MAWSON RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2019 AND 2018

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of Mawson Resources Limited

Opinion

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

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

Basis for Opinion

We conducted our audit 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company, as at May 31, 2019, had an accumulated deficit of $ 38,570,559 and working capital of $ 1,472,175. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 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 identified above 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 the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

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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 Carly Bergman.

D&H Group LLP

Vancouver, B.C.
August 27, 2019

Chartered Professional Accountants

MAWSON RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	May 31, 2019 $	May 31, 2018 $
ASSETS			
Current assets			
Cash		1,839,544	11,398,105
Amounts receivable		-	139
GST/VAT receivable		320,940	385,395
Prepaid expenses and deposits		141,361	151,922
Total current assets		2,301,845	11,935,561
Non-current assets			
Investments	4	40,345	29,727
Property, plant and equipment	5	63,522	43,183
Exploration and evaluation assets	6	30,322,804	23,331,209
Total non-current assets		30,426,671	23,404,119
TOTAL ASSETS		32,728,516	35,339,680
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		829,670	927,337
TOTAL LIABILITIES		829,670	927,337
SHAREHOLDERS' EQUITY			
Share capital	7	62,499,444	62,283,444
Share-based payments reserve		7,969,961	7,125,361
Deficit		(38,570,559)	(34,964,586)
Accumulated other comprehensive loss		-	(31,876)
TOTAL SHAREHOLDERS' EQUITY		31,898,846	34,412,343
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		32,728,516	35,339,680

Nature of Operations and Going Concern - Note 1

Event after the Reporting Period - Note 13

These consolidated financial statements were approved for issue by the Board of Directors on August 27, 2019 and are signed on its behalf by:

/s/ Michael Hudson	*/s/ Nick DeMare*
Michael Hudson	Nick DeMare
Director	Director

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

MAWSON RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended May 31, 2019 $	Year Ended May 31, 2018 $
Expenses			
Accounting and administration	8(b)	93,713	94,397
Audit		46,104	41,806
Corporate advisory fees	7(b)(i)	-	519,400
Corporate development		162,348	133,030
Depreciation	5	23,367	25,180
Directors and officers compensation	8(a)	335,978	321,931
General exploration		62,094	60,663
Legal		787,722	169,080
Office and sundry		136,993	105,080
Professional fees	8(a)	393,765	285,325
Regulatory fees		37,210	37,656
Rent		150,685	156,936
Salaries and benefits	8(a)	47,905	113,723
Share-based compensation	7	1,060,600	84,000
Shareholder costs		32,724	40,125
Transfer agent		9,022	15,278
Travel		343,456	293,944
		3,723,686	2,497,554
Loss before other items		(3,723,686)	(2,497,554)
Other items			
Interest and other income		148,237	113,178
Foreign exchange		(9,266)	(48,635)
Impairment of exploration and evaluation assets	6	-	(8,289)
Unrealized gain on investments		10,618	-
		149,589	56,254
Net loss for the year		(3,574,097)	(2,441,300)
Other comprehensive loss		-	(5,449)
Comprehensive loss for the year		(3,574,097)	(2,446,749)
Basic and diluted loss per common share		$(0.03)	$(0.02)
Weighted average number of common shares outstanding		141,828,305	119,157,201

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

MAWSON RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

Year Ended May 31, 2019

	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Accumulated Other Comprehensive (Loss) Gain $	Total Equity $
Balance at May 31, 2018	141,591,593	62,283,444	7,125,361	(34,964,586)	(31,876)	34,412,343
Impact of adoption of IFRS 9 on June 1, 2018	-	-	-	(31,876)	31,876	-
Common shares issued for:						
- vested restricted share units	800,000	216,000	-	-	-	216,000
Share-based compensation	-	-	844,600	-	-	844,600
Net loss for the year	-	-	-	(3,574,097)	-	(3,574,097)
Balance at May 31, 2019	142,391,593	62,499,444	7,969,961	(38,570,559)	-	31,898,846

Year Ended May 31, 2018

	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Accumulated Other Comprehensive Loss $	Total Equity $
Balance at May 31, 2017	105,307,863	48,301,018	6,958,017	(32,523,286)	(26,427)	22,709,322
Common shares issued for:						
- private placements	34,023,285	13,808,150	-	-	-	13,808,150
- share options exercised	80,000	16,000	-	-	-	16,000
- finder's warrants exercised	18,750	5,625	-	-	-	5,625
- warrants exercised	2,161,695	648,509	-	-	-	648,509
Share issue costs	-	(505,358)	-	-	-	(505,358)
Transfer on exercise:						
- share options	-	8,000	(8,000)	-	-	-
- finder's warrants	-	1,500	(1,500)	-	-	-
Share-based compensation on:						
- share options	-	-	84,000	-	-	84,000
- compensation options and finder's warrants	-	-	92,844	-	-	92,844
Unrealized loss on investments	-	-	-	-	(5,449)	(5,449)
Net loss for the year	-	-	-	(2,441,300)	-	(2,441,300)
Balance at May 31, 2018	141,591,593	62,283,444	7,125,361	(34,964,586)	(31,876)	34,412,343

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

MAWSON RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended May 31, 2019 $	Year Ended May 31, 2018 $
Operating activities		
Net loss for the year	(3,574,097)	(2,441,300)
Adjustments for:		
Depreciation	23,367	25,180
Corporate advisory fees	-	29,400
Impairment of exploration and evaluation assets	-	8,289
Share-based compensation	1,060,600	84,000
Unrealized gain on investments	(10,618)	-
Changes in non-cash working capital items:		
Amounts receivable	139	20,912
GST/VAT receivables	64,455	92,602
Prepaid expenses and deposits	10,561	(10,079)
Accounts payable and accrued liabilities	(47,686)	4,300
Net cash used in operating activities	(2,473,279)	(2,186,696)
Investing activities		
Expenditures on exploration and evaluation assets	(7,041,576)	(5,338,246)
Additions to property, plant and equipment	(43,706)	(43,573)
Proceeds on disposal of property, plant and equipment	-	8,251
Net cash used in investing activities	(7,085,282)	(5,373,568)
Financing activities		
Issuance of common shares	-	14,478,284
Share issue costs	-	(441,914)
Net cash provided by financing activities	-	14,036,370
Net change in cash	(9,558,561)	6,476,106
Cash at beginning of year	11,398,105	4,921,999
Cash at end of year	1,839,544	11,398,105

Supplemental cash flow information - Note 11

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

1. Nature of Operations and Going Concern

Mawson Resources Limited (the "Company") was incorporated on March 10, 2004 under the provisions of the Company Act (British Columbia). The Company is listed and trades on the Toronto Stock Exchange ("TSX") under the symbol "MAW". The Company's head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

The Company is a resource company engaged in the acquisition and exploration of unproven mineral interests. As at May 31, 2019 the Company has not earned any production revenue, nor found proved reserves on any of its unproven mineral interests. On the basis of information to date the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Exploration and evaluation assets represent costs incurred to date, less amounts depreciated and/or written off, and do not necessarily represent present or future values. The Company's ability to continue as a going concern and the recoverability of the amounts capitalized as exploration and evaluation assets are dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of its mineral property interests, the discovery of economically recoverable reserves and obtaining future profitable production or proceeds from disposition of the Company's mineral properties. As a mineral company in the exploration stage the ability of the Company to complete the acquisition, exploration and development of its mineral property interests will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

The Company has a history of losses with no operating revenue and, as at May 31, 2019, has an accumulated deficit of $38,570,559 and working capital of $1,472,175. The Company will be required to raise additional capital in order to conduct exploration and development activities on its mineral property interests and maintain operations. These conditions raise significant doubt about the Company's ability to continue as a going concern. There can be no assurances that the Company will be able to obtain additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing the Company will be required to curtail operations and exploration and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

These consolidated financial statements do not reflect any adjustments, which could be material to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. Basis of Preparation

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").

Basis of Measurement

These consolidated financial statements are presented in Canadian dollars unless otherwise stated.

Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

2. Basis of Preparation (continued)

The subsidiaries of the Company are:

Company	Location of Incorporation	Ownership Interest
Mawson AB	Sweden	100%
Mawson Oy	Finland	100%
Mawson Canada Pty Ltd.	Australia	100%
M2 Resources Corp. (holding company)	Canada	100%
Mawson Resources USA Inc.	United States	100%

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

(iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods. During fiscal 2019 management determined that no impairment indicators were present and no impairment charge was required.

(iv) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

3. Summary of Significant Accounting Policies (continued)

(v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 9.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Depreciation expense is allocated based on assumed useful life of property, plant and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.

(ii) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. As at May 31, 2019 and 2018 there were no decommissioning liabilities.

(iii) The assessment of any impairment of exploration and evaluation assets, and property, plant and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. In fiscal 2019 management concluded that there were no impairment indicators and no impairment charge was required. An impairment charge of $8,289 was made in fiscal 2018 for costs associated with surrendered claims.

(iv) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at May 31, 2019 and 2018 the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and classified as amortized cost. Receivables are subsequently measured at amortized cost using the effective interest method, less expected credit losses. At each reporting date, the Company records a credit losses at an amount equal to the lifetime expected credit losses using a present value and probability-weighted model.

3. Summary of Significant Accounting Policies (continued)

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as amortized cost initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying 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.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of 20% - 25% for office furniture and equipment, field equipment and vehicles.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

3. Summary of Significant Accounting Policies (continued)

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Impairment of Assets

At each financial position reporting date, the carrying amounts of the Company's 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. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit 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 the profit or loss for the period.

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

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. As at May 31, 2019 and 2018 the Company does not have any decommissioning obligations.

Financial Instruments

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at FVTPL; (ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3. Summary of Significant Accounting Policies (continued)

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. 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.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

The tax expense comprises current and deferred tax. Tax is recognized separately in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

3. Summary of Significant Accounting Policies (continued)

Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax relating to items recognized directly in equity or other comprehensive income ("OCI") is recognized in equity or OCI and not in the statement of comprehensive loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss Per Share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Each subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

Adoption of New Accounting Standards

(i) IFRS 9 - *Financial instruments* ("IFRS 9")

The Company adopted all of the requirements of IFRS 9 as of June 1, 2018. IFRS 9 replaces IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9 management has changed its accounting policy for financial assets retrospectively for assets that continued to be recognized at the date of initial application.

	Original Under IAS 39		New Under IFRS 9	
	Classification	Carrying Amount $	Classification	Carrying Amount $
Cash	FVTPL	11,398,105	FVTPL	11,398,105
Accounts receivable	Loans and receivables	139	Amortized cost	139
Investments	Available for sale	29,727	FVTPL	29,727
Accounts payable	Loans and receivables	927,337	Amortized cost	927,337

As the standard permits on transition to IFRS 9, the Company has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements.

On transition, the Company's investments previously classified as available-for-sale have been re-designated fair-value through profit and loss financial instruments. The Company has recorded an adjustment, to opening deficit and accumulated other comprehensive loss, on transition for cumulative loss on these instruments of $31,876.

The adoption of IFRS 9 resulted in no further impact to the opening accumulated deficit or to the opening deficit on June 1, 2018.

(ii) IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15")

The Company adopted all of the requirements of IFRS 15 as of June 1, 2018. This new accounting pronouncement establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

There was no significant impact on the Company's consolidated financial statements upon the adoption of IFRS 15, as the Company does not have any revenue from contracts with customers.

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Accounting Standards and Interpretations Issued but Not Yet Effective

The standard and interpretation that has been issued, but are not yet effective, up to the date of the issuance of these consolidated financial statements is discussed below.

In January 2016 the IASB issued IFRS 16 - *Leases,* which replaces IAS 17 - *Leases* and its associated interpretative guidance. Leases will be recorded in the consolidated statement of financial position in the form of a right-of-use assets and a lease liability. This standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

The Company is currently evaluating the impact of IFRS 16 on the Company's accounting policies and consolidated financial statement presentation. If applicable, the Company intends to adopt this new standard.

4. Investments

	As at May 31, 2019			
	Number	Cost $	Unrealized (Loss) Gain $	Carrying Value $
Common shares				
Kingsmen Resources Limited ("Kingsmen")	37,500	45,000	(24,375)	20,625
Thomson Resources Ltd. ("Thomson")	600,000	16,603	3,117	19,720
		61,603	(21,258)	40,345

	As at May 31, 2018			
	Number	Cost $	Accumulated Comprehensive (Loss) Gain $	Carrying Value $
Common shares				
Kingsmen	37,500	45,000	(38,625)	6,375
Thomson	600,000	16,603	6,749	23,352
		61,603	(31,876)	29,727

The carrying values of the investments were determined using quoted market values.

(Expressed in Canadian Dollars)

5. Property, Plant and Equipment

Cost:	**Office Furniture and Equipment** $	**Field Equipment** $	**Vehicles** $	**Total** $
Balance at May 31, 2017	10,458	79,604	183,156	273,218
Additions	-	22,354	21,219	43,573
Disposal	-	-	(10,961)	(10,961)
Balance at May 31, 2018	10,458	101,958	193,414	305,830
Additions	-	4,093	39,613	43,706
Balance at May 31, 2019	10,458	106,051	233,027	349,536
Accumulated Depreciation:				
Balance at May 31, 2017	(9,935)	(63,344)	(166,898)	(240,177)
Depreciation	(523)	(15,569)	(9,088)	(25,180)
Disposal	-	-	2,710	2,710
Balance at May 31, 2018	(10,458)	(78,913)	(173,276)	(262,647)
Depreciation	-	(6,564)	(16,803)	(23,367)
Balance at May 31, 2019	(10,458)	(85,477)	(190,079)	(286,014)
Carrying Value:				
Balance at May 31, 2018	-	23,045	20,138	43,183
Balance at May 31, 2019	-	20,574	42,948	63,522

6. Exploration and Evaluation Assets

	As at May 31, 2019			**As at May 31, 2018**		
	Acquisition Costs $	**Deferred Exploration Costs** $	**Total** $	**Acquisition Costs** $	**Deferred Exploration Costs** $	**Total** $
Rompas-Rajapalot	2,743,919	26,214,665	28,958,584	2,532,014	20,291,910	22,823,924
Oregon	186,981	727,657	914,638	124,270	184,885	309,155
Other	207,328	242,254	449,582	107,463	90,667	198,130
	3,138,228	27,184,576	30,322,804	2,763,747	20,567,462	23,331,209

(Expressed in Canadian Dollars)

6. **Exploration and Evaluation Assets** (continued)

	Rompas-Rajapalot $	Oregon $	Other $	Total $
Balance at May 31, 2017	17,913,344	-	8,289	17,921,633
Exploration costs				
Assays	482,062	28,787	-	510,849
Consulting	135,063	-	-	135,063
Core logging	2,824	-	-	2,824
Drilling	2,710,747	-	-	2,710,747
Exploration site	8,068	-	-	8,068
Field equipment	22,831	1,697	-	24,528
Field workers	87,059	-	-	87,059
Fuel	17,477	-	-	17,477
Geological	271,410	124,486	89,926	485,822
Geophysics	127,622	-	-	127,622
Salaries and benefits	763,817	-	-	763,817
Travel	9,786	29,915	-	39,701
Vehicle rental	37,375	-	-	37,375
	4,676,141	184,885	89,926	4,950,952
Acquisition costs				
Mining rights	234,439	-	108,204	342,643
Option payment	-	124,270	-	124,270
	234,439	124,270	108,204	466,913
Impairment	-	-	(8,289)	(8,289)
Balance at May 31, 2018	22,823,924	309,155	198,130	23,331,209
Exploration costs				
Assays	751,678	25,945	-	777,623
Consulting	175,609	-	-	175,609
Core logging	14,719	-	-	14,719
Drilling	2,843,747	365,765	-	3,209,512
Exploration site	8,289	888	-	9,177
Field equipment	12,405	1,803	-	14,208
Field workers	74,892	-	-	74,892
Fuel	20,572	-	-	20,572
Geochemical	27,110	-	-	27,110
Geological	429,371	121,996	151,587	702,954
Geophysics	429,909	-	-	429,909
Salaries and benefits	1,093,115	-	-	1,093,115
Travel	8,313	17,327	-	25,640
Vehicle rental	33,026	9,048	-	42,074
	5,922,755	542,772	151,587	6,617,114
Acquisition costs				
Mining rights	211,905	20,045	99,865	331,815
Deposits	-	42,666	-	42,666
	211,905	62,711	99,865	374,481
Balance at May 31, 2019	28,958,584	914,638	449,582	30,322,804

6. Exploration and Evaluation Assets (continued)

Rompas -Rajapalot

As at May 31, 2019 the Company holds a total of 15 claims and exploration permits (the Rompas-Rajapalot Gold Project") which have been granted or are under application in northern Finland.

Oregon

Effective December 27, 2017, as amended, the Company entered into an agreement whereby it was granted the option to lease and to conduct exploration on mineral rights located in Oregon, USA. Pursuant to the agreement the Company has agreed to pay an annual option to lease payments (adjusted for inflation) of:

Option Year 1 - US $5/acre, which the Company paid $124,270 (US $100,000);
Option Year 2 - US $15/acre on or before December 31, 2019; and
Option Year 3 - US $25/acre on or before December 27, 2020.

The option lease payments will be determined by the acreage retained as determined by the Company. The Company is also required to expend minimum annual exploration expenditures as follows:

Option Year 1 - US $500,000, which has been met as at November 30, 2018;
Option Year 2 - US $750,000;
Option Year 3 - US $1,000,000; and
Option Year 4 - US $1,000,000.

Other

The Company holds seven exploration prospecting licenses ("EPMs") (collectively "Mount Isa SE"), of which six EPMs were granted as at May 31, 2019 and one after May 31, 2019, in the Mount Isa Mineral District, Queensland, Australia. The Mount Isa SE EPMs require annual concession payments totalling approximately AUS $63,000 and annual work commitments totalling approximately AUS $461,000. The Company has been notified that it has qualified, subject to filing of a final report, for a grant of AUS $100,000 which will be recorded as a credit to exploration and evaluation assets upon receipt of the grant.

During fiscal 2018 the Company surrendered its exploration claims in Sweden and recorded an impairment charge of $8,289 in exploration and evaluation assets.

7. Share Capital

(a) ***Authorized Share Capital***

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) ***Equity Financings***

Fiscal 2019

During fiscal 2019 the Company did not conduct any equity financings.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

Fiscal 2018

During fiscal 2018 the Company completed:

(i) a brokered and non-brokered private placement totalling 15,023,285 units of the Company at $0.35 per unit for gross proceeds of $5,258,150. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of $0.50 on or before December 8, 2019. The Company paid finders' fees of $185,046 cash and issued compensation options to acquire 528,702 common shares, at a price of $0.44 per share on or before December 8, 2019. The Company also issued finder's warrants to acquire 1,290 common shares at a price of $0.50 on or before December 8, 2019. The total fair value of the compensation options and finder's warrants has been estimated to be $63,444 using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate of 1.5%, estimated volatility of 75%; expected life of 2 years; expected dividend yield of 0%; and estimated forfeiture rate of 0%. The Company also incurred $197,885 for legal and filing costs associated with the private placement.

Certain directors and officers of the Company purchased 425,000 units of the private placement.

The Company had also entered into a corporate advisory arrangement whereby the Company paid $85,000 cash and issued 245,000 compensation options under the same terms as the compensation options issued under the private placement. The fair value of the compensation options has been estimated to be $29,400 using the same Black-Scholes option pricing model assumptions as the compensation and finder's warrants These amounts were recorded as part of corporate advisory services in the consolidated statements of loss and comprehensive loss.

(ii) a non-brokered private placement of 19,000,000 units of the Company at $0.45 per unit for gross proceeds of $8,550,000 with each unit consisting of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $0.65 on or before February 14, 2020. The Company incurred $57,938 for legal and filing costs associated with the private placement.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at May 31, 2019 and 2018 and the changes for the years ended on those dates, is as follows:

	2019		2018	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of year	25,286,635	0.58	15,378,944	0.45
Issued	-	-	17,786,635	0.58
Exercised	-	-	(2,180,445)	0.30
Expired	-	-	(5,698,499)	0.30
Balance, end of year	25,286,635	0.58	25,286,635	0.58

(Expressed in Canadian Dollars)

7. **Share Capital** (continued)

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at May 31, 2019:

Number	Exercise Price $	Expiry Date
7,500,000	0.60	December 2, 2019
773,702	0.44	December 8, 2019
7,512,933	0.50	December 8, 2019
9,500,000	0.65	February 14, 2020
25,286,635		

During fiscal 2019 the Company extended the expiry date of the 7,500,000 warrants from December 2, 2018 to December 2, 2019. The warrants are now subject to a forced conversion provision which will come into effect once the common shares trade at a weighted average price of $0.80 per share for 20 consecutive trading days. All other terms of the warrants remained the same.

(d) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan") in which the maximum number of common shares which can be reserved for issuance under the Plan which, when combined with the number of common shares issued under the Restricted Share Unit Plan adopted in Note 7(e), is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

During fiscal 2019 the Company granted share options to purchase 5,220,000 (2018 - 400,000) common shares and recorded compensation expense of $844,600 (2018 - $84,000).

The fair value of share options granted and vested during fiscal 2019 and 2018 is estimated using the Black-Scholes option pricing model using the following assumptions:

	2019	2018
Risk-free interest rate	1.80% - 2.36%	0.79%
Estimated volatility	71% - 79%	85%
Expected life	3 years -5 years	3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average grant date fair value of all share options granted during fiscal 2019 was $0.16 (2018 - $0.21) per share option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

A summary of the Company's share options at May 31, 2019 and 2018 and the changes for the years ended on those dates, is as follows:

	2019		2018	
	Number of Options Outstanding	**Weighted Average Exercise Price $**	**Number of Options Outstanding**	**Weighted Average Exercise Price $**
Balance, beginning of year	5,070,000	0.35	5,050,000	0.35
Granted	5,220,000	0.28	400,000	0.39
Exercised	-	-	(80,000)	0.20
Expired	(20,000)	0.35	(300,000)	0.45
Balance, end of year	10,270,000	0.31	5,070,000	0.35

The following table summarizes information about the share options outstanding and exercisable at May 31, 2019:

Number Outstanding	**Number Exercisable**	**Exercise Price $**	**Expiry Date**
4,600,000	4,600,000	0.35	September 23, 2019
50,000	50,000	0.365	May 12, 2020
400,000	400,000	0.39	June 15, 2020
170,000	170,000	0.30	November 1, 2021
4,350,000	4,350,000	0.275	February 12, 2024
700,000	210,000	0.275	February 15, 2024
10,270,000	9,780,000		

(e) *Restricted Share Units ("RSU") Plan*

On November 6, 2018 the Company adopted a restricted share unit plan (the "RSU Plan"). The RSU Plan provides for the issuance of up to 2,000,000 restricted share units (the "RSUs"). Under the RSU Plan, RSUs may be granted to directors, officers, employees and consultants of the Company (excluding investor relations consultants) as partial compensation for the services they provide to the Company. The RSU Plan is a fixed number plan, and the number of common shares issued under the RSU Plan, when combined with the number of stock options available under the Company's share option plan, will not exceed 10% of the Company's outstanding common shares.

On February 12, 2019 the Company granted 800,000 RSUs to certain eligible participants under the Company's RSU plan. The RSUs vested immediately and entitle the holder to receive one share for each RSU granted. During fiscal 2019 the Company recognized $216,000 as share-based compensation expense as the Company settles the RSUs through equity settlement.

(Expressed in Canadian Dollars)

8. Related Party Disclosures

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and its executive officers.

(a) *Transactions with Key Management Personnel*

During fiscal 2019 and 2018 the following compensation amounts were incurred:

	2019 $	2018 $
Professional fees and salaries	644,438	594,596
Share-based compensation - share options	612,000	84,000
Share-based compensation - RSUs	175,500	-
	1,431,938	678,596

During fiscal 2019 the Company allocated the $644,438 (2018 - $594,956) professional fees and salaries based on the nature of the services provided: expensed $335,978 (2018 - $321,931) to directors and officers compensation; expensed $31,817 (2018 - $nil) to salaries and benefits; and capitalized $276,643 (2018 - $272,665) to exploration and evaluation assets. As at May 31, 2019, $24,000 (2018 - $38,294) remained unpaid and has been included in accounts payable and accrued liabilities.

The Company has a management agreement with its Chairman and CEO which provides that in the event the CEO's services are terminated without cause or upon a change of control of the Company, a termination payment of two years and six months of compensation, at $14,000 per month, is payable. If the termination had occurred on May 31, 2019 the amount payable under the agreement would be $420,000.

(b) During fiscal 2019 the Company incurred a total of $51,500 (2018 - $51,900) with Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administration services provided by Chase personnel, excluding the CFO, and $4,020 (2018 - $4,020) for rent. As at May 31, 2019, $335 (2018 - $4,570) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2019 the Company also recorded $13,500 (2018 - $nil) for share-based compensation for share options granted to Chase.

(c) See also Note 7(b).

9. Income Taxes

Deferred income tax assets and liabilities of the Company as at May 31, 2019 and 2018 are as follows:

	2019 $	2018 $
Deferred income tax assets (liabilities)		
Losses carried forward	8,085,000	6,991,200
Other	101,200	129,700
	8,186,200	7,120,900
Valuation allowance	(8,186,200)	(7,120,900)
Net deferred income tax asset	-	-

(Expressed in Canadian Dollars)

9. Income Taxes (continued)

The recovery of income taxes shown in the consolidated statements of comprehensive loss differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2019 $	2018 $
Income tax rate reconciliation		
Combined federal and provincial income tax rate	27.0%	26.4%
Expected income tax recovery	965,000	578,700
Foreign income tax rate differences	(107,300)	(52,300)
Non-deductible share-based compensation	(286,200)	(22,200)
Other	22,300	23,200
Unrecognized benefit of income tax losses	(593,800)	(527,400)
Actual income tax recovery	-	-

As at May 31, 2019 the Company has non-capital losses of approximately $12,302,500 (2018 - $11,261,400), allowable capital losses of approximately $275,000 (2018 - $275,000) and tax pools of approximately $375,000 (2018 - $129,700) carried forward for Canadian income tax purposes and are available to reduce taxable income in future years. The non-capital losses expire commencing in 2026 through 2039. The allowable capital losses and tax pools can be carried forward indefinitely.

The Company's subsidiary in Sweden has losses for income tax purposes of approximately $8,079,700 (2018 - $8,241,000) which may be carried forward indefinitely. The Company's subsidiary in Finland has losses for income tax purposes of approximately $14,789,600 (2018 - $10,688,200) which expire commencing in 2022 through 2029.

10. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL; amortized cost; FVOCI; and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	May 31, 2019 $	May 31, 2018 $
Cash	FVTPL	1,839,544	11,398,105
Amounts receivable	Amortized cost	-	139
Investments	FVTPL	40,345	29,727
Accounts payable and accrued liabilities	Amortized cost	(829,670)	(927,337)

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 and time value and volatility factors, which can be substantially observed or corroborated in the market place.

10. Financial Instruments and Risk Management (continued)

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

The recorded amounts for amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amounts for cash and investments approximate their fair value. The Company's fair value of cash and investments under the fair value hierarchy are measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the potential loss related to the credit risk included in cash and amounts receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at May 31, 2019				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	1,839,544	-	-	-	1,839,544
Investments	-	-	40,345	-	40,345
Accounts payable and accrued liabilities	(829,670)	-	-	-	(829,670)

Market Risk

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

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars, Euros and Swedish Kronors ("SEK"). The Company maintains Euros bank accounts in Finland, SEK bank accounts in Sweden, and a US Dollar bank account in Canada to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At May 31, 2019, 1 Canadian Dollar was equal to 0.66 Euro, 7.02 SEK, $1.06 AUS Dollar and 0.74 US Dollar.

(Expressed in Canadian Dollars)

10. Financial Instruments and Risk Management (continued)

Balances are as follows:

	AUS Dollars	Euros	Swedish Kronors	US Dollars	CDN $ Equivalent
Cash	-	269,979	67,999	178,404	659,831
GST/VAT receivable	15,653	193,387	1,895	238	315,940
Accounts payable and accrued liabilities	(26,671)	(505,961)	(14,759)	-	(793,871)
	(11,018)	(137,595)	55,135	178,642	181,900

Based on the net exposures as of May 31, 2019 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euro, SEK, AUS Dollar and US Dollar would result in the Company's net loss being approximately $19,000 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration 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 defines capital that it manages as share capital, cash and cash equivalents and short-term investments. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

11. Supplemental Cash Flow Information

During fiscal 2019 and 2018 non-cash activities were conducted by the Company as follows:

	2019 $	2018 $
Operating activity		
Accounts payable and accrued liabilities	49,981	79,619
Investing activity		
Exploration and evaluation assets	(49,981)	(79,619)
Financing activities		
Share-based payments reserve	-	53,944
Share issue costs	-	(63,444)
Issuance of share capital	-	9,500
	-	-

(Expressed in Canadian Dollars)

12. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's primary exploration and evaluation assets are located in Finland and its corporate assets, comprising mainly of cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results.

The Company's total assets are segmented geographically as follows:

	As at May 31, 2019				
	Canada $	**Finland** $	**USA** $	**Other** $	**Total** $
Current assets	1,240,746	786,709	249,598	24,792	2,301,845
Investments	40,345	-	-	-	40,345
Property, plant and equipment	-	63,522	-	-	63,522
Exploration and evaluation assets	-	28,958,584	914,638	449,582	30,322,804
	1,281,091	29,808,815	1,164,236	474,374	32,728,516

	As at May 31, 2018			
	Canada $	**Finland** $	**Other** $	**Total** $
Current assets	10,904,010	1,010,131	21,420	11,935,561
Investments	29,727	-	-	29,727
Property, plant and equipment	-	43,183	-	43,183
Exploration and evaluation assets	-	22,823,924	507,285	23,331,209
	10,933,737	23,877,238	528,705	35,339,680

13. Event after the Reporting Period

Subsequent to May 31, 2019 options to purchase 490,000 common shares, at an exercise price of $0.275, were forfeited.