SANDY LAKE GOLD INC.
FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2018 AND 2017
(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors' Report

To the Shareholders of Sandy Lake Gold Inc.:

We have audited the accompanying financial statements of Sandy Lake Gold Inc., which comprise the statements of financial position as at May 31, 2018 and 2017, and the statements of comprehensive loss, cash flows and changes in Shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Sandy Lake Gold Inc. as at May 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Sandy Lake Gold Inc.'s ability to continue as a going concern.

MNP LLP

September 20, 2018
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

MNP

SANDY LAKE GOLD INC.
Statements of Financial Position
(Expressed in Canadian Dollars)

		As at May 31, 2018		As at May 31, 2017
ASSETS				
Current assets				
Cash	$	**312,977**	$	364,834
Marketable securities (note 4)		**18,136**		60,240
Amounts receivable		**49,611**		73,705
Prepaid expenses and deposits		**12,326**		17,094
Total current assets		**393,050**		515,873
Non-current assets				
Mining interests (note 6)		**8,533,346**		6,710,072
Total non-current assets		**8,533,346**		6,710,072
Total assets	$	**8,926,396**	$	7,225,945
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (note 12)	$	**495,375**	$	273,321
Total liabilities		**495,375**		273,321
Shareholders' equity				
Share capital (note 7)		**33,854,008**		32,829,583
Warrants (note 8)		**891,544**		-
Contributed surplus		**6,103,975**		5,941,332
Deficit		**(32,418,506)**		(31,818,291)
Total shareholders' equity		**8,431,021**		6,952,624
Total liabilities and shareholders' equity	$	**8,926,396**	$	7,225,945

Nature of Operations and Going Concern (note 1)
Subsequent Events (note 16)

Approved on behalf of the Board:

(Signed) "Michele McCarthy" , Director

(Signed) "Jon Douglas" , Director

The accompanying notes to the financial statements are an integral part of these statements.

SANDY LAKE GOLD INC.
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended May 31, 2018	Year Ended May 31, 2017
Operating expenses		
Share-based compensation (note 9(i)(ii))	**$ 162,643**	$ 415,495
Wages and employee benefits	**110,974**	52,581
Professional fees	**76,325**	128,651
Consulting fees	**51,144**	42,331
Transfer agent and filing fees	**49,290**	47,146
Office rent and utilities	**41,486**	18,621
Investor and community relations	**24,014**	21,158
Insurance	**12,560**	20,789
Office and administrative	**20,430**	8,382
Donation	**5,000**	10,000
Interest expense (income)	**1,139**	(911)
Exploration activities	**-**	1,088
Depreciation (note 5)	**-**	193
Operating loss before the following items	**(555,005)**	(765,524)
Unrealized loss on marketable securities (note 4)	**(42,104)**	(1,419)
(Loss) gain on foreign exchange	**(3,106)**	1,267
Interest and bank charges	**-**	(1,327)
Impairment of property and equipment (note 5)	**-**	(3,385)
Comprehensive loss for the year	**$ (600,215)**	$ (770,388)
Basic and diluted net loss per common share (note 10)	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted (note 10)	**77,126,612**	54,162,229

The accompanying notes to the financial statements are an integral part of these statements.

SANDY LAKE GOLD INC.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended May 31, 2018	2017
Operating activities		
Net loss for the year	**$ (600,215)**	$ (770,388)
Adjustments for:		
Depreciation (note 5)	**-**	193
Share-based compensation (note 9(i)(ii))	**162,643**	415,495
Unrealized loss on marketable securities (note 4)	**42,104**	1,419
Impairment of property and equipment (note 5)	**-**	3,385
Changes in non-cash working capital items:		
Amounts receivable	**24,094**	(71,439)
Prepaid expenses and deposits	**4,768**	(8,158)
Accounts payable and accrued liabilities	**222,054**	198,753
Net cash used in operating activities	**(144,552)**	(230,740)
Investing activity		
Mining interests	**(1,823,274)**	(710,072)
Net cash used in investing activity	**(1,823,274)**	(710,072)
Financing activities		
Private placements (note 7(b)(i)(ii)(iii)(iv)(v)(vi)(vii))	**1,950,000**	1,200,000
Share issue costs	**(34,031)**	(60,243)
Net cash provided by financing activities	**1,915,969**	1,139,757
Net change in cash	**(51,857)**	198,945
Cash, beginning of year	**364,834**	165,889
Cash, end of year	**$ 312,977**	$ 364,834

The accompanying notes to the financial statements are an integral part of these statements.

SANDY LAKE GOLD INC.

Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital						
	Number of Common Shares	**Amount**	**Special Warrants**	**Warrants**	**Contributed Surplus**	**Deficit**	**Total Equity**
Balance, May 31, 2016	**9,427,982**	**$ 25,689,826**	**$ -**	**$ -**	**$ 5,525,837**	**$ (31,047,903)**	**$ 167,760**
Common shares issued for private placement (note 7(b)(i))	12,000,000	1,200,000	-	-	-	-	1,200,000
Share issues costs	-	(60,243)	-	-	-	-	(60,243)
Shares issued to GPM for the Sandy Lake Property (note 6)	40,000,000	6,000,000	-	-	-	-	6,000,000
Share-based compensation (note 9(i))	-	-	-	-	415,495	-	415,495
Net loss for the year	-	-	-	-	-	(770,388)	(770,388)
Balance, May 31, 2017	**61,427,982**	**32,829,583**	**-**	**-**	**5,941,332**	**(31,818,291)**	**6,952,624**
Units issued for private placements (note 7(b)(ii)(iii)(vi)(vii))	25,500,000	715,855	-	609,145	-	-	1,325,000
Share issue costs	-	(34,031)	-	-	-	-	(34,031)
Special Warrants issued for private placements (note 7(b)(iv)(v))	-	-	625,000	-	-	-	625,000
Special Warrants converted into units (note 7(b)(iv)(v))	12,500,000	342,601	(625,000)	282,399	-	-	-
Share-based compensation (note 9(i)(ii))	-	-	-	-	162,643	-	162,643
Net loss for the year	-	-	-	-	-	(600,215)	(600,215)
Balance, May 31, 2018	**99,427,982**	**$ 33,854,008**	**$ -**	**$ 891,544**	**$ 6,103,975**	**$ (32,418,506)**	**$ 8,431,021**

The accompanying notes to the financial statements are an integral part of these statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Sandy Lake Gold Inc. (the "Company" or "Sandy Lake") was incorporated as 7177411 Canada Corporation on May 21, 2009 under the laws of Canada. The Company is primarily engaged in the business of acquiring and exploring mineral properties. On July 21, 2016, the Company filed articles of amendment to change its name from "Lago Dourado Minerals Ltd." to "Sandy Lake Gold Inc.". The common shares of Sandy Lake giving effect to the name change commenced trading on the TSX Venture Exchange ("TSX-V") under the new symbol "SDL" on July 22, 2016. On November 4, 2016, the stock symbol of Sandy Lake was changed "SLAU".

The head office, principal address and records office of the Company are located at 141 Adelaide Street West, Suite 1101, Toronto, Ontario, Canada, M5H 3L5.

In order to carry out future exploration activities the Company will need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company.

These financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from May 31, 2018. However, the Company is exploration focused and is subject to the risks and challenges of companies in the same sector. These risks include, but are not limited to, the challenges of securing adequate capital in view of exploration, development and operational risks inherent in the mining industry as well as global economic, precious and base metal price volatility; all of which are uncertain under current market conditions. As a result of these risks, there is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material. The Company has an accumulated deficit of $32,418,506 from inception and working capital deficit of $102,325, all of which cast significant doubt upon the Company's ability to continue as a going concern.

The Company's financial statements were authorized for issue by the Board of Directors on September 20, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The 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 Interpretations Committee (“IFRIC”).

Basis of Presentation

These financial statements have been prepared on a historical cost basis except for financial instruments classified at fair value through profit or loss ("FVTPL") which are stated at fair values. The accounting policies have been applied consistently throughout all years presented in these financial statements.

Presentation Currency and Functional Currency

These financial statements have been prepared in Canadian dollars ("CAD"), which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, FVTPL, available-for-sale, FVTPL liabilities or other liabilities.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period. Held-to-maturity assets, loans and receivables, and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive loss, except for equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

The Company has classified its financial instruments as follows:

Financial Instruments	Classification
Cash	FVTPL
Marketable securities	FVTPL
Accounts payable and accrued liabilities	Other liabilities

The Company's financial instruments measured at fair value on the statement of financial position consist of cash and marketable securities. Cash and marketable securities are measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

(i) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(ii) Financial assets

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net loss to a maximum carrying value equal to what the carrying value would have been if the impairment had not previously occurred.

Property and Equipment

Property and equipment are recorded at cost and amortized over their estimated useful lives at the following annual rates:

Office furniture	- 20% declining balance basis
Equipment	- 20% declining balance basis
Computer hardware	- 45% declining balance basis
Computer software	- 100% declining balance basis

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Exploration and Evaluation Assets

Exploration and evaluation assets include mining interests

Exploration and evaluation costs, including the cost of acquiring licenses, are capitalized as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project. The capitalized costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a license is relinquished or a project is abandoned, the related costs are recognized in net loss immediately.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) fact and circumstances suggest that the carrying amount exceeds the recoverable amount (see Impairment).

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. Upon determination of proven reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets. Expenditures deemed to be unsuccessful are recognized in net loss immediately. The Company capitalizes all costs to defend title of its mining interests.

Pre-exploration and evaluation expenditures

Exploration and evaluation costs incurred prior to acquiring the right to explore mining interests are expensed as exploration and evaluation assets on a project-by-project basis. If the costs incurred cannot be directly attributed to a project that is going to be pursued beyond the pre-exploration and evaluation stage they are expensed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and Evaluation Assets (Continued)

Title

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests.

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

The Company had no provisions at May 31, 2018 and 2017.

Decommissioning Liability

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an oil and gas property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises, whether at the start of each project or on an ongoing basis during production. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit of production or the straight-line method as appropriate under IFRS. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no restoration, rehabilitation and environmental costs at May 31, 2018 and 2017.

Share Issuance Costs

Costs incurred in connection with the issuance of share capital are recognized as a deduction from the proceeds received.

Loss Per Share

Basic loss per share is calculated based on the weighted average number of shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are 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 stock at the average market price during the reporting periods if the effects were not anti-dilutive.

The effect on the diluted loss per share on the exercise of the warrants and stock options described in notes 8 and 9 would be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock-based Compensation

The Company has a share-based payment plan as described in note 9. The Company uses the fair-value based method to account for all share-based payments to employees and non-employees granted after January 1, 2004 by measuring the compensation cost of the share-based payments using the Black-Scholes option pricing model. For employee related payments, the fair value of the stock-based compensation is recorded as a charge to operations over the vesting period with a credit to contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be reliably measured, in which case it is measured based on the fair value of the equity instruments granted. Share-based payments made to employees directly involved in the exploration of mineral properties are capitalized to the mining interests.

Revenue

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was issued by IASB in May 2014 and will replace IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Company early adopted IFRS 15 with a date of initial application of June 1, 2017, resulting in no impact on its financial statements.

Segment Reporting

The Company operated in one operating and reporting segment, being the Canadian exploration operations.

Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Areas requiring significant estimates and judgments by management include, but are not limited to:

- Depreciation and impairment of property and equipment - the determination of the useful life of property and equipment is based on management estimates. Indicators of impairment are also subject to management's estimates.
- Share-based compensation – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the forfeiture rate and expected life of the instruments.
- Warrants - management is required to make a number of estimate when determining the value of warrants, including the forfeiture rate and expected life of the instruments.
- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.
- Mining interests - the Company capitalizes the exploration and evaluation expenditures in the statement of financial position. Where an indicator of impairment exists, management will perform an impairment test and if the recoverable amount is less than the carrying value, record an impairment charge.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

- Contingency liability - management believes that the allegations made by Treasury Metals Inc. (formerly Goldeye Explorations Limited) ("Goldeye") are without merit and the Company has defended, and intends to continue to defend its position and as such no provision for any potential payment has been expensed. Refer to notes 6 and 16 for more details.

Recent Accounting Pronouncements

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company does not anticipate the impact to be significant.

IFRS 16 Leases ("IFRS 16") was issued by IASB in January 2016. IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off statement of financial position operating leases. Instead, there is a single, on statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

3. FAIR VALUE MEASUREMENTS

(a) Assets and liabilities measured at fair value on a recurring basis:

As at May 31, 2018	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Aggregate fair value**
Cash	$ 312,977	$ -	$ -	$ 312,977
Marketable securities	18,136	-	-	18,136
	$ 331,113	$ -	$ -	$ 331,113
As at May 31, 2017				
Cash	$ 364,834	$ -	$ -	$ 364,834
Marketable securities	60,240	-	-	60,240
	$ 425,074	$ -	$ -	$ 425,074

(Expressed in Canadian Dollars)

3. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Categories of financial instruments:

As at May 31,		2018		2017
Financial assets:				
FVTPL				
Cash	**$**	**312,977**	$	364,834
Marketable securities		**18,136**		60,240
	$	**331,113**	$	425,074
Financial liabilities:				
Other liabilities				
Accounts payable and accrued liabilities	**$**	**495,375**	$	273,321

The Company has not offset financial assets with financial liabilities.

The carrying value of the Company's accounts payable and accrued liabilities is close to fair value due to their short-term maturity.

4. MARKETABLE SECURITIES

Marketable securities have been designated as fair value through profit and loss and are recorded at fair value using the last bid price, with changes recognized in the statement of comprehensive loss. Marketable securities are composed of:

		Cost		Fair market value May 31, 2017		Fair market adjustment		Fair market value May 31, 2018
Crusader Resources Limited - 500,000 common shares	$	211,604	$	60,240	**$**	**(42,104)**	**$**	**18,136**

		Cost		Fair market value May 31, 2016		Fair market adjustment		Fair market value May 31, 2017
Crusader Resources Limited - 500,000 common shares	$	211,604	$	61,659	$	(1,419)	$	60,240

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

Cost	Office furniture	Equipment	Computer hardware	Computer software	Total
Balance, May 31, 2016	**$ 1,305**	**$ 10,992**	**$ 8,433**	**$ 98,641**	**$ 119,371**
Impairment	(1,305)	(10,992)	(8,433)	(98,641)	(119,371)
Balance, May 31, 2017 and May 31, 2018	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Accumulated depreciation	Office furniture	Equipment	Computer hardware	Computer software	Total
Balance, May 31, 2016	**$ 998**	**$ 7,941**	**$ 8,213**	**$ 98,641**	**$ 115,793**
Additions	15	153	25	-	193
Impairment	(1,013)	(8,094)	(8,238)	(98,641)	(115,986)
Balance, May 31, 2017 and May 31, 2018	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Net book value	Office furniture	Equipment	Computer hardware	Computer software	Total
Balance, May 31, 2017	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Balance, May 31, 2018	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

During the year ended May 31, 2017, management determined that the property and equipment was no longer used and as a result the Company recognized an impairment loss of $3,385.

6. MINING INTERESTS

	May 31, 2018	May 31, 2017
Sandy Lake Property		
Balance, beginning of year	**$ 6,710,072**	$ -
Acquisition costs	**250,000**	6,150,000
Assay	**-**	98
Consulting	**1,970**	4,774
Donations	**19,650**	6,000
Drilling	**74,867**	-
Geology	**330,245**	28,599
Legal	**977,878**	454,984
Other	**33,079**	7,653
Transportation	**91,032**	50,309
Travel	**33,495**	7,280
Wages and salaries	**11,058**	375
Additions for the year	**1,823,274**	6,710,072
Balance, end of year	**$ 8,533,346**	$ 6,710,072

6. MINING INTERESTS (CONTINUED)

Sandy Lake Property

On May 16, 2016, the Company and GPM Metals Inc. (“GPM") entered into a definitive agreement governing a proposed acquisition (the "Acquisition") by Sandy Lake from GPM of GPM's interests in the Sandy Lake district, Northwestern Ontario. These interests include a 100% interest in 1,421 contiguous claim units known as the "East Block" (the "Additional Interest") as well as GPM's right to earn up to a 70% interest in the Weebigee Project, also known as the "Northwest" claim block (collectively, the "Sandy Lake Property") which are subject to a 1% net smelter returns royalty. In addition, in order to earn up to a 70% interest in the Weebigee Project, the Company is required to complete the following as per the Option Agreement (as defined below):

To exercise the right and option to earn an undivided 50.1% interest ("50.1% Option"):

- make payment of $50,000 (paid by GPM) in cash and issue such number of common shares to Goldeye as shall have an aggregate fair market value of $25,000 (issued by GPM);
- make three additional cash payments of an aggregate total of $500,000 to Goldeye over 3 years ($100,000 paid by GPM, $150,000 paid by Sandy Lake in May 2017 and $250,000 paid by Sandy Lake in May 2018); and
- complete expenditures on the Weebigee Project of an aggregate total of $5,000,000 over 4 years:
  - i) $500,000 on or prior to the first anniversary;
  - ii) $1,000,000 on or prior to the second anniversary;
  - iii) $1,500,000 on or prior to the third anniversary; and
  - iv) $2,000,000 on or prior to the fourth anniversary.

To exercise the right and option to acquire a further 19.9% interest ("70% Option"):

- deliver feasibility study to Goldeye on or prior to the date which is five years following the date upon which Sandy Lake exercise the 50.1% Option; or
- make cash payments to Goldeye and complete exploration expenditures on the Weebigee Project as follows:
  - a) three cash payments to Goldeye of an aggregate total of $1,500,000 over 2 years;
  - b) complete expenditures on the Weebigee Project of $1,000,000 prior to the 1st anniversary of the 70% Option notice date;
  - c) complete additional expenditures on the Weebigee Project of $2,000,000 prior to the 2nd anniversary of the 70% Option notice date.

Failure by the Company to meet such requirements can result in a reduction or loss of the Company's ownership interests under the Acquisition.

In the event that Sandy Lake exercises the 50.1% Option and/or the 70% Option, Sandy Lake and Goldeye shall be deemed to have formed a new joint venture and shall enter into and deliver a Joint Venture Agreement, which shall govern their relationship in respect of the Weebigee Project. Sandy Lake will be the operator of the Weebigee Project during the term of the option and the manager of the Weebigee Project following the formation of the joint venture. Under the Joint Venture Agreement, Sandy Lake and Goldeye will be required to contribute their pro rata share of further expenditures on the Weebigee Project based on their respective percentage interest in the joint venture from time to time on standard industry terms.

GPM agreed to sell its interests in the Sandy Lake in consideration of the issuance of 40,000,000 common shares of Sandy Lake valued at $6,000,000. The Company has accounted for the acquisition as an asset as the asset is not a business.

6. MINING INTERESTS (CONTINUED)

Sandy Lake Property (continued)

It was a condition to the completion of the Acquisition that GPM shall effect a distribution of the consideration shares to its shareholders following the closing of the Acquisition (the "Share Distribution"). The Shares Distribution was effected on September 16, 2016. Following the closing of the Acquisition, the Board of Directors of Sandy Lake was reconstituted to and consist of five (5) directors, three (3) of which are nominees of Sandy Lake and two (2) of which are nominees of GPM.

On April 23, 2016, the Company announced that Goldeye contended that the Additional Interest had become part of the property comprising the Weebigee Project and/or had become subject to a 50/50 joint venture between GPM and Goldeye, all pursuant to an option agreement between GPM and Goldeye. As Goldeye did not make timely payment to GPM of its pro rata share of the costs of acquiring the Additional Interest as required, the Company has been advised that GPM disagrees with any such assertion that Goldeye has acquired, or has the right to acquire, any rights or interest in the Additional Interest.

On June 21, 2016, the Acquisition was approved by shareholders of the Company.

On July 21, 2016, the Acquisition was completed.

On July 27, 2016, the Company announced that an event of force majeure under the option agreement between GPM and Goldeye dated April 15, 2015 relating to the property known as the Weebigee Project ("Option Agreement") was declared. GPM's rights under the Option Agreement were acquired by Sandy Lake pursuant to the Acquisition on July 21, 2016.

The event of force majeure resulted from the positions taken by local First Nations and subsequent discussions with the Government of Ontario, which rendered it necessary for the Company to cease all work on the Sandy Lake Project, including the Weebigee Project.

It will be necessary to engage in appropriate consultation with the local First Nations and with the Government of Ontario in order for work to resume on the Weebigee Project.

On September 22, 2016, the Company announced that it received a formal notice of arbitration (the "Notice") pursuant to the Option Agreement. The Notice demands arbitration concerning among other things, the dispute regarding the Additional Interest.

Goldeye alleges that, pursuant to the Option Agreement, 525 of the claim units comprising the Additional Interest have become part of the Weebigee Project, and 896 of the claim units comprising the Additional Interest have become part of a 50/50 joint venture. Sandy Lake vehemently disagrees with these allegations and states that Goldeye did not complete the exercise of its option to acquire the Additional Interest or make the required payment to GPM of its share of the costs of acquiring the Additional Interest prior to the required date, such that Goldeye has not acquired, and does not have any right to acquire, any rights or interest in the Additional Interest. In addition, the Notice sets forth certain ancillary claims made by Goldeye and seeks relief regarding other matters concerning the Weebigee Project including, without limitation (i) a determination that the previously announced event of force majeure does not constitute an event of force majeure under the Option Agreement; and (ii) a determination relating to the validity of certain expenses claimed by GPM in satisfaction of the obligation to incur certain exploration expenditures on the Weebigee Project in accordance with the terms of the Option Agreement.

Sandy Lake was advised by GPM that it disputes Goldeye’s allegations contained in the Notice, and Sandy Lake has defended Goldeye's arbitration claims accordingly.

On October 14, 2016, the Company was advised by GPM that it responded to Goldeye's Notice.

6. MINING INTERESTS (CONTINUED)

Sandy Lake Property (continued)

On May 8, 2017, the Company received a notice of default pursuant to the Option Agreement. The notice of default alleges that the Company is in default of the Option Agreement as a result of failing to make a cash payment of $150,000 thereunder on or prior to May 5, 2017. As per the notice of default, the Company had 30 days from May 8, 2017 to make the payment. The Company paid the $150,000 on May 24, 2017.

In addition, Goldeye provided notice that it is seeking to elect to have four mineral claims recently staked by the Company included as part of the property governed by the Option Agreement.

On September 22, 2017, the Company announced the Arbitral tribunal's decision with regard to the May 8, 2017 hearing on the event of force majeure found that:

a) a force majeure event under the Option Agreement occurred and was declared on July 27, 2016;
b) the force majeure event existed continuously, without change, until June 7, 2017;
c) the force majeure event was not within the control of Sandy Lake; and
d) the failure of Sandy Lake to comply with its obligations under the Option Agreement to incur the required exploration work expenditures of $1,000,000 by April 15, 2017 was caused by, or arose out of, the force majeure event.

On or about February 9, 2018, the Arbitration panel made a partial award in Sandy Lake's favour that: (a) the effective date of the Option Agreement is May 5, 2015; and, (b) that as a result of the force majeure, the date by which Sandy Lake is required to incur $1,000,000 in exploration work expenditures in accordance with the Option Agreement is June 28, 2018. The $1,000,000 in exploration work expenditures has been completed.

There were a number of findings in the reasons for the award that will assist the Company as it manages its operations, including that (a) Sandy Lake can unilaterally communicate and manage the issues on site with the First Nations; and (b) Goldeye has no basis under the Option Agreement to control or direct any of Sandy Lake's exploration work.

The Arbitration resumed its hearings in January and February 2018 on the remaining matters (note 16).

On April 23, 2018, the Company declared an event of force majeure pursuant to the Option Agreement relating to the Property (as defined in the Option Agreement) at the Weebigee Project due to inability to work on or near, or have any access to the land relating to the Property. Furthermore, the Company has ceased all work that requires access to the land relating to the Property. Continuing efforts will be made to resolve this event of force majeure.

See note 16(i).

Additional claim units
On January 22, 2018, the Company announced that it acquired by staking, an additional 806 claim units adjacent to the Sandy Lake Property.

In or about May 24, 2018, the Company acquired by map staking, an additional 30 single cell claim units contiguous to the Sandy Lake Property. Treasury Metals Inc. was notified of the said acquisition in accordance with Sec 8.2 of Option Agreement April 2015 and elected to participate in the 30 cell claim units.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL

a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

	Number of common shares	Amount
Balance, May 31, 2016	**9,427,982**	**$ 25,689,826**
Common shares issued for private placement (i)	12,000,000	1,200,000
Share issue costs	-	(60,243)
Shares issued to GPM for the Sandy Lake Property (note 6)	40,000,000	6,000,000
Balance, May 31, 2017	**61,427,982**	**32,829,583**
Common shares issued for private placements (ii)(iii)(vi)(vii)	25,500,000	1,325,000
Special Warrants converted into units (iv)(v)	12,500,000	625,000
Warrants (ii)(iii)(iv)(v)(vi)(vii)	-	(891,544)
Share issue costs	-	(34,031)
Balance, May 31, 2018	**99,427,982**	**$ 33,854,008**

(i) On June 14, 2016, the Company completed a non-brokered private placement pursuant to which it issued 12,000,000 subscription receipts at a price of $0.10 for aggregate gross proceeds of $1,200,000 (the "Offering"). Each subscription receipt entitles the holder to acquire one common share of the Company automatically without any additional payment upon the satisfaction of all conditions precedent to the Acquisition. The gross proceeds of the Offering were held in escrow pending conversion of the subscription receipts.

On July 21, 2016, immediately prior to completion of the Acquisition, the subscription receipts issued by the Company were automatically converted into an aggregate of 12,000,000 common shares of Sandy Lake, without any further action on the part of the holders thereof, and the proceeds from the sale of such subscription receipts were released to Sandy Lake from escrow.

(ii) On July 19, 2017, the Company closed a non-brokered private placement pursuant to which it issued 7,500,000 units (“Units”) for gross proceeds of $375,000.

Each Unit consists of one common share of the Company and one share purchase warrant (a “Warrant”), with each Warrant entitling the holder thereof to acquire one additional share at an exercise price of $0.10 for a period of 24 months. The fair value of these Warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of $0.055; expected dividend yield of 0%; risk-free interest rate of 1.27%; volatility of 207% and an expected life of 2 years. The fair value assigned to these warrants was $168,750.

The following transactions occurred with related parties:

- Michele McCarthy, Chair of the Company, subscribed for 500,000 Units;
- Daniel Noone, Chief Executive Officer and director of the Company, subscribed for 1,000,000 Units; and
- Jon Douglas, director of the Company, subscribed for 100,000 Units.

7. SHARE CAPITAL (CONTINUED)

b) Common shares issued (continued)

(iii) On November 17, 2017, the Company closed a non-brokered private placement pursuant to which it issued 3,000,000 Units for gross proceeds of $150,000.

Each Unit consists of one common share of the Company and one Warrant, with each Warrant entitling the holder thereof to acquire one additional share at an exercise price of $0.10 for a period of 24 months. The fair value of these Warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of $0.06; expected dividend yield of 0%; risk-free interest rate of 1.45%; volatility of 226% and an expected life of 2 years. The fair value assigned to these warrants was $69,426.

The following transactions occurred with related parties:

- Michele McCarthy, Chair of the Company, subscribed for 100,000 Units; and
- Daniel Noone, Chief Executive Officer and director of the Company, subscribed for 400,000 Units.

(iv) On July 19, 2017, the Company closed a non-brokered private placement to which it issued 7,500,000 special warrants (“Special Warrants”) at a price of $0.05 per Special Warrant to raise aggregate gross proceeds of $375,000.

Mr. Patrick Sheridan purchased 7,500,000 Special Warrants in the private placement. Each Special Warrant will automatically convert into one Unit without any additional payment or action by the holder on the date upon which the Company receives shareholder approval for Mr. Sheridan and his associates to become “control persons” of the Company (within the meaning of the regulations of the TSX-V). On January 9, 2018, the Special Warrants were converted into Units without any additional payment since the Company received shareholder approval.

Each Special Warrants consisted of one common share of the Company and one share purchase warrant (a “Warrant”), with each Warrant entitling the holder thereof to acquire one additional share at an exercise price of $0.10 for a period of 24 months. The fair value of these Warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of $0.07 (as of January 9, 2018); expected dividend yield of 0%; risk-free interest rate of 1.79%; volatility of 225% and an expected life of 1.52 years. The fair value assigned to these warrants was $167,326.

(v) On November 17, 2017, the Company closed a non-brokered private placement pursuant to which it issued 5,000,000 Special Warrants to raise aggregate gross proceeds of $250,000.

Mr. Patrick Sheridan purchased 5,000,000 Special Warrants in the private placement. On January 9, 2018, the Special Warrants were converted into Units without any additional payment since the Company received shareholder approval.

Each Special Warrants consisted of one common share of the Company and one share purchase warrant (a “Warrant”), with each Warrant entitling the holder thereof to acquire one additional share at an exercise price of $0.10 for a period of 24 months. The fair value of these Warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of $0.07 (as of January 9, 2018); expected dividend yield of 0%; risk-free interest rate of 1.79%; volatility of 225% and an expected life of 1.85 years. The fair value assigned to these warrants was $115,073.

7. SHARE CAPITAL (CONTINUED)

b) Common shares issued (continued)

(vi) On February 28, 2018, the Company closed a non-brokered private placement pursuant to which it issued 10,000,000 units at a price of $0.055 per unit to raise aggregate gross proceeds of $550,000.

Each unit consists of one common share of the Company and one warrant, with each warrant entitling the holder thereof to acquire one additional share at an exercise price of $0.10 for a period of 24 months. The fair value of these warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of $0.085; expected dividend yield of 0%; risk-free interest rate of 1.78%; volatility of 216% and an expected life of 2 years. The fair value assigned to these warrants was $256,160.

The following transactions occurred with related parties:

- Michele McCarthy, Chair of the Company, subscribed for 100,000 units;
- Daniel Noone, Chief Executive Officer and director of the Company, subscribed for 700,000 units;
- Michael Desmeules, former director of the Company, subscribed for 400,000 units;
- Bruce Rosenberg, director of the Company, subscribed for 200,000 units; and
- Patrick Sheridan, a major shareholder purchased 4,900,000 units.

(vii) On May 15, 2018, the Company closed a non-brokered private placement pursuant to which it issued 5,000,000 units at a price of $0.05 per unit to raise aggregate gross proceeds of $250,000.

Each unit consists of one common share of the Company and one warrant, with each warrant entitling the holder thereof to acquire one additional share at an exercise price of $0.10 for a period of 24 months. The fair value of these warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of $0.065; expected dividend yield of 0%; risk-free interest rate of 2.04%; volatility of 215% and an expected life of 2 years. The fair value assigned to these warrants was $114,809.

The following transactions occurred with related parties:

- Daniel Noone, Chief Executive Officer and director of the Company, subscribed for 200,000 units;
- Michael Desmeules, former director of the Company, subscribed for 100,000 units;
- Patrick Sheridan, a major shareholder purchased 2,400,000 units.

All of the securities issued and issuable in the non-brokered private placement are subject to a statutory hold period expiring on September 16, 2018.

(Expressed in Canadian Dollars)

8. WARRANTS

The following table reflects the continuity of warrants for the following years:

	Number of warrants	Weighted average exercise price ($)
Balance, May 31, 2016 and May 31, 2017	**-**	-
Issued (note 7(b)(ii)(iii)(iv)(v))	38,000,000	0.10
Balance, May 31, 2018	**38,000,000**	0.10

The following table reflects the warrants issued and outstanding as of May 31, 2018:

Number of warrants outstanding	Fair value ($)	Exercise price ($)	Expiry date
15,000,000	336,075	0.10	July 19, 2019
8,000,000	184,500	0.10	November 17, 2019
10,000,000	256,160	0.10	February 28, 2020
5,000,000	114,809	0.10	May 15, 2020
38,000,000	891,544		

9. STOCK OPTIONS

The Company has a formal stock option plan (the "Plan"). The number of shares reserved for issuance to any one insider, within a one-year period, pursuant to options must not exceed 5% of the outstanding issue. The number of shares reserved for issuance to insiders, within a one-year period, pursuant to options must not exceed 10% of the outstanding issue. The option price of the shares shall be fixed by the Board of Directors but must not be less than the closing sale price of the shares on the TSX-V on the day immediately preceding grant.

The following table reflects the continuity of options for the following years:

	Number of options	Weighted average exercise price ($)
Balance, May 31, 2016	**215,000**	**4.17**
Granted (i)	3,800,000	0.15
Expired	(102,000)	5.47
Balance, May 31, 2017	**3,913,000**	0.23
Granted (ii)	1,100,000	0.09
Expired	(300,000)	3.00
Forfeited	(113,000)	0.13
Balance, May 31, 2018	**4,600,000**	**0.14**

(i) On October 19, 2016, Sandy Lake granted an aggregate of 3,800,000 stock options to certain directors, officers, employees and consultants pursuant to the Company's Plan. The options have an exercise price of $0.15 per share and an expiry date of October 19, 2021, and vesting as to 25% immediately and 25% after each of 6, 12 and 18 months after date of grant. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of $0.15; expected dividend yield of 0%; risk-free interest rate of 0.71%; volatility of 193% and an expected life of 5 years. The fair value assigned to these options was $552,900. For the year ended May 31, 2018, the impact on the statement of comprehensive loss was $126,492 (year ended May 31, 2017 - $415,495).

(Expressed in Canadian Dollars)

9. STOCK OPTIONS (CONTINUED)

(ii) On March 6, 2018, Sandy Lake granted an aggregate of 1,100,000 stock options to a director and a consultant pursuant to the Company's Plan. The options have an exercise price of $0.09 per share and an expiry date of March 6, 2023, and vesting as to 25% immediately and 25% after each of 6, 12 and 18 months after date of grant. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of $0.085; expected dividend yield of 0%; risk-free interest rate of 2.04%; volatility of 201% and an expected life of 5 years. The fair value assigned to these options was $91,000. For the year ended May 31, 2018, the impact on the statement of comprehensive loss was $36,151 (year ended May 31, 2017 - $nil).

Details of the stock options outstanding as at May 31, 2018 are as follows:

Remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price ($)	Expiry date
3.39	3,500,000	3,500,000	0.15	October 19, 2021
4.77	275,000	1,100,000	0.09	March 6, 2023
3.72	3,775,000	4,600,000	0.14	

The above options are not included in the computation of diluted loss per share as they are anti-dilutive.

The weighted average remaining contractual life of outstanding stock options is 3.72 years (May 31, 2017 - 4.28 years).

10. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the year ended May 31, 2018 was based on the loss attributable to common shareholders of $600,215 (year ended May 31, 2017 - loss of $770,388) and the weighted average number of common shares outstanding of 77,126,612 (year ended May 31, 2017 - 54,162,229). Diluted loss did not include the effect of stock options and warrants for the year ended May 31, 2018 and May 31, 2017, as they are anti-dilutive.

11. INCOME TAXES

Income Tax Expense

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 - 26.5%) to the effective tax rate is as follows:

	Year ended May 31, 2018	Year ended May 31, 2017
Net loss before income tax	**$ (600,215)**	$ (770,388)
Statutory rate	**26.50%**	26.50%
Expected income tax recovery	**$ (159,060)**	$ (204,153)
Tax rate changes and other adjustments	**11,410**	-
Non-deductible expenses	**45,170**	123,110
Change in deferred tax assets not recognized	**102,480**	81,043
Provision for income taxes	**$ -**	$ -

(Expressed in Canadian Dollars)

11. INCOME TAXES (CONTINUED)

Deferred Income Taxes

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Deferred tax assets (liabilities)	As at May 31, 2018	2017
Non-capital loss carry forwards	**$ 5,285,000**	$ 5,171,000
Marketable securities	**193,000**	151,000
Property and equipment	**124,000**	124,000
Share issuance costs	**63,000**	48,000
Resource pools - mining interests	**490,000**	253,000
	6,155,000	5,747,000
Less: deferred tax assets not recognized	**(6,155,000)**	(5,747,000)
Net deferred income tax assets (liabilities)	**$ -**	$ -

Loss Carry Forwards

The Company has non-capital tax loss carry forwards in Canada expiring as follows:

2030	$ 653,000
2031	613,000
2032	1,177,000
2033	1,016,000
2034	840,000
2035	576,000
2036	140,000
2037	114,000
2038	156,000
	$ 5,285,000

12. RELATED PARTY TRANSACTIONS

(a) The Company entered into the following transactions with related parties:

	Year Ended May 31, 2018	2017
Marrelli Support Services Inc. ("Marrelli Support") (i)	**$ 18,222**	$ 25,078

(i) On July 8, 2015, the Company entered into an accounting support services agreement with Marrelli Support wherein Marrelli Support provided, beginning July 8, 2015, certain accounting support services to the Company. On July 8, 2015, in connection with such agreement with Marrelli Support, the Company retained Ms. Marie-Josee Audet, a senior employee of Marrelli Support, as its Chief Financial Officer. As at May 31, 2018, Marrelli Support was owed $1,716 (May 31, 2017 - $1,695). These amounts are included in accounts payable and accrued liabilities.

(ii) Refer to note 7(b)(ii)(iii)(vi)(vii).

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The Company has identified its directors and certain senior officers as its key management personnel. The compensation cost for key management personnel is as follows:

	Year Ended May 31, 2018	Year Ended May 31, 2017
Salaries and fees	**$ 50,000**	$ 47,228
Share-based compensation	**$ 106,500**	$ 262,418

(c) Major shareholder

To the knowledge of the directors and senior officers of the Company, as at May 31, 2018, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than as set out below:

	Number of common shares	Percentage of outstanding common shares
Patrick Sheridan	27,768,148	27.93 %

13. CAPITAL RISK MANAGEMENT

The Company considers its capital to consist of share capital, contributed surplus and deficit, in the definition of capital, which as at May 31, 2018, totaled $8,431,021 (May 31, 2017 - $6,952,624).

The Company's objective when managing capital is to maintain adequate levels of funding to support its exploration activities and to maintain corporate and administrative functions necessary to support operational activities.

The Company manages its capital structure in a manner that provides sufficient funding for operational activities. Funds are primarily secured through equity capital raised by way of private placements. During the year ended May 31, 2018, the Company completed private placements of $1,950,000. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, and all are held in major financial institutions.

There were no changes to the Company's approach to capital risk management during the year.

14. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company's risk management activities include the presentation of capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, fair value and market risk (including interest rate risk, currency risk and price risk). There were no changes to the Company's policies and objectives for managing risk during the year.

(a) Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company is not exposed to any credit risks attributable to customers and does not engage in any sales activities.

The Company's cash are held in major Canadian and International financial institutions and the Company has no investment in non-bank asset-backed commercial paper.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities as they come due. The Company’s investment policy is to invest its excess cash in high grade investment securities with varying terms to maturity, selected with regard to the expected timing of expenditures for continuing operations. The Company monitors its liquidity position and budgets future expenditures, in order to ensure that it will have sufficient capital to satisfy liabilities as they come due.

As at May 31, 2018, the Company had current liabilities of $495,375 (May 31, 2017 - $273,321) due within 12 months and has cash of $312,977 (May 31, 2017 - $364,834) to meet its current obligations. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

(c) Fair Value

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates.

(d) Market Risk

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has no significant risk to future cash flows from interest rate risk. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

Currency risk

The Company's functional and presentation currency is the CAD and major purchases are transacted in Canadian dollars. As a result, the Company is not exposed to any significant foreign currency risk.

14. FINANCIAL INSTRUMENTS AND RISK FACTORS (CONTINUED)

(d) Market Risk (continued)

Price risk

The Company is exposed to price risk with respect to equity prices and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's loss due to movements in individual equity prices or general movements in the level of stock market. Commodity price risk is defined as the potential adverse impact and economic value due to commodity price movements and volatilities.

The Company's marketable securities are subject to fair value fluctuations arising from changes in the equity markets and as at May 31, 2018 amount to $18,136 (May 31, 2017 - $60,240).

Sensitivity Analysis

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

(i) The Company's marketable securities are subject to fair value fluctuations. As at May 31, 2018, if the fair value of the Company's marketable securities had increased/decreased by 10% with all other variables held constant, profit and loss for the year ended May 31, 2018, would have been approximately $2,000 (May 31, 2017 - $6,000) lower/higher. Similarly, as at May 31, 2018, the Company's reported shareholders' equity would have been approximately $2,000 (May 31, 2017 - $6,000) higher/lower as a result of a 10% increase/decrease in marketable securities.

15. SEGMENTED INFORMATION

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements of comprehensive loss for the years also represent segmented amounts.

All of the Company's operations, assets and liabilities are in Canada.

16. SUBSEQUENT EVENTS

(i) On July 6, 2018, the Company received a partial award in the Arbitration Proceedings with Goldeye. The Arbitral Tribunal has ruled in favour of the Company on all substantive issues.

The two main issues were the amount of first year expenditures and whether Goldeye exercised an option to participate as a 50% joint venture with the Company in the ownership a of a large group of claims staked around the original Weebigee project in 2015. Goldeye, which initiated the proceedings, had alleged that the Company had failed to incur minimum first year expenditures of $500,000 on the Weebigee property as required by the May 2015 option agreement. The Arbitral Tribunal panel ruled that in fact the Company had incurred expenditures of $1,292,130 in the first year.

Significantly, the Tribunal also ruled that Goldeye failed to fulfill the conditions for participating as a joint venturer in the surrounding mineral claim land package of approximately 80,000 acres (2,210 claim units), and that Goldeye has no ownership or any other rights over or interests in these claims.

The counterclaim of the Company against Goldeye is pending before the Arbitral Panel and has not yet been determined.

(ii) On August 10, 2018, 50,000 warrants with an exercise price of $0.10 were exercised for gross proceeds of $5,000.

16. SUBSEQUENT EVENTS (CONTINUED)

(iii) On September 18, 2018, the Company announced that it proposed to increase the number of shares issued in its previously announced non-brokered private placement (see press release dated September 12, 2018). It now plans to issue up to 4,700,000 units at a price of $0.06 per unit to raise aggregate gross proceeds of up to $282,000. Each unit shall consist of one common share of the Company and one share purchase warrant, with each such warrant exercisable to acquire one additional common share at an exercise price of $0.10 for a period of 36 months from the closing of the offering. Insiders of the Company may subscribe for up to 3,800,000 units in the offering. The offering remains subject to the receipt of all applicable regulatory approvals.