CAPITAL

Authorized - unlimited number of common shares without par value.

Share issuances

In July 2017, the Company issued 1,000,000 shares at C$0.075 per unit for total proceeds of $59,185. Each unit consisted of one common share and one common share purchase warrant exercisable at C$0.10 per share for a period of two years from the date of issuance.

The Company issued 15,000,000 common shares with a fair value of $2,381,400 in connection with the acquisition of Koios (Note 9). 1,500,000 common shares were issued as finder's shares with a fair value of $238,140.

In anticipation of the Transaction with Koios (Note 9), the Company issued 11,900,000 share subscription receipts at a price of C$0.20 per subscription receipt for gross proceeds of $1,889,244. The Company incurred share issuance costs of $93,531. The subscription receipts converted to 11,900,000 shares of the Company on completion of the Transaction.

On April 25, 2018, the Company issued a total of 15,776,838 common shares with a fair value of $918,024 from the conversion of special warrants.

Special warrants

In July 2017, the Company issued 2,377,505 special warrants to settle debts of C$178,313; 1,674,301 special warrants were issued to Golden Dawn Minerals Inc. ("GOM") for C$125,573 and 703,204 special warrants were issued to a company controlled by the CEO for C$52,740.

Each warrant will automatically convert on the earlier of i) the second anniversary of the date of the issuance of the special warrants, and ii) the closing of a significant transaction involving the Company. At conversion, each special warrant shall convert into a unit of the Company. Each unit consists of one common share and one share purchase warrant. Each warrant shall be exercisable into a common share of the Company at $0.10 per share for a period of two years from conversion. The special warrants were valued at C$0.081 per special warrant for a total value of $148,845 (C$193,231); C$0.075 for the underlying common share and C$0.006 for the underlying warrant (calculated using the Black-Scholes model). A $11,730 loss on settlement of debt was recorded in the current period related to the issuance of the special warrants and settlement of debts noted above. The fair value of the warrants was determined using the following assumptions:

Expressed in US Dollars, unless otherwise stated

5. SHARE CAPITAL (cont'd…)

Special warrants (cont'd…)

Weighted average assumptions	**At issuance July 5, 2017**
Risk free interest rate	1.13%
Volatility	125%
Expected life of warrants	2 years
Dividend rate	0%
Liquidity discount	90%

On April 25, 2018, 15,776,838 special warrants of the Company were converted into 15,776,838 units of the Company. Of the 15,776,838 special warrants, 13,399,333 special warrants converted into 13,399,333 units, each of which is comprised of a common share and one share purchase warrant, which is exercisable into a common share until April 25, 2020 at a price per share of C$0.075; and 2,377,505 special warrants converted into 2,377,505 units, each of which is comprised of a common share and one share purchase warrant, which is exercisable into a common share until April 25, 2020 at a price per share of C$0.10.

In October 2016, the Company issued 13,399,333 special warrants to settle debts of $669,967, of which 9,799,333 special warrants were issued to GOM for C$489,967; 2,550,000 special warrants were issued to a company controlled by the CEO for C$127,500; and 525,000 special warrants were issued to a company controlled by the CFO for C$26,250.

Each warrant will automatically convert on the earlier of i) the second anniversary of the date of the issuance of the special warrants, and ii) the closing of a significant transaction involving the Company. At conversion, each special warrant will convert into a unit of the Company. Each unit consists of one common share and one share purchase warrant. Each warrant shall be exercisable into a common share of the Company at C$0.075 per share for a period of two years from conversion. The special warrants were valued at C$0.0775 per special warrant for a total value of $769,179 (C$1,038,449); C$0.05 for the underlying common share and C$0.0275 for the underlying warrant (calculated using the Black-Scholes model). A $278,462 loss on settlement of debt was recorded in the current period related to the issuance of the special warrants and settlement of debts noted above. The fair value of the warrants was determined using the following assumptions:

Weighted average assumptions	**At year ended May 31, 2017**
Risk free interest rate	1.2%
Volatility	125%
Expected life of warrants	2 years
Dividend rate	0%
Liquidity discount	90%

Expressed in US Dollars, unless otherwise stated

5. SHARE CAPITAL (cont'd…)

Stock options

The Company grants stock options to employees, directors, officers, and consultants of the Company as compensation for services pursuant to its Stock Option Plan (the "Plan"). Options have a maximum expiry period of up to five years from the grant date and are subject to minimum vesting requirements, as determined by the Board of Directors. The number of options that may be issued under the Plan may not exceed 10% of the number of issued and outstanding common shares of the Company at the time of granting of options.

On April 30, 2018, the Company granted 1,500,000 stock options to two directors of the Company, an officer of Koios, an employee of Koios and two consultants of the Company, pursuant to its stock option plan, at an exercise price of C$0.20 per common share. Each option granted to the optionees is exercisable for a period of two years. Of the stock options granted, 1,000,000 of the stock options vest on April 30, 2019 and 500,000 of the stock options vest on August 30, 2018. The Company recognized $58,356 in the consolidated statements for loss and comprehensive loss for the value of the options that vested during the year using Black Scholes option pricing method.

On May 15, 2018, the Company granted 50,000 stock options to a consultant at an exercise price of C$0.38 per common share. The Company recognized $13,897 in the consolidated statements for loss and comprehensive loss for the value of the options using Black Scholes option pricing method.

The fair value of the options granted was determined using the following assumptions:

Weighted average assumptions	At year ended May 31, 2018
Risk free interest rate	1.88%
Volatility	239%
Expected life of warrants	2 years
Dividend rate	0%
Liquidity discount	0%

There were no stock options granted during the year ended May 31, 2017.

The following table summarizes stock option activity:

	Number of options	Weighted average price
Balance at May 31, 2016	255,000	C$ 0.70
Cancelled	(192,500)	(0.70)
Balance at May 31, 2017	62,500	0.70
Granted	1,500,000	0.20
Granted	50,000	0.38
Balance at May 31, 2018	1,612,500	C$ 0.22

Expressed in US Dollars, unless otherwise stated

5. SHARE CAPITAL (cont'd…)

Stock options (cont'd…)

Information regarding stock options outstanding as at May 31, 2018 is as follows:

Number of options outstanding and exercisable	Exercise price	Expiry date
62,500	C$ 0.70	February 2, 2019
50,000	C$ 0.38	May 15, 2021
1,500,000	C$ 0.20	April 30, 2020
1,612,500		

Share purchase warrants

The following table summarizes warrant activity:

	Number of warrants	Weighted average price
Balance at May 31, 2016	1,596,744	C$ 1.20
Expired	(640,997)	(1.21)
Balance at May 31, 2017	955,747	1.67
Expired	(955,747)	(1.67)
Issued	1,000,000	0.10
Issued	13,399,333	0.075
Issued	2,377,505	0.10
Balance at May 31, 2018	16,776,838	C$ 0.08

Information regarding share purchase warrants outstanding at May 31, 2018 is as follows:

Number of warrants outstanding and exercisable	Exercise price	Expiry date
1,000,000	C$ 0.10	July 19, 2019
13,399,333	C$ 0.075	April 25, 2020
2,377,505	C$ 0.10	April 25, 2020
16,776,838		

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended May 31, 2018:

a) $39,315 (2017 - $45,342) of management fees were accrued in administration expenses to a company controlled by the CEO. In July 2017, the Company issued 703,204 special warrants to settle debts of $40,731 (Note 5). As at May 31, 2018 $38,615 (2017 - $39,066) was payable.

   GOM, a publicly traded company with common former directors and officers of the Company, provides office space and administration services to the Company. During the year ended May 31, 2018, the Company incurred $71,829 (2017 - $70,373) payable to GOM for its services provided. GOM also advanced cash or paid expenses on behalf of the Company, net of repayments, during the year to the Company totalling $6,795 (2017 - $6,531). In July 2017, the Company issued 1,674,301 special warrants to settle debts of $96,980 (Note 5). In January 2018, the Company transferred its mineral claims known as Iron Ridge mineral property to GOM to settle debts of $39,315 (C$50,000). The property had previously been written down to $Nil and therefore a $39,315 gain was recorded on the statement of loss and comprehensive loss.

   As at May 31, 2018, a total of $38,467 (2017 - $92,874) remained outstanding as due to GOM.

b) As of May 31, 2018, the Company has a $14,674 (2017 - $13,333) unsecured loan from a relative of the former CEO, which is payable on demand with a fixed rate of $1,000 in interest accruing annually.

c) During the year ended May 31, 2018, $Nil (2017 - $2,699) of accounting fees were incurred in administration expenses to a company controlled by the former CFO.

d) During the year ended May 31, 2018, the Company paid $58,356 (2017 - $Nil) share-based compensation to directors and officers.

e) As at May 31, 2018, $136,567 is outstanding to the CEO of the Company (previously the CEO of Koios). The loans are non-interest bearing, unsecured and due on demand.

f) During the year ended May 31, 2018, the CEO of the Company repaid expenses on behalf of the Company and has an outstanding balance of $47,381 (2017: $nil).

g) Except where noted above, accounts payable to related parties do not bear interest, are unsecured and are repayable on demand.

7. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, short term loan, and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit risk
Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist of Goods and Services Tax ("GST") receivable from the Canadian government and are considered low risk.

Currency risk
The Company and its subsidiaries do not have significant financial assets and liabilities denominated in foreign currencies. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Interest rate risk

The Company normally invests in short-term interest bearing financial instruments. There is a minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash as they would be held in large financial institutions.

Fair value measurements of financial assets and liabilities

The Company believes that the recorded values of its receivables, due to related parties, short term loan and accounts payable and accrued liabilities, approximate their current fair values because of their nature and relatively short maturity dates or durations.

Expressed in US Dollars, unless otherwise stated

8. PROVISION FOR INDEMNITY

Flow-Through Exploration Expenditures

During the year ended May 31, 2013, the Company raised a total of C$85,440 in flow-through funds, which the Company committed to use in exploration activities on its active projects. The Company allocated C$14,240 of the proceeds to the flow through share premium liability and the remaining proceeds of C$71,200 to share capital. As at May 31, 2014, the Company did not incur eligible exploration expenses which resulted in a penalty and accrued interest totaling approximately C$32,219 recognised as indemnity expense in the statement of loss and compressive loss.

9. ACQUSITION OF SUBSIDIARY

On April 13, 2018, the Company completed the Transaction. As consideration for acquiring 100% interest in Koios, the Company issued 15,000,000 common shares to the members of Koios with a fair value of $2,381,400.

The acquisition was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS and therefore the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

The details of the consideration paid and the assets and liabilities of Koios assumed is as follows:

Consideration paid:	$
Fair value of shares issued (15,000,00 at $0.159 (C$0.20) per share)	2,381,400
Total consideration paid	2,381,400
Less: Value of net assets acquired	
Cash	9,238
Accounts payable and accrued liabilities	(80,989)
Loan payable	(165,646)
Loan from Super Nova	(93,233)
Net liabilities assumed	(330,630)
Other consideration paid:	
Finders' fees	238,140
Legal fees and professional fees	78,398
Loss on acqusition	3,028,568

The Company granted 1,500,000 common shares of the Company as a finder's fee for a fair value of $238,140.

In connection with the transaction, the special warrants of the Company were converted into 15,776,838 units for a fair value of $918,024. Each unit is comprised of one common share and one share purchase warrant. (Note 5).

Expressed in US Dollars, unless otherwise stated

10. INCOME TAXES

The differences between tax recovery for the 2018 and 2017 years ended, and the expected income tax recovery based on statutory rates arise as follows:

		May 31, 2018		May 31, 2017
Loss before income tax	$	(4,016,528)	$	(501,756)
Expected tax recovery based on statutory rate of 26.5%	$	(1,064,000)	$	(132,000)
Permanent and other differences		802,000		67,000
Change in deferred tax assets		262,000		65,000
Total income tax recovery	$	-	$	-

As at May 31, 2018, the Company has accumulated Canadian non-capital losses of $3,440,000 for income tax purposes which may be deducted in the calculation of taxable income in future years expiring in 2038. The potential benefit of these non-capital loss carry-forwards has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred assets to be recovered.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

11. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management since the year ended May 31, 2018. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placements or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.