OROCO RESOURCE CORP.

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Oroco Resource Corp.

Opinion

We have audited the accompanying consolidated financial statements of Oroco Resource Corp. (the "Company"), comprise the consolidated statements of financial position as at May 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has incurred ongoing losses and will require additional capital to continue operation for the upcoming year. These uncertainties may cast significant doubt as to the ability of Oroco Resource Corp. to continue as a going concern.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

September 26, 2019

OROCO RESOURCE CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at May 31,

	2019	2018
ASSETS		
Current		
Cash	$ 488,402	$ 938,804
Receivables	35,491	33,162
Prepaid expenses and advances	14,776	4,011
	538,669	975,977
Marketable securities (Note 4)	401,444	548,600
Investment in and advances to associated company (Note 4)	1,339,443	721,608
Deferred acquisition costs (Note 14)	29,559	9,759
Exploration and evaluation assets (Note 6)	1,417,143	681,547
Equipment (Note 7)	5,850	6,851
	$ 3,732,108	$ 2,944,342
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade payables and accrued liabilities (Note 9)	$ 467,341	$ 296,859
Deferred tax liability (Note 10)	13,443	13,443
	480,784	310,302
Shareholders' equity		
Share capital (Note 8)	19,913,512	18,115,678
Reserves (Note 8)	2,758,706	2,392,571
Deficit	(19,420,894)	(17,874,209)
	3,251,324	2,634,040
	$ 3,732,108	$ 2,944,342

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

Approved on behalf of the Board:

"Craig Dalziel"
Craig Dalziel – Director

"Steve Vanry"
Steve Vanry – Director

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

OROCO RESOURCE CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
Year Ended May 31,

	2019	2018
Expenses		
Business development	$ 68,400	$ 61,311
Depreciation (Note 7)	1,001	1,232
Consulting fees (Note 9)	134,179	68,925
Foreign currency loss	1,806	76,870
Management and director fees (Note 9)	263,500	244,500
Office and general	113,501	103,964
Professional fees (Note 9)	344,923	284,525
Property investigation costs	69,543	336,942
Rent	79,000	74,954
Share-based payment (Notes 8 and 9)	538,932	184,289
Shareholder communications and investor relations	106,027	23,024
Transfer agent and filing fees	26,407	19,166
Travel	63,223	28,500
Operating loss	(1,810,442)	(1,508,202)
Equity loss in associated company (Note 4)	(119,858)	(18,868)
Gain on sale of marketable securities (Note 4)	-	7,678
Interest income (Note 4)	40,621	-
Management services (Note 4)	330,000	-
Royalty income (Note 5)	12,994	142,151
	263,757	130,961
Loss for the year	(1,546,685)	(1,377,241)
Unrealized loss on fair value of marketable securities (Note 4)	(147,156)	(80,389)
Loss and comprehensive loss for the year	$ (1,693,841)	$ (1,457,630)
Basic and diluted loss per common shares	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding - basic and diluted	92,183,337	79,332,610

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

OROCO RESOURCE CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital		Reserves			
	Number	Amount	Other comprehensive income (loss)	Stock option and warrant	Deficit	Total
		$	$	$	$	$
May 31, 2017	77,947,405	16,973,847	183,420	2,110,254	(16,496,968)	2,770,553
Shares issued for cash	9,000,000	900,000	-	-	-	900,000
Share issue costs	-	(18,172)	-	-	-	(18,172)
Shares issued for option exercise	200,000	20,003	-	(5,003)	-	15,000
Shares issued for exploration and evaluation assets	2,000,000	240,000	-	-	-	240,000
Unrealized loss on fair value of marketable securities	-	-	(80,389)	-	-	(80,389)
Share-based payment	-	-	-	184,289	-	184,289
Loss for the year	-	-	-	-	(1,377,241)	(1,377,241)
May 31, 2018	89,147,405	18,115,678	103,031	2,289,540	(17,874,209)	2,634,040
Shares issued for cash	6,950,000	1,550,000	-	-	-	1,550,000
Share issue costs	-	(27,207)	-	-	-	(27,207)
Shares issued for option exercise	500,000	63,141	-	(25,641)	-	37,500
Shares issued for warrant exercise	445,000	74,400	-	-	-	74,400
Shares issued for exploration and evaluation assets	500,000	137,500	-	-	-	137,500
Unrealized loss on fair value of marketable securities	-	-	(147,156)	-	-	(147,156)
Share-based payment	-	-	-	538,932	-	538,932
Loss for the year	-	-	-	-	(1,546,685)	(1,546,685)
May 31, 2019	97,542,405	19,913,512	(44,125)	2,802,831	(19,420,894)	3,251,324

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

OROCO RESOURCE CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
Year Ended May 31,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,546,685)	$ (1,377,241)
Adjusted for items not involving cash:		
Depreciation	1,001	1,232
Equity loss in associated company	119,858	18,868
Gain on sale of marketable securities	-	(7,678)
Accrued royalty income	(12,994)	(142,151)
Accrued interest income	(40,621)	-
Accrued management services income	(330,000)	-
Foreign exchange gain	(882)	(2,411)
Share-based payment	538,932	184,289
Gain on settlement of accounts payable	-	-
Changes in working capital items:		
Receivables	(25,134)	2,350
Prepaid expenses and advances	(10,765)	904
Trade payables and accrued liabilities	87,322	96,563
Net cash used in operating activities	(1,219,968)	(1,225,275)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(514,936)	(149,129)
Deferred acquisition costs	(19,800)	(9,759)
Proceeds on sale of marketable securities	-	69,362
Acquisition of marketable securities	-	(22,280)
Royalty income	20,181	130,032
Note receivable and interest income	-	-
Advances to associated company	(350,572)	(124,847)
Net cash used in investing activities	(865,127)	(106,621)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	1,661,900	915,000
Share issue cost	(27,207)	(18,172)
Net cash provided by financing activities	1,634,693	896,828
Change in cash	(450,402)	(435,068)
Cash, beginning of year	938,804	1,373,872
Cash, end of year	$ 488,402	$ 938,804

Supplemental cash flow information (Note 11)

1. NATURE OF OPERATIONS AND GOING CONCERN

Oroco Resource Corp. (the "Company") was incorporated on July 7, 2006 under the Business Corporations Act of British Columbia and is in the business of acquiring and exploring exploration and evaluation assets in Mexico. The Company is listed on the TSX Venture Exchange (the "TSX-V").

The Company's head office and principal address is located at #1201 - 1166 Alberni Street, Vancouver, British Columbia, Canada, V6E 3Z3.

The Company is in the exploration stage and has not yet determined whether its exploration and evaluation assets contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the mineral properties and upon future profitable production or proceeds from the disposition thereof.

The Company's exploration and evaluation assets consist of the Xochipala, Santo Tomas, and Salvador properties in Mexico. The outlook for the Company is tied to realizing on the value of its exploration and evaluation assets and marketable securities, raising the financing necessary to maintain operations thereafter, and ultimately on generating future profitable operations. The Company has incurred ongoing losses and will require additional capital to continue operation for the upcoming year. These uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern.

These consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate.

2. BASIS OF PRESENTATION

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 Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized by the Audit Committee and Board of Directors of the Company on September 26, 2019.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial assets that are measured at fair value, as explained in the significant accounting policies set out in Note 3.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent and of its subsidiaries.

2. BASIS OF PRESENTATION (cont'd…)

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its direct wholly owned subsidiaries. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Name of Subsidiary	Country of Incorporation	Percentage of Ownership	Principal Activity
Minera Xochipala S.A. de C.V. ("Minera Xochipala")	Mexico	100%	Exploration in Mexico
0973496 B.C. Ltd.	Canada	100%	Holding company

The Company also holds an inactive, nominal company incorporated in Canada.

The Company holds a 13.0% interest in Altamura Copper Corp. ("Altamura") which is accounted for as an equity investment.

Significant estimates

The preparation of these consolidated financial statements requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

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

Valuation of marketable securities - The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of, and near term business outlook for, the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

The carrying value and the recoverability of exploration and evaluation assets - Management has determined that exploration, evaluation and related costs incurred, which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates (cont'd…)

Valuation of production royalty - The Company is entitled to royalty income as disclosed in Note 5. The Company has estimated the value of the production royalty to be $Nil due to lack of certainty of future ongoing production and values.

Significant judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency - The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

Classification of investments as subsidiaries, joint ventures, associated company and portfolio investments - Classification of investments requires judgement as to whether the Company controls, has joint control of or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds or has the ability to hold 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. The Company accounts for its 13.0% interest in Altamura as an equity investment as the Company has the ability to convert its advances into an increased interest in Altamura.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial assets which consist of cash and receivables are classified as amortized cost. Marketable securities are classified as FVOCI.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd…)

Financial liabilities

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities which consist of trade payables and accrued liabilities are classified as amortized cost.

Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

Investments in associated companies

The Company accounts for its long-term investments in affiliated companies over which it has significant influence using the equity basis of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received.

The Company assesses its equity investments for impairment if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events has an impact on the estimated future cash flow of the investment that can be reliably estimated. Objective evidence of impairment of equity investments includes:

- significant financial difficulty of the associated companies;
- becoming probable that the associated companies will enter bankruptcy or other financial reorganization; or
- national or local economic conditions that correlate with defaults of the associated companies.

Deferred acquisition costs

Costs relating to the acquisition of potential exploration and evaluation assets are recorded as deferred acquisition costs in advance of obtaining the asset. Once the asset has been acquired, the costs will be recorded as capitalized costs. The costs are written-off should the potential acquisition no longer be considered viable.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition and exploration of exploration and evaluation assets are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are charged to operations.

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

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

General exploration costs not related to specific properties and general administrative expenses are charged to operations in the year in which they are incurred.

The Company does not have any producing mineral properties and all of its efforts to date have been exploratory in nature. Upon the establishment of commercial production, carrying values of deferred acquisition and exploration costs are amortized over the estimated life of the mine using the units of production method.

Provisions

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the rehabilitation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with rehabilitation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount.

Subsequently, these capitalized rehabilitation costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss. The Company had no measurable rehabilitation obligations for the years presented.

Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. The Company had no other provisions for the years presented.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Equipment

Equipment is stated at cost less accumulated depreciation. Depreciation is provided for using the declining-balance method at the following rates per annum:

Automotive equipment	10%
Computer equipment	30%
Leaseholds	20%
Office furniture	20%

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

Share-based payments

The fair value of options granted is recognized as stock-based compensation expense with a corresponding increase in reserves. 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. Consideration paid on the exercise of stock options is credited to capital stock and the fair value of the options is reclassified from reserves to share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based payments (cont'd…)

The Company accounts for the granting of stock options and direct awards of stock to employees, directors and nonemployees using the fair value method whereby all awards will be recorded at fair value on the date of grant. Stock based compensation awards are calculated using the Black-Scholes option pricing model. Compensation expense is recognized immediately for past services and pro rata for future services over the vesting period with a corresponding increase in reserves.

Income (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed similar to basic earnings (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. There was no dilutive effect for the years presented.

Share capital

Common shares are classified as share capital. Incremental costs, net of tax effects, directly attributable to the issue of common shares are recognized as a deduction from equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

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 Company considers the fair value of common shares issued in the private placements to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Income taxes

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

Deferred income 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 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 financial position reporting date. Deferred tax is not recognized for temporary differences which arise on 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Related party transactions

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

New accounting policies adopted

The following standards and amendments to existing standards have been adopted by the Company effective June 1, 2018:

IFRS 9, Financial instruments

The Company retrospectively adopted IFRS 9. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. Prior periods were not restated and there was no material impact to the Company's consolidated financial statements as a result of transitioning to IFRS 9. IFRS 9 introduced a revised model for classification and measurement, and while this has resulted in financial instrument classification changes, there were no quantitative impacts from adoption. Cash has changed classification from FVTPL to amortized cost. The carrying value is equal to its fair value given the short-term nature of the asset, therefore, there is no change in the carrying value as a result of the change in classification. There are no transitional impacts regarding financial liabilities in regards to classification and measurement.

The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Company's financial assets given the nature of the items and that receivables are substantially all current and there is a minimal level of default.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

There was no impact on the consolidated financial statements as a result of adopting this standard.

New standards, interpretations and amendments to existing standards not yet effective

The following standards, amendments to standards and interpretations have been issued but are not effective for annual periods beginning on or after January 1, 2019:

IFRS 16, Leases

This standard sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. It eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

The Company has determined the impact of this new standard will be increased disclosure.

(Expressed in Canadian Dollars)

4. INVESTMENTS AND ADVANCES

(a) Marketable Securities

During year ended May 31, 2019, the Company sold Nil (2018 - 992,000) Goldgroup Mining Inc. ("Goldgroup") shares resulting in a gain on sale of $Nil (2018 - $7,678). As at May 31, 2019, the remaining 5,601,250 (2018 - 5,601,250) shares had a fair value of $308,069 (2018 - $448,100), resulting in other comprehensive (loss) of $(140,031) (2018 - $(83,609)).

The Company owns 375,000 common shares, at a cost of $75,000, in a private British Columbia company ("BC Co."), related by virtue of a common director, which provides satellite based, geological services to the mining and other industries, which services are able to identify, model and monitor subsurface geological structures. Cost is considered to approximate fair value.

As at May 31, 2019, the Company owned 5,950,000 common shares (representing a 13.0% ownership), at a cost of $451,073, in Altamura, a company related by virtue of a director and officer of the Company and a member of the Company's management collectively having significant influence in Altamura (Note 9).

The Company owns 75,000 common shares of a publicly traded company ("Pub Co."). As at May 31, 2019, the shares had a fair value of $18,375 (2018 - $25,500), resulting in other comprehensive gain (loss) of $(7,125) (2018 - $3,220).

	Goldgroup		Altamura		BC Co.	
	Number	Amount	Number	Amount	Number	Amount
May 31, 2017	6,593,250	$ 593,393	5,950,000	$ 451,073	375,000	$ 75,000
Additions	-	-	-	-	-	-
Disposals	(992,000)	(61,684)	-	-	-	-
Transfer to equity investment	-	-	-	(451,073)	-	-
Fair value adjustment	-	(83,609)	-	-	-	-
May 31, 2018	5,601,250	448,100	5,950,000	-	375,000	75,000
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Fair value adjustment	-	(140,031)	-	-	-	-
May 31, 2019	5,601,250	$ 308,069	5,950,000	$ -	375,000	$ 75,000

	Pub Co.		Total
	Number	Amount	Amount
May 31, 2017	-	$ -	$ 1,119,466
Additions	75,000	22,280	22,280
Disposals	-	-	(61,684)
Transfer to equity investment	-	-	(451,073)
Fair value adjustment	-	3,220	(80,389)
May 31, 2018	75,000	25,500	548,600
Additions	-	-	-
Disposals	-	-	-
Fair value adjustment	-	(7,125)	(147,156)
May 31, 2019	75,000	$ 18,375	$ 401,444

(Expressed in Canadian Dollars)

4. INVESTMENTS AND ADVANCES (cont'd…)

(b) Equity Investment and Advances

During year ended May 31, 2019, the Company advanced to and/or paid on behalf of Altamura $350,572 (2018 - $124,847), and accrued interest owed of $40,621 (2018 - $Nil) for total outstanding advances of $680,596 (2018 - $289,403) (the "Advances"). The Advances bear interest of 12% and are due within 90 days of request of the Company. The Company has entered into three agreements with Altamura dated effective September 27, 2018: (i) an option agreement (the "Altamura Option Agreement") pursuant to which the Company acquired a three year option (the "Option"), the exercise of which is subject to TSX-V and shareholder approval, to acquire all of the equity in Altamura not already held by the Company, in consideration for 39,800,000 shares of the Company (Note 9); (ii) a loan agreement (the "Altamura Loan Agreement") pursuant to which the Company agreed to lend up to US$600,000 to Altamura, inclusive of Advances and exclusive of interest and management services to date, and (iii) an amended and restated share option agreement (the "Advances Conversion Agreement") pursuant to which, in the event that the Company does not exercise the Option, the Company may convert all Advances to Altamura into common shares of Altamura at a price of US$0.057 per share at any time within the first six months after the expiry of the Option. The Advances are secured by promissory notes. As the conversion of the Advances into equity of Altamura would result in the Company holding an equity position in Altamura sufficient to give it significant influence, but not control, the investment into Altamura has been accounted for as an equity investment. Altamura's main asset is its interests in the Santo Tomas Properties in Mexico (Note 7).

During year ended May 31, 2019, the Company charged Altamura $330,000 (2018 - $Nil) for management services. As at May 31, 2019, the Company has a receivable of $346,500 (2018 - $Nil) in relation to the management services including GST. Subsequent to the year ended May 31, 2019, the Company and Altamura amended the Advances Conversion Agreement to include the management services fees in the amount that the Company may elect to convert into common shares of Altamura (Note 14).

Information on the equity investment is as follows:

As at May 31, 2019, the Company's investment in Altamura, including dilution gains, less its share of Altamura's accumulated losses was $312,347 (2018 - $432,205). The Company's share of the loss for the year ended May 31, 2019 was $119,858 (2018 - $18,868). The Company does not control operational decisions and the Company's judgment is that it has significant influence, but not control and accordingly equity accounting is appropriate.

As at May 31, 2019, Altamura's aggregate assets, aggregate liabilities and loss for the year then ended are as follows:

		Altamura
Aggregate assets	$	247,370
Aggregate liabilities		1,227,536
Loss for the year ended May 31, 2019		964,879
Eliminate intercompany losses		(42,900)
Adjusted loss for the year ended May 31, 2019		921,979
The Company's ownership percentage		13.0%
The Company's share of the loss		119,858

(Expressed in Canadian Dollars)

4. INVESTMENTS AND ADVANCES (cont'd…)

(b) Equity Investment and Advances (cont'd…)

A reconciliation of the equity balance and advances is as follows:

		Altamura
Equity investment		
September 26, 2017	$	451,073
Additions		-
Loss for the period		(18,868)
May 31, 2018		432,205
Additions		-
Loss for the year		(119,858)
Total equity investment as at May 31, 2019		312,347
Advances		
May 31, 2017		164,556
Additions		124,847
May 31, 2018		289,403
Additions		350,572
Interest		40,621
Total advances as at May 31, 2019		680,596
Management services, including GST		346,500
Total equity investment, advances, and management services as at May 31, 2019	$	1,339,443
Total equity investment and advances as at May 31, 2018	$	721,608

5. CERRO PRIETO ROYALTY

Pursuant to the sale of the Company's interest in the Cerro Prieto Property to Goldgroup in fiscal 2013, Goldgroup agreed to pay to the Company a production royalty (the "Production Royalty") quarterly in arrears. The Production Royalty, payable for each month in which the monthly average of the daily PM London gold fix is in excess of US$1,250 per ounce, is calculated at the rate of 20% of the dollar value of that excess for each ounce of gold produced from the property during that month, to a maximum royalty of US$90 per ounce. This Production Royalty will be payable for each and every ounce of the greater of:

i) the first 90,000 ounces of gold produced from the Property; and
ii) all ounces of gold produced from the Property until the completion of five full years of commercial production, which period commenced on March 1, 2014.

During year ended May 31, 2019, the Company accrued $12,994 (2018 - $142,151) in royalty revenue.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Santo Tomas Properties	Xochipala Property	Total
May 31, 2018	$ 347,793	$ 333,754	$ 681,547
Acquisition costs			
Cash	-	-	-
Shares issued	-	-	-
	-	-	-
Deferred exploration expenditures			
Data, analysis, and models	235,549	-	235,549
Fieldwork	4,888	-	4,888
Geologists	376,354	39,992	416,346
Lease payments, assessment fees and taxes	56,097	6,471	62,568
Travel	16,245	-	16,245
	689,133	46,463	735,596
May 31, 2019	$ 1,036,926	$ 380,217	$ 1,417,143

	Santo Tomas Properties	Xochipala Property	Total
May 31, 2017	$ -	$ 292,329	$ 292,329
Acquisition costs			
Cash	47,247	-	47,247
Shares issued	240,000	-	240,000
	287,247	-	287,247
Deferred exploration expenditures			
Geologists	39,453	35,708	75,161
Lease payments, assessment fees and taxes	21,093	5,717	26,810
	60,546	41,425	101,971
May 31, 2018	$ 347,793	$ 333,754	$ 681,547

(a) Xochipala Property Guerrero State, Mexico

The Xochipala Property, located in Guerrero State, Mexico, is comprised of the contiguous 100% owned Celia Gene and Celia Generosa concessions. Minera Xochipala acquired the Xochipala Property in 2007.

(b) Salvador Property, Guerrero State, Mexico

The Salvador Property is a mining concession 100% owned by Minera Xochipala.

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(c) Santo Tomas Properties, Sinaloa State, Mexico

The Company holds a 77.5% interest in each of the Papago 17, La China II and AMP Santo Tomas Red 1 concessions (collectively, the "Santo Tomas Properties") which are contiguous to the concessions which cover the known core of the Santo Tomas mineralized structure (the "Core Concessions"). The Santo Tomas Properties were acquired for a total cash payment of $47,247 and the issuance of 2,000,000 common shares, valued at $240,000.

During year ended May 31, 2019, the Company entered into a purchase agreement pursuant to which the Company acquired geological data, analysis and models related to the Santo Tomas Properties and the Core Properties in consideration for 500,000 common shares, valued at $137,500, (Note 8) and US$500,000, to be paid by way of three payments of US$50,000 each and a final payment of US$350,000. The second and third $50,000 payments and the $350,000 payment are contingent upon Xochipala Gold obtaining registered title to the Core Concessions and are due over a period of no more than three years from that event.

All three concessions of the Santo Tomas Property are subject to a 2% net smelter royalty ("NSR").

Altamura (Note 4) holds an un-registered, contractual interest in the Core Concessions. The registration of this interest had previously been impeded by a 2016 judgment (the "Judgment") from a claim by Aztec Copper Corp. ("Aztec") and its Mexican subsidiary, Prime Aztec Mexicana, S.A. de C.V. against Compania Minera Ruero, S.A. de C.V. ("CMR"), Fierce Investments Ltd. ("Fierce"), and Ruero International Ltd. ("Ruero"). During the year ended May 31, 2019, the Judgment and a related annotation were nullified and the transfer of the Santo Tomas Property from CMR to XG is now in process.

Altamura also holds an indirect 50% interest in CMR, the registered title holder of the Core Concessions, and an option to acquire, for US$16,000,000, all of the direct and indirect interest that the holder of the other 50% of CMR has in the Core Concessions, wherever that ownership interest resides (the "CMR Option"), subject to a 1% NSR (the "CMR Option NSR"), 0.5% of which may be bought back for US$2,000,000. Altamura's interest in the Core Concessions is subject to an NSR of 1.5%, in favour of ATM Mining Corp., a company owned by the spouse of the Company's president, Craig Dalziel, and an arm's-length third party (the "Altamura NSR"). 0.5% of the Altamura NSR will be cancelled if the CMR Option NSR is granted, with the result that the Core Concessions will, upon the buy-back of half of the CMR Option NSR, be subject to a maximum 1.5% NSR.

Altamura paid USD$10,000 for an exclusive option (the "Aztec Share Option") to purchase the shares of Aztec (the "Aztec Shares") held by Fierce, being approximately 80% of the issued and outstanding shares of Aztec, at any time prior to April 10, 2022. The Aztec Shares, which are subject to dispute by Aztec, constitute the primary consideration paid by Aztec in the transaction which was the basis of Aztec's claim that resulted in the Judgement.

Altamura has certain contingency fee obligations (the "Contingency Fee Agreements") related to the Core Concessions as follows:

(i) $600,000 payable within six months of title to the Santo Tomas Property is registered in the Mexican Public Registry of Mining; and
(ii) upon the direct or indirect sale, assignment or transfer of the Santo Tomas Property in a transaction intended to be final disposition of the Santo Tomas Property:
    A. 10% of the sale price, to a maximum of $3,600,000, (inclusive of the first $600,000); and
    B. 1.5% of the sale price, to a maximum of $4,100,000, of which up to $1,000,000 is payable to David Rose, an officer of the Company and shareholder of Altamura.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(c) Santo Tomas Properties, Sinaloa State, Mexico (cont'd…)

Altamura has entered into agreements pursuant to which it granted an aggregate 15% interest in the Core Properties (the "Contractual Interest") in consideration for i) assistance on legal challenges and land assembly, ii) the assignment of majority interests in certain additional properties to the Company; (iii) the right to cause the assignment of majority interests in other additional properties to the Company; and (iv) providing technical and geological services. The Contractual Interest is subject to dilution down to an aggregate 10% on a pro-rata basis upon the funding of up to $30,000,000 of expenditures on the combined Core Concessions and the Santo Tomas Property.

7. EQUIPMENT

	Automotive equipment	Computer equipment	Leaseholds	Office furniture	Total
Cost					
May 31, 2017	$ 15,948	$ 23,110	$ 10,017	$ 3,070	$ 52,145
Additions	-	-	-	-	-
May 31, 2018	15,948	23,110	10,017	3,070	52,145
Additions	-	-	-	-	-
May 31, 2019	$ 15,948	$ 23,110	$ 10,017	$ 3,070	$ 52,145
Depreciation					
May 31, 2017	$ 10,945	$ 21,943	$ 8,505	$ 2,669	$ 44,062
Charge for the year	500	350	302	80	1,232
May 31, 2018	11,445	22,293	8,807	2,749	45,294
Charge for the year	450	245	242	64	1,001
May 31, 2019	$ 11,895	$ 22,538	$ 9,049	$ 2,813	$ 46,295
Net book value					
May 31, 2018	$ 4,503	$ 817	$ 1,210	$ 321	$ 6,851
May 31, 2019	$ 4,053	$ 572	$ 968	$ 257	$ 5,850

8. SHARE CAPITAL AND RESERVES

Authorized

An unlimited number of common shares without par value.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

Issued share capital

During year ended May 31, 2019, the Company issued:

i. 3,750,000 units at a price of $0.20 per unit by way of a private placement for total proceeds of $750,000, with each unit consisting of one common share and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to acquire an additional common share at a price of $0.32 per common share, for a period of 18 months from the date of issue. The Company paid a total of $18,223 in cash for fees;
ii. 3,200,000 units at a price of $0.25 per unit by way of a private placement for total proceeds of $800,000, with each unit consisting of one common share and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to acquire an additional common share at a price of $0.40 per common share, for a period of 18 months from the date of issue. The Company paid a total of $8,984 in cash for fees;
iii. 500,000 common shares, valued at $137,500, pursuant to the purchase agreement in which the Company acquired geological data, analysis and models related to the Santo Tomas Properties (Note 6(c));
iv. 500,000 common shares, pursuant to the exercise of stock options, for proceeds of $37,500.
v. 445,000 common shares, pursuant to the exercise of warrants, for proceeds of $74,400.

During the year ended May 31, 2018, the Company issued:

i. 9,000,000 units at a price of $0.10 per unit by way of a private placement for total proceeds of $900,000, with each unit consisting of one common share and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to acquire an additional common share at a price of $0.16 per common share, for a period of 18 months from the date of issue, subject to acceleration provisions. The Company paid a total of $18,172 in cash for fees;
ii. 200,000 common shares, for proceeds of $15,000, pursuant to the exercise of stock options; and
iii. 2,000,000 common shares, valued at $240,000, pursuant to the acquisition of the Santo Tomas Properties (Note 6(c)).

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, outstanding as at May 31, 2017	-	$ -
Issued	4,500,000	0.16
Balance, outstanding as at May 31, 2018	4,500,000	0.16
Issued	3,475,000	0.36
Exercised	(445,000)	0.17
Balance, outstanding as at May 31, 2019	7,530,000	$ 0.25

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

Warrants (cont'd…)

Warrants outstanding as at May 31, 2019 are as follows:

Number of warrants	Exercise price	Weighted average remaining life (years)	Expiry date
4,075,000	$ 0.16	0.41	October 26, 2019
1,855,000	0.32	0.93	May 3, 2020
1,600,000	0.40	1.38	October 17, 2020
7,530,000			

Stock options

The Company has a rolling stock option plan, whereby from time to time, at the direction of the Board of Directors, stock options may be granted to employees, consultants, directors and officers. The number of shares reserved for issuance under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of the grant. Options may be granted for a maximum of five years and vesting is determined by the Board of Directors.

During year ended May 31, 2019, a total of 3,700,000 (2018 - 4,900,000) stock options were granted to certain officers, directors, and consultants of the Company with a fair value of $908,721 (2018 - $149,976) using the Black-Scholes option pricing model. During year ended May 31, 2019, the Company recognized $538,932 (2018 - $184,289) as share-based payment for the fair value of the stock options.

The fair value of options granted was estimated on the grant date using the Black-Scholes option pricing model with weighted average assumptions as follows:

	For the year ended May 31, 2019	For the year ended May 31, 2018
Risk-free interest rate	1.97%	1.32%
Expected option life in years	3.0 years	3.0
Expected stock price volatility	136%	147%
Expected forfeiture rate	0%	0%

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

Stock options (cont'd…)

Option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, outstanding as at May 31, 2017	-	$ -
Granted	4,900,000	0.08
Exercised	(200,000)	0.08
Balance, outstanding as at May 31, 2018	4,700,000	0.08
Granted	3,700,000	0.33
Exercised	(500,000)	0.08
Balance, outstanding as at May 31, 2019	7,900,000	$ 0.19
Balance, exercisable as at May 31, 2019	6,125,000	$ 0.13

Options outstanding as at May 31, 2019 are as follows:

Number of options	Number of exercisable options	Exercise price	Weighted average remaining life (years)	Expiry date
3,550,000	3,550,000	$ 0.075	1.20	August 11, 2020
150,000	150,000	0.075	1.30	September 18, 2020
500,000	500,000	0.075	1.30	September 18, 2020
750,000	600,000	0.200	2.09	July 2, 2021
1,500,000	900,000	0.225	2.40	October 24, 2021
300,000	200,000	0.250	2.65	January 24, 2022
100,000	-	0.350	2.92	May 1, 2022
750,000	125,000	0.600	2.96	May 17, 2022
300,000	100,000	0.550	2.99	May 28, 2022
7,900,000	6,125,000			

Reserves

As at May 31, 2019, the Company had a Stock Option and Warrant Reserve balance of $2,802,831 (2018 - $2,289,540) consisting of warrant valuations associated with warrants issued in connection with various private placements and share-based compensation associated with stock option grants to employees, consultants, directors and officers.

As at May 31, 2019, the Company had an Other Comprehensive Income (Loss) balance of $(44,125) (May 31, 2018 - $103,031).

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

The Company considers key management personnel to consist of directors and officers. The following expenses were incurred with key management personnel:

	For the year ended May 31, 2019	For the year ended May 31, 2018
Management and director fees	$ 263,500	$ 244,500
Consulting	21,800	21,600
Professional fees	102,000	102,000
Share-based payment	-	67,543
Total	$ 387,300	$ 435,643

As at May 31, 2019 included in accounts payable and accrued liabilities was $254,937 (2018 - $215,151) owing to officers and directors. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms

During year ended May 31, 2019, the Company entered into the Altamura Option Agreement (Notes 4 and 6), the Altamura Loan Agreement and the Advances Conversion Agreement with Altamura, which is a related party by virtue of a company controlled by the spouse of a director and an officer of the Company, a company controlled by family members of a director and officer of the Company and a member of the Company's management being significant shareholders of Altamura (Note 4).

Pursuant to the terms of the Altamura Option Agreement, the Company will issue 39,800,000 shares to the shareholders of Altamura. 8,302,000 shares will be issued to a company controlled by the spouse of a director and officer of the Company, 9,506,000 shares will be issued to a company controlled by family members of a director and officer of the Company and 8,302,000 shares will be issued to an officer of the Company.

10. DEFERRED INCOME TAXES

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

	2019	2018
Loss for the year before income taxes	$ (1,546,685)	$ (1,377,241)
Expected income tax (recovery)	$ (418,000)	$ (366,000)
Change in statutory, foreign tax, foreign exchange rates and other	(7,000)	(64,000)
Permanent difference	183,000	48,000
Share issue cost	(7,000)	(5,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(226,000)	(31,000)
Change in unrecognized deductible temporary differences	23,000	418,000
Total deferred income tax expense	$ -	$ -

(Expressed in Canadian Dollars)

10. DEFERRED INCOME TAXES (cont'd…)

The Company's deferred income tax liability relates to the Mexican mining royalty at the rate of 7.5%, which was enacted in Mexico from January 1, 2014 on a prospective basis and applies to earnings before the deduction of interest, taxes, depreciation and amortization. The significant components of the Company's deferred tax liabilities are as follows:

	2019	2018
Deferred tax liabilities		
Exploration and evaluation assets – Mexican mining royalty	$ 13,443	$ 13,443
	$ 13,443	$ 13,443

The significant components of the Company's unrecorded deferred tax assets are as follows:

	2019	2018
Deferred tax assets (liabilities)		
Exploration and evaluation assets	$ 718,000	$ 902,000
Equipment	2,000	3,000
Share issue costs	9,000	4,000
Marketable securities	39,000	3,000
Allowable capital loss	857,000	857,000
Non-capital losses available for future periods	2,612,000	2,445,000
	4,237,000	4,214,000
Unrecognized deferred tax assets	(4,237,000)	(4,214,000)
Net deferred tax assets	$ -	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2019	Expiry Date Range
Temporary differences		
Exploration and evaluation assets	$ 2,660,000	No expiry date
Equipment	6,000	No expiry date
Share issue costs	33,000	2040 to 2043
Marketable securities	208,000	No expiry date
Allowable capital loss	3,176,000	No expiry date
Non-capital losses available for future periods	9,669,000	2027 to 2039

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

(Expressed in Canadian Dollars)

11. SUPPLEMENTAL CASH FLOW INFORMATION

		For the year ended May 31, 2019		For the year ended May 31, 2018
Interest paid	$	-	$	-
Taxes paid		-		-
Non-cash transactions not included in investing or financing activities				
Exploration and evaluation assets included in accounts payable	$	86,254	$	3,094
Shares issued for exploration and evaluation assets		137,500		240,000
Allocation of fair value of options exercised		25,641		5,003
Allocation of available for sale securities to investment in associated company		-		451,073
Unrealized loss on fair value of marketable securities		147,156		(80,389)

12. SEGMENTED INFORMATION

The Company operates in one segment being the acquisition and exploration of exploration and evaluation assets located in Mexico. Geographic information is as follows:

As at May 31, 2019

		Canada		Mexico		Total
Equipment	$	1,797	$	4,053	$	5,850
Exploration and evaluation assets		-		1,417,143		1,417,143
Other assets		2,291,958		17,157		2,309,115
Total assets	$	2,293,755	$	1,438,353	$	3,752,108

As at May 31, 2018

		Canada		Mexico		Total
Equipment	$	2,348	$	4,503	$	6,851
Exploration and evaluation assets		-		681,547		681,547
Other assets		2,244,559		11,385		2,255,944
Total assets	$	2,246,907	$	697,435	$	2,944,342

13. FINANCIAL INSTRUMENT RISK AND CAPITAL MANAGEMENT

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity. There has been no significant change in the Company's objectives, policies and processes for managing its capital during year ended May 31, 2019.

13. FINANCIAL INSTRUMENT RISK AND CAPITAL MANAGEMENT (cont'd…)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

Fair value hierarchy

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Management of Industry Risk

The Company is engaged in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing as well as changes in foreign government policy. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations; however, it is not possible to be certain that all aspects of environmental issues affecting the Company, if any, have been fully determined or resolved.

Management of Financial Risk

The carrying value of cash, receivables, note receivable and trade payables and accrued liabilities approximated their fair value because of the short-term nature of these instruments. Cash is measured at a level 1 of the fair value hierarchy. The Goldgroup and Pub Co. shares recorded in marketable securities are measured at a level 1 of the fair value hierarchy and the BC Co. shares recorded in marketable securities are measured using level 3 of the fair value hierarchy. Investments classified within level 3 have significant unobservable inputs. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. The investments are based on cost at time of acquisition.

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, and market risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The bank accounts are mainly held with a major Canadian bank and this minimizes the risk to the Company.

13. FINANCIAL INSTRUMENT RISK AND CAPITAL MANAGEMENT (cont'd…)

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above. The Company monitors its ability to meet its short-term expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company is exposed to liquidity risk.

Foreign Exchange Risk

The Company's property interests in Mexico make it subject to foreign currency fluctuations, which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and foreign currencies. The Company does not invest in derivatives to mitigate these risks. The effect of a 1% change in the foreign exchange rate on the cash held in foreign currencies at May 31, 2019 is nominal.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

14. SUBSEQUENT EVENTS

Subsequent to May 31, 2019, the Company:

i. issued 3,000,000 units at a price of $0.45 per unit by way of a private placement for total proceeds of $1,350,000, with each unit consisting of one common share and one-half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one common share at a price of $0.70 per common share, for a period of 24 months from the date of issue. Finder's fees of 19,200 warrants were issued; each finder's fee warrant will entitle the holder to purchase one common share at a price of $0.45 per common share, for a period of 24 months from the date of issue;

ii. issued 325,000 common shares, pursuant to the exercise of warrants, for proceeds of $52,000;

iii. entered into a letter agreement for the acquisition of an 80% interest in the Rossy mineral concession, which is contiguous to the Santo Tomas properties. The Company acquired its interest in consideration for US$125,000, to be paid over two years, the issuance of 300,000 shares, and the grant to third parties of an aggregate 1.5% NSR. As at May 31, 2019, $29,559 (US$22,500) was recorded as deferred acquisition costs;

iv. granted 100,000 stock options to purchase common shares of the Company at a price of $0.55 per share for a period of 36 months from the date of grant, with 25% vesting on each of the 3, 6, 9 and 12 month anniversaries of the date of grant;

v. granted 150,000 stock options to purchase common shares of the Company at a price of $0.50 per share for 36 months, with one third vesting on each of the date of grant and the 3 and 6 month anniversaries of the date of grant. ;

vi. granted 200,000 stock options to purchase common shares of the Company at a price of $0.55 per share for 36 months from the date of grant.;

14. SUBSEQUENT EVENTS (cont'd…)

vii. entered into agreements with Altamura and Fierce with regard to taking an assignment of the Aztec Share Option from Altamura in consideration for the reimbursement of legal fees paid by or on behalf of Fierce, and of the consideration paid for the grant of the Aztec Share Option; and

viii. amended the Advances Conversion Agreement to include management services fees charged by the Company to Altamura in the amount that the Company may elect to convert into common shares of Altamura (Note 4).