
VANADIUM ONE ENERGY CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE- MONTH PERIODS ENDED MAY 31, 2018 AND 2017

UNAUDITED - PREPARED BY MANAGEMENT

EXPRESSED IN CANADIAN DOLLARS

NOTICE TO READER

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

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

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

To the Shareholders of Vanadium One Energy Corp. (the "Company"):

The accompanying financial statements of the Company are the responsibility of management.

The financial statements have been prepared by management in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of statement of financial position. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

/s/ W. John Priestner

President and CEO

/s/ Jacques Arsenault

Chief Financial Officer

Burlington, ON, Canada

July 30, 2018

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Canadian dollars)

As at,	May 31, 2018 (unaudited) \$	February 28, 2018 (audited) \$
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents (note 7)	119 892	104 803
Restricted cash (note 7)	105 994	356 391
Receivables and others (note 8)	34 479	84 961
Prepaid expenses	10 029	29 457
	270 394	575 612
Exploration and evaluation assets (note 9)	1 638 292	1 445 039
	1 908 686	2 020 651
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities (note 10)	65 088	100 629
	65 088	100 629
SHAREHOLDERS' EQUITY		
Capital stock, issued and outstanding (note 11)	7 950 347	7 950 347
Reserves	1 574 227	1 574 227
Accumulated other comprehensive deficit	(5 674)	(5 674)
Accumulated deficit	(7 675 302)	(7 598 878)
	1 843 598	1 920 022
	1 908 686	2 020 651

Going Concern (note 2), commitments and contingencies (note 17) and subsequent events (note 18)

Approved on behalf of the Board on July 30, 2018:

/s/ W. John Priestner

President and CEO

/s/ Jacques Arsenault

Chief Financial Officer

Accompanying notes form an integral part of these interim consolidated financial statements

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(In Canadian dollars)

For the period ended,	May 31, 2018 \$	May 31, 2017 \$
General and administrative expenses	20 195	22 787
Professional and consulting fees	26 229	120 000
Management fees (note 12)	30 000	19 500
Share based payment	-	83 770
	76 424	246 057
Loss and comprehensive loss for the year	(76 424)	(246 057)
Basic and diluted loss per share	(0,002)	(0,009)
Weighted average number of common shares outstanding - basic and diluted	34 475 576	28 552 375

Accompanying notes form an integral part of these interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Canadian dollars)

For the period ended,	May 31, 2018	May 31, 2017
	\$	\$
Operating activities		
Net loss for the period	(76 424)	(246 057)
<i>Adjustments for items not involving cash:</i>		
Share based payment	-	83 770
	(76 424)	(162 287)
<i>Changes in non-cash working capital items:</i>		
Interest and sundry receivable	50 482	(11 045)
Prepaid expenses	19 428	-
Accounts payable and accrued liabilities	(35 541)	(20 882)
Cash used in operating activities	(42 055)	(194 214)
Financing activities		
Cash provided by financing activities	-	-
Investing activities		
Investment in exploration and evaluation assets	(193 253)	(13 449)
Cash used in investing activities	(193 253)	(13 449)
Increase (decrease) in cash	(235 308)	(207 663)
Cash and cash equivalents, beginning of the period	461 194	909 890
Cash , end of the period	225 886	702 227
Cash and cash equivalents	119 892	301 487
Restricted cash	105 994	400 740
Cash , end of the period	225 886	702 227

Accompanying notes form an integral part of these interim consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
(In Canadian dollars)

	SHARE CAPITAL		RESERVES	ACCUMULATED OTHER COMPREHENSIVE DEFICIT		TOTAL	
	#	\$		\$	\$		\$
Balance - March 1, 2017	28 552 375	7 307 605	1 542 600	(5 674)	(6 848 060)	1 996 471	
Stock options issued	-	-	83 770	-	-	83 770	
Loss of the period	-	-	-	-	(246 057)	(246 057)	
Balance - May 31, 2017	28 552 375	7 307 605	1 626 370	(5 674)	(7 094 117)	1 834 184	
Warrants exercised	1 286 747	162 732	(52 143)	-	-	110 589	
Private placement	4 636 454	480 010	-	-	-	480 010	
Loss of the period	-	-	-	-	(504 761)	(504 761)	
Balance - February 28, 2018	34 475 576	7 950 347	1 574 227	(5 674)	(7 598 878)	1 920 022	
Loss of the period	-	-	-	-	(76 424)	(76 424)	
Balance - May 31, 2018	34 475 576	7 950 347	1 574 227	(5 674)	(7 675 302)	1 843 598	

Accompanying notes form an integral part of these interim consolidated financial statements

1. General information and nature of operations

Vanadium One Energy Corp. (“**Vanadium One**” or the “**Company**”) was incorporated on February 27, 2007 pursuant to the *Business Corporations Act* (Ontario) and was classified as engaged in the exploration of its properties for base metals and precious metals in Canada and Mexico. All mineral property interests held are currently in the exploration stage.

The Company listed its common shares on the TSX Venture Exchange for trading upon the completion of its initial public offering (“IPO”) as disclosed in a prospectus filed with the regulators and dated May 25, 2007. On January 16, 2017, the Company changed its name from Vendome Resources Corp. to Vanadium One Energy Corp. The Company’s shares are listed under the symbol VONE (formerly: VDR) on the TSX Venture Exchange.

These interim consolidated financial statements of the Company were authorized for issue in accordance with a resolution of the directors on July 30, 2018.

2. Going concern disclosure

The Company’s principal assets are mining claims and deferred exploration costs relating to properties which are not in commercial projects. The Company is in the process of exploring its mining claims and has not yet determined whether or not the properties will contain economically recoverable reserves.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Vanadium One is not currently generating any revenue from its operations and for the three-month period ended May 31, 2018, the Company recorded a net comprehensive loss of \$76,424 (May 31, 2017 - \$246,057) and an accumulated deficit of \$7,675,302 (February 28, 2018 - \$7,598,878). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its exploration projects, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities.

These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and financial statement classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

3. Basis of preparation

Statement of Compliance: these Interim Unaudited Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). These Interim Unaudited Consolidated Financial Statements should be read in conjunction with the Company’s most recently issued Annual Report which includes information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies were presented in Note 4 of the consolidated financial statements for the years ended February 28, 2018 and 2017 and have been consistently applied in the preparation of these interim consolidated financial statements. These Interim Unaudited Consolidated Financial Statements have been prepared on a historical cost basis except for certain financial assets which are recorded at fair value. In addition, these Interim Unaudited Consolidated Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of Consolidation: the interim consolidated financial statements of the Company include the accounts of its wholly-owned subsidiary Vendome Minas, S.A. de C.V. (“**VDR Mexico**”). The interim consolidated financial statements accounts of VDR Mexico from the date that it commenced its operations, which was January 1, 2011.

Functional and presentation currency: these interim consolidated financial statements are presented in Canadian dollars, which is Company’s functional currency.

4. Summary of significant accounting policies

See annual consolidated financial statements for the years ended February 28, 2018 and 2017 for a list of accounting policies used by the Company.

5. Summary of accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions. The estimates and judgments that, in management's opinion, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are disclosed in the annual audited consolidated financial statements.

See annual consolidated financial statements for the years ended February 28, 2018 and 2017 for a list of accounting estimates and judgements considered significant by management.

6. Accounting pronouncements

Accounting standard issued for adoption in future periods

The following standards have been issued but are not yet effective. The Company is assessing the impact of this new standard, but does not expect it to have a significant impact on the consolidated financial statements.

- In July 2014, the IASB published IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The improvements introduced by IFRS 9 include a logical model for financial asset classification and measurement, a single, forward-looking 'expected loss' impairment model based on expected credit losses, and a substantially-reformed approach to hedge accounting. This standard applies to fiscal years beginning on or after January 1, 2018; early adoption is permitted. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on March 1, 2018 and does not expect the adoption of IFRS 9 to have a material effect on its consolidated financial statements based on its current holding of financial instruments.
- On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. There are optional exemptions for short-term leases and leases of low value items. In addition, lessees will recognize a frontloaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on March 1, 2019 and does not expect the adoption of IFRS 16 to have a material effect on its consolidated financial statements.

7. Cash and cash equivalents

Cash and cash equivalents were as follows:

	May 31, 2018	February 28, 2018
	\$	\$
Cash Canadian banks	119 778	104 803
Restricted Cash Canadian banks - Flow-Through	105 994	356 391
	225 772	461 194

8. Receivables and other

Receivables and other are sales tax receivable of \$34,479 as at May 31, 2018 (February 28, 201 - \$84,961).

9. Exploration and evaluation assets

The following is a summary of the Company's investment in exploration properties:

	Ivanhoe Ontario	San Miguel Mexico	Clinton B.C	Mont. Sorcier Quebec	Total
	\$	\$	\$	\$	\$
Balance - March 31, 2017	1	1	137 957	706 683	844 642
Exploration costs	975	-	5 519	594 879	601 373
Write down of mineral property	(975)	(1)	-	-	(976)
Balance - February 28, 2018	1	-	143 476	1 301 562	1 445 039
Exploration costs	-	-	-	193 253	193 253
Balance - May 31, 2018	1	-	143 476	1 494 815	1 638 292

- (i) **Ivanhoe Lake Property, Ontario:** In July 2012 the Company completed the acquisition of a 100% interest in the Ivanhoe Lake property (the "Property") located in the Borden Lake Gold District, Ontario, Canada. The vendors retain a 3% net smelter royalty on the property. The property is carried at the nominal amount of \$1.. The San Miguel Property is located within the southern portion of the Sierra Madre del Sur precious metal belt in the State of Guerrero, Mexico. The Company has written down the value of the Property to \$Nil.
- (ii) **Clinton Manganese Property, British Colombia:** In July 2016, the Company agreed to acquire a 100% interest in the Clinton Manganese property ("Clinton Property") located near Clinton in British Columbia, Canada. The agreement called for a payment of \$20,000 and the issuance of 12,000,000 common shares at \$0.0075. In addition, a finder's fees of 1,400,000 common shares at \$0.0075 were issued in relation of the acquisition.
- (iii) **Mont Sorcier, Vanadium Project, Quebec:** In November 2016, the Company agreed to acquire a 100% interest in the Mont Sorcier Vanadium property ("Sorcier Property") located near Chibougamau in Quebec, Canada. The Company paid \$150,000 in cash and issued 2,750,000 common shares at \$0.175. In order to earn its interest, the Company is obligated to undertake a minimum of \$1 million in exploration expenditures on the property within in the first 24 months following signature of the agreement. The Vendor, Chibougamau Independent Mines, will retain a 2% Gross Metal Royalty ("GMR") on all mineral production from the property. In order to facilitate the deal, Globex Mining Enterprises Inc. (GMX-TSX), which held a 3% GMR on a number of claims, has reduced its royalty to 1% GMR but it has been extended to the recently enlarged claim group. In addition, a finder's fee of 400,000 post consolidation common shares of the Company at \$0.175 was issued in relation to the acquisition.

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were comprised of the following balances:

	May 31, 2018	February 28, 2018
	\$	\$
Accounts payable	20 508	56 629
Accrued liabilities	44 580	44 000
	65 088	100 629

In the prior year the Company negotiated debt settlement agreements with various related parties and creditors. The outstanding debts with creditors were extinguished through reduction of current debt from approximately \$187,779 to \$130,000 and the issuance of shares on a post-consolidation basis. The Company settled the reduced amount of the debt in exchange for the issuance of an aggregate of 650,000 post-consolidated common shares. The debt settlement was based on a deemed price of \$0.20 per share on a post-consolidated basis.

Accounts payable and accrued liabilities includes an amount of \$1,695 as at May 31, 2018 (February 28, 2018 - \$18,502) due to related parties (see Note 12).

11. Shareholders' Equity

(i) Share capital

Authorized and issued: the Company is authorized to issue an unlimited number of common shares. The issued and outstanding common shares are as follows:

	May 31, 2018	February 28, 2018
Shares issued and fully paid:		
Beginning of the year	34 475 576	28 552 375
Private placements	-	4 636 454
Warrants exercised	-	1 286 747
Shares issued and fully paid end of the period	34 475 576	34 475 576
For each class of share capital:		
The number of shares authorized		Unlimited
The number of shares issued and fully paid		34 475 576
The number of shares issued but not fully paid		Nil
Par value per share, or that the shares have no par value		no par value

- (a) On August 3, 2016 Vanadium announced the closing of a private placement in the gross amount of \$542,562. A total of 59,008,331 Units of the Company were issued at a price of \$0.0075 per unit for gross proceeds of \$442,562, and 13,333,331 "flow-through" shares at a price of \$0.0075 per share for gross proceeds of \$100,000. Each Unit consists of one common share in the capital of the Company and one half of one common share purchase warrant. Each whole warrant entitles its holder to purchase one additional common share at an exercise price of \$0.01 for a period of 3 years from the closing date of the private placement.

The Company closed its first tranche of the private placement on July 27, 2016 of which the Company issued 21,089,999 Units for gross proceeds of \$158,175 (the "First Tranche"). The Company closed its final tranche of the private placement on August 2, 2016 of which the Company issued 37,918,332 Units for gross proceeds of \$284,387 and 13,333,331 "flow-through" shares for gross proceeds of \$100,000 (the "Final Tranche").

Finder's fees consisting of \$54,256 in cash and 7,234,166 broker warrants ("Broker Warrants") were paid to the finders in accordance with policies of the TSX-V. Each Broker Warrant is convertible into one broker warrant unit (a "BW Unit") at a price of \$0.0075 per BW Unit for a period of two years from the date of issuance. Each BW Unit consists of one Share (a "BW Share") of the Company and one-half Warrant of the Company (each whole warrant, a "BW Warrant"). Each BW Warrant will entitle the holder to purchase one Share (a "BW Warrant Share") of the Company for a period of 3 years following the date of issuance of the BW Warrants at a price of \$0.01 per BW Warrant Share.

- (b) On July 25, 2016 under the terms of the Clinton Manganese Property acquisition agreement described in Note 9(iii) above the Company issued 12,000,000 (pre-consolidation) common shares at \$0.0075. In addition, finder's fees of 1,400,000 common shares at \$0.0075 were issued in relation to the acquisition (see note 9 (iii)).
- (c) On September 28, 2016 Vanadium announced the consolidation of its common shares on the basis of one (1) new post-consolidation common share for every ten (10) pre-consolidation common shares. As a result of the consolidation, the Company's outstanding 139,307,795 common shares were reduced to 13,930,773 common shares. No fractional shares were issued. Any fractions of a share were rounded down to the nearest whole number of common shares. The consolidation was approved by the shareholders of the Company on September 6, 2016 and accepted by the TSX Venture Exchange on September 26, 2016.
- (d) On September 28, 2016, in connection with the Company's effort to restructure, Vanadium has negotiated debt settlement agreements with various creditors. The outstanding debt with the creditors were extinguished through reduction of current debt from approximately \$187,778.69 to \$130,000 and the issuance of shares on a post consolidation basis (the "Debt Settlement"). The company agreed to settle the reduced amount of the debt in exchange for the issuance of an aggregate of 650,000 post-consolidated common shares. The debt settlement will be based on a deemed price of \$0.20 per share on a post-consolidated basis.
- (e) On November 8, 2016 under the terms of the Mont Sorcier Vanadium Iron, Titanium acquisition agreement more fully described in Note 9(iv) the Company issued to Chibougamau Independent Mines 2,750,000 common shares. In addition, finder's fees of 300,000 common shares of the Company were issued in relation to the acquisition.
- (f) On December 16, 2016, The Company announced it has completed an initial tranche of a non-brokered private placement financing. Pursuant to the financing, the Company issued 2,004,936 "flow-through" shares at a price of \$0.15 per share for gross proceeds of \$300,740.40.

A cash fee was paid to finders representing 8% of the gross proceeds raised in the Financing. Additionally, finders received that number of compensation warrants ("Compensation Warrants") totaling 8% of the number of FT Shares sold pursuant to the Financing. The Compensation Warrants are exercisable at a price of \$0.15 per shares for a period of 18 months after the closing of the Financing. Finders was paid a corporate finance fee representing 2% of the gross proceeds raised in the Financing and that number of Compensation Warrants equaling 2% of the number of FT Shares sold in the Financing.

- (g) On February 27, 2017, the Company announced it has completed a non-brokered private placement financing as previously announced. Pursuant to the financing, the Company issued 8,416,666 units ("Units") of the Company at a price of \$0.12 per Unit to raise aggregate proceeds up to \$1,010,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each full warrant will entitle its holder to purchase one additional common share at an exercise price of \$0.25 for a period of 24 months from the closing date of the private placement. All securities issued in connection with the financing are subject to a four-month hold period from the date of issuance in accordance with applicable securities laws.

A cash fee was paid to finders representing 8% of the gross proceeds raised in the financing. Additionally, finders received that number of compensation warrants totaling 8% of the number of Units sold pursuant to the

financing. The Compensation Warrants are exercisable at a price of \$0.12 per unit for a period of 24 months after the closing of the financing. Finders were paid a corporate finance fee representing 2% of the gross proceeds raised in the financing and that number of Compensation Warrants equaling 2% of the number of Units sold in the financing.

- (h) On December 19, 2017 the Company announced it has completed a private placement financing as previously announced. Pursuant to the financing, the Company issued 4,626,454 “flow-through” common shares at a price of \$0.11 per share for gross proceeds of \$510,009.94. All securities issued in connection with the financing are subject to a four-month hold period from the date of issuance in accordance with applicable securities laws. A cash fee was paid to finders representing 6% of the gross proceeds raised in the Financing for a total amount of \$30,000.
- (i) A total of 1,286,747 warrants were exercised during the year ended February 28, 2018, the Company issued 1,286,747 common shares for warrants exercised.

(ii) Stock Options

The Company’s Stock Option Plan (“the **Plan**”) provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Company’s common shares on the date of the grant to directors, officers, employees and consultants to the Company. The option period for options granted under the Plan is for a maximum period of 5 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option. The stock options activity is summarized below:

	May 31, 2018		February 28, 2018	
	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price
Balance at beginning of year	2 650 000	0,160	1 900 000	0,170
Granted during the period	-	-	750 000	0,135
Expired during the period	-	-	-	-
Balance at end of period	2 650 000	0,160	2 650 000	0,160

- In September 2016, the Company announced that 1,050,000 incentive stock options to various Employees, Directors and a Consultant were granted. The options are exercisable at \$0.20 per option, on a post-consolidation basis, for a period of 3 years from the date of grant and vest immediately.

The fair value of the 1,050,000 stock options at the issue date was \$129,447, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 36-month expected average life; share price of \$0.20; 100% expected volatility; risk free interest rate of 0.50%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options.

- On December 16, 2016, the Company announced that 100,000 incentive stock options were granted to the Corporate Secretary of the Company. The options are exercisable at \$0.20 per option for a period of 3 years from the date of grant and vest immediately.

The fair value of the 100,000 stock options at the issue date was \$6,534, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 36-month expected average life; share price of \$0.20; 100% expected volatility; risk free interest rate of 0.50%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options.

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- On January 9, 2017, the Company announced that 750,000 incentive stock options were granted to Directors, Officers and Consultants of the Company. The options are exercisable at \$0.12 per option for a period of 3 years from the date of grant and vest immediately.

The fair value of the 750,000 stock options at the issue date was \$55,477, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 36-month expected average life; share price of \$0.12; 100% expected volatility; risk free interest rate of 0.50%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options.

- On March 12, 2017, the Company announced that 750,000 incentive stock options were granted to Directors, Officers and Consultants of the Company. The options are exercisable at \$0.135 per option for a period of 3 years from the date of grant and vest immediately.

The fair value of the 750,000 stock options at the issue date was \$71,608, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 36-month expected average life; share price of \$0.15; 157% expected volatility; risk free interest rate of 0.50%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options.

As at May 31, 2018 stock option issued and outstanding are as follows:

	Weighted Average	
exercisable	Exercise Price (\$)	Expiry dates
1 050 000	0,200	September 2019
100 000	0,200	December 2019
750 000	0,120	January 2020
750 000	0,135	March 2020
2 650 000	0,160	

(iii) Warrants

The following is a summary of warrants outstanding:

	May 31, 2018		February 28, 2018	
	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price
Balance at beginning of the year	11 707 622	0,21	12 994 369	0,20
Warrants exercised	-	-	(1 286 747)	0,08
Balance at end of the period	11 707 622	0,21	11 707 622	0,21

(*) See Note 11 (i) (c) on the consolidation of the common shares on the basis of one (1) new post-consolidation common share for every ten (10) pre-consolidation common shares.

The fair value of the warrants was based on the Black-Scholes option-pricing model. The following assumptions were used to value them:

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Number of warrants	2 950 417	723 417	8 416 666	200 494	841 667	361 708
Weighted average exercise price	\$0,10	\$0,08	\$0,25	\$0,15	\$0,16	\$0,12
Weighted average expected volatility	50%	50%	50%	50%	50%	50%
Weighted average expected warrant life	3 years	2 years	2 years	1.5 years	2 years	2 years
Weighted average expected dividend yield	N/A	N/A	N/A	N/A	N/A	N/A
Weighted average risk-free interest rate	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%

As at May 31, 2018, the outstanding post-consolidation share purchase warrants are as follows:

exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry
0,16	841 667	0,8	February 2019
0,25	8 416 666	0,8	February 2019
0,15	200 494	1,1	June 2019
0,10	364 500	1,2	July 2019
0,10	1 522 587	1,3	August 2019
0,12	361 708	1,3	August 2019
0,21	11 707 622	0,9	

12. Related Party Transactions

The Company's related parties include its subsidiaries, key management and their close family members, and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. In additions to share issuances, transactions with related parties were as follows:

Transactions during the period ended,	May 31, 2018	May 31, 2017
	\$	\$
Management fees	30 000	19 500
Consulting fees paid to a company controlled by an officer	4 500	4 500
Expenses reimbursement	2 049	4 213
	36 549	28 213

Amounts due from and to the related parties, are a result of transactions with entities controlled by shareholders, officers or directors of the Company. These amounts are non-interest bearing, unsecured and not subject to specific terms of repayment unless stated.

In the prior year the Company negotiated debt settlement agreements with related parties and creditors. The outstanding debts with creditors were totally extinguished through reduction of current debt from approximately \$187,779 to \$130,000 and the issuance of shares on a post-consolidation basis. The Company settled the reduced amount of the debt in exchange for the issuance of an aggregate of 650,000 post-consolidated common shares. The debt settlement was based on a deemed price of \$0.20 per share on a post-consolidated basis. The Company accounted a gain on settlement of debt from related parties of \$79,958 during the year ended February 28, 2017.

The Company's President and CEO purchased 400,000 units for \$48,000 for the unit offering that closed in February, 2017

Amounts payable to related parties included in the accounts payable and accrued liabilities were as follows:

Outstanding balances owing to related parties as at,	May 31, 2018	May 31, 2017
	\$	\$
Amounts payable to a company controlled by an officer	1 695	1 695
	1 695	1 695

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. These amounts include amounts paid to the CEO and CFO of the Company.

13. Segmented Information

The Company conducts its business in two geographic segments being Canada and Mexico and one business segment being exploration for mineral resource properties. At May 31, 2018 and 2017, the Company's mineral property interests were situated in Canada and Mexico. The following table summarizes total assets, liabilities and net losses by geographic location:

	May 31, 2018	May 31, 2017	February 28, 2018
	\$	\$	\$
Canada	1 908 686	1 884 389	2 020 651
Mexico	-	1	-
Total assets	1 908 686	1 884 390	2 020 651
Canada	(65 088)	(50 206)	(100 629)
Mexico	-	-	-
Total liabilities	(65 088)	(50 206)	(100 629)
Canada	(76 424)	(233 895)	(750 817)
Mexico	-	-	(1)
Net loss	(76 424)	(233 895)	(750 818)

14. Capital Management and Liquidity

The Company considers its capital structure to consist of its cash, common shares, stock options and warrants. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. 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, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSX-V") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. As of November 30, 2017, the Company may not be totally compliant with the policies of the TSX-V. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the periods ended May 31, 2018 and 2017.

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Neither the Company nor its subsidiaries are subject to externally imposed capital requirements. The Company's capital for the reporting periods is summarized as follows:

	May 31, 2018	May 31, 2017	February 28, 2018
	\$	\$	\$
Cash	225 886	702 227	461 194
Common shares	7 950 347	7 307 605	7 950 347
Reserves	1 574 227	1 614 208	1 574 227
Deficit	(7 675 302)	(7 081 955)	(7 598 878)
	2 075 158	2 542 085	2 386 890

15. Financial Instruments

Financial Instruments details can be summarized as follows:

	Level of Fair Value Measurement	Balance as at	
		May 31, 2018	May 31, 2017
		\$	\$
Loans and receivables			
Cash and cash equivalents	Level 1	225 886	702 227
Interest and sundry receivables	Level 2	34 479	75 512
		260 365	777 739
Financial liabilities measured at amortized cost			
Accounts payable and accrued liabilities	Level 1	65 088	50 206
		65 088	50 206

Fair Value of Non-Derivative Financial Instruments

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk.

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. Level 3 fair values are based on a number of valuation techniques other than observable market data. There are no level 3 values currently recorded on the balance sheet of the Company.

16. Financial Risk Management

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and interest rate risk.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company is not exposed to credit risk due to the nature of the collectible accounts. At May 31, 2018 and 2017, the Company does not have any allowance for doubtful accounts. Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to amounts receivable. The Company considers the risk of loss for its amounts receivable to be remote and significantly mitigated due to the financial strength of the party from whom the receivables are due - the Canadian government for harmonized sales tax ("HST") refunds receivable.

(ii) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which is used to fund additional operating and other expenses and retire debt obligations at their maturity. In addition to having a working capital deficiency The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than one year and are subject to normal trade terms. The Company's ability to continue operations and fund its business is dependent on management's ability to secure additional financing. It is anticipated that the Company will continue to rely on equity financing to meet its ongoing working capital requirements. The Company has a significant working capital deficiency at period end and therefore liquidity risk is considered high.

(iii) Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net income or the value of financial instruments. These risks are generally outside the control of the Company. The objectives of the Company are to mitigate market risk exposure within acceptable limits, while maximizing returns. The Company has no significant exposure to market risk.

(iv) Interest rate sensitivity

The Company has no significant exposure at May 31, 2018 and 2017 to interest rate risk through its financial instruments.

(v) Foreign Exchange Risk

The Company is exposed to foreign currency fluctuations as the Company's fully owned subsidiary operates in MXN pesos. The translation effects of changes in exchange rates in the Consolidated Statement of Financial Position were net translation gain of \$Nil (2017 - \$Nil) are recorded within Accumulated Other Comprehensive Income in Shareholders' Equity. Management believes that foreign exchange risk is not significant as at May 31 2018 and 2017.

17. Commitments and contingencies

From time to time, the Company may be exposed to claims and legal actions in the normal course of business, some of which may be initiated by the Company. As at May 31, 2018 the Company's management is not aware of any commitments and/or contingencies.

18. Subsequent events

As of the date of these consolidated financial statements there are no subsequent events.