# Cadillac Ventures Inc.

**Condensed Interim Consolidated Financial Statements**

**Three and Six Months Ended November 30, 2017**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

**NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of Cadillac Ventures Inc. ("Cadillac") have been prepared by, and are the responsibility of, management. The unaudited condensed interim consolidated financial statements have not been reviewed by Cadillac's auditors.

**CADILLAC VENTURES INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | November 30, 2017 | May 31, 2017 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash | **416,718** | 537,580 |
| Short-term investments (Note 3) | **30,046** | 30,121 |
| Accounts receivable and prepaid expenses (Note 5) | **83,578** | 20,224 |
| Marketable securities (Note 4) | **913,270** | 1,064,665 |
| **Total current assets** | **1,443,612** | 1,652,590 |
| **Non-current assets** | | |
| Restricted cash (Note 8) | **400,000** | 400,000 |
| Property, plant and equipment (Note 6) | **44,137** | 47,353 |
| Exploration and evaluation assets (Note 7) | **22,361,160** | 22,110,065 |
| **Total non-current assets** | **22,805,297** | 22,557,418 |
| **Total assets** | **24,248,909** | 24,210,008 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (Notes 9 and 16) | **943,566** | 1,055,492 |
| Convertible debentures (Note 10) | **405,909** | 373,726 |
| **Total current liabilities** | **1,349,475** | 1,429,218 |
| **Non-current liability** | | |
| Decommissioning provision (Note 8) | **433,312** | 428,556 |
| **Total non-current liability** | **433,312** | 428,556 |
| **Total liabilities** | **1,782,787** | 1,857,774 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 11(b)) | **31,136,438** | 30,123,458 |
| Reserves (Notes 12(b) and 13) | **11,391,513** | 11,784,180 |
| Equity component of convertible debentures | **56,930** | 56,930 |
| Accumulated deficit | **(20,118,759)** | (19,612,334) |
| **Total shareholders' equity** | **22,466,122** | 22,352,234 |
| **Total liabilities and shareholders' equity** | **24,248,909** | 24,210,008 |

**The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.**

Nature of business and going concern (Note 1)

**CADILLAC VENTURES INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | Three Months Ended November 30, | | Six Months Ended November 30, | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$** | $ | **$** | $ |
| **Expenses** | | | | |
| Management and consulting fees (Note 16) | **47,250** | 46,150 | **102,500** | 88,800 |
| Shareholder relations | **30,201** | 25,970 | **34,405** | 31,621 |
| Legal and audit | **15,306** | 7,827 | **26,996** | 16,507 |
| Office and general | **47,178** | 47,367 | **103,944** | 94,872 |
| Travel | **16,657** | 3,095 | **18,164** | 3,748 |
| Accounting and corporate services | **10,449** | 9,254 | **21,375** | 21,883 |
| Advertising, promotions and investor relations | **1,145** | - | **4,395** | - |
| Depreciation (Note 6) | **2,220** | 2,756 | **4,439** | 5,513 |
| Accretion expense (Note 8) | **2,378** | 2,377 | **4,756** | 4,755 |
| Finance interest expense (Note 10) | **31,921** | 28,777 | **47,832** | 41,581 |
| Interest and other income | **(730)** | (546) | **(1,311)** | (1,099) |
| Property option revenue | **-** | (100,000) | **-** | (100,000) |
| Loss on settlement of balance due from Renforth Resources Inc. (Note 16(a)(iv) | **-** | 5,000 | **-** | 5,000 |
| Loss (gain) on marketable securities (Note 4) | **68,705** | (14,505) | **138,930** | (14,716) |
| Gain on debt settlement (Note 11(b)(i)(ii)) | **-** | - | **-** | (107,786) |
| **Net loss and comprehensive loss for the period** | **(272,680)** | (63,522) | **(506,425)** | (90,679) |
| **Basic and diluted loss per share** (Note 14) | **(0.00)** | (0.00) | **(0.01)** | (0.00) |
| **Weighted average number of shares outstanding - basic and diluted** | **84,786,636** | 46,110,977 | **78,485,266** | 39,390,214 |

**The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.**

**CADILLAC VENTURES INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | | Reserves | | | | |
|---|---|---|---|---|---|---|
| | Share Capital | Warrants | Contributed Surplus | Equity Component of Convertible Debentures | Accumulated Deficit | Total |
| **Balance, May 31, 2016** | **$ 29,294,256** | **$ 62,930** | **$ 10,548,502** | **$ 56,930** | **$ (19,168,446)** | **$ 20,794,172** |
| Common shares issued for debt (Note 11(b)(i)(ii)) | 233,714 | - | - | - | - | 233,714 |
| Common shares issued for private placement (Note 11(b)(iii)) | 900,000 | - | - | - | - | 900,000 |
| Warrants issued with private placement (Note 11(b)(iii)) | (589,000) | 589,000 | - | - | - | - |
| Broker warrants issued with private placement (Note 11(b)(iii)) | (47,000) | 47,000 | - | - | - | - |
| Share issue costs (Note 11(b)(iii)) | (115,566) | - | - | - | - | (115,566) |
| Net loss for the period | - | - | - | - | (90,679) | (90,679) |
| **Balance, November 30, 2016** | **$ 29,676,404** | **$ 698,930** | **$ 10,548,502** | **$ 56,930** | **$ (19,259,125)** | **$ 21,721,641** |
| | | | | | | |
| **Balance, May 31, 2017** | **$ 30,123,458** | **$ 1,157,930** | **$ 10,626,250** | **$ 56,930** | **$ (19,612,334)** | **$ 22,352,234** |
| Common shares issued for Noront Resources Ltd. (Note 7(i)) | 50,000 | - | - | - | - | 50,000 |
| Warrants exercised | 992,667 | (392,667) | - | - | - | 600,000 |
| Share issue costs | (29,687) | - | - | - | - | (29,687) |
| Net loss for the period | - | - | - | - | (506,425) | (506,425) |
| **Balance, November 30, 2017** | **$ 31,136,438** | **$ 765,263** | **$ 10,626,250** | **$ 56,930** | **$ (20,118,759)** | **$ 22,466,122** |

**The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.**

**CADILLAC VENTURES INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | Six Months Ended November 30, 2017 | Six Months Ended November 30, 2016 |
|---|---|---|
| | **$** | $ |
| **Cash used in operating activities** | | |
| Net loss for the period | **(506,425)** | (90,679) |
| Items not involving cash: | | |
| Depreciation | **4,439** | 5,513 |
| Gain on debt settlement | **-** | (107,786) |
| Loss (gain) on marketable securities | **138,930** | (14,716) |
| Loss on settlement of balance due from Renforth Resources Inc. | **-** | 5,000 |
| Accrued interest | **75** | 75 |
| Accretion expense | **4,756** | 4,755 |
| Finance interest expense | **32,183** | 25,762 |
| Changes in non-cash working capital: | | |
| Accounts receivable and prepaid expenses | **(63,354)** | (17,404) |
| Accounts payable and accrued liabilities | **(111,926)** | (138,001) |
| | **(501,322)** | (327,481) |
| **Cash used in investing activities** | | |
| Net expenditures on mining rights | **(201,095)** | (180,845) |
| Redemption of short-term investments | **430,000** | 430,000 |
| Purchase of short-term investments | **(430,000)** | (430,000) |
| Acquisition of equipment | **(1,223)** | - |
| Cash proceeds from Renforth Resources Inc. | **-** | 10,000 |
| Cash proceeds from sale of marketable securities | **12,465** | 84,521 |
| | **(189,853)** | (86,324) |
| **Cash provided by financing activities** | | |
| Proceeds from private placement | **-** | 900,000 |
| Proceeds from warrants exercised | **600,000** | - |
| Share issue costs | **(29,687)** | (115,566) |
| Loan repayment | **-** | (74,618) |
| | **570,313** | 709,816 |
| **Net change in cash during the period** | **(120,862)** | 296,011 |
| **Cash, beginning of period** | **537,580** | 9,075 |
| **Cash, end of period** | **416,718** | 305,086 |
| **Non-cash transactions** | | |
| Shares issued to Noront Resources Ltd. (Note 7(i)) | **50,000** | - |
| Shares received as payment from Renforth Resources Inc. (Note 4) | **-** | 80,000 |
| Shares issued for debt (Note 11(b)(i)(ii)) | **-** | 233,714 |

**The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.**

## 1. NATURE OF BUSINESS AND GOING CONCERN

Cadillac Ventures Inc. ("Cadillac" or the "Company") is publicly traded on the TSX Venture Exchange ("TSX-V") under the symbol CDC and on the Frankfurt Stock Exchange under the symbol CIV 1. Cadillac is a development-focused exploration company which has several Canadian exploration projects, located in regions that have been historically active. The Burnt Hill property is a 51% owned tungsten tin project located outside of Fredericton, New Brunswick. The Thierry Mine project is located in Kapkichi Lake Township and Ponsford Lake Township, Ontario. The primary office is located at 65 Front Street East, Suite 200, Toronto, Ontario, M5E 1B5.

In order to meet future expenditures and cover administrative costs, the Company will need to raise additional financing. The Company has had recurring losses and will require additional financing to fund its continuing exploration efforts. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

In the event the Company is not able to obtain adequate funding, there is uncertainty as to whether the Company will be able to maintain and complete the acquisition and development of its property interests. These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. These adjustments could be material.

## 2. SIGNIFICANT ACCOUNTING POLICIES

*Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of January 24, 2018, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended May 31, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending May 31, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Recent accounting pronouncements*

(i) IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model. The amendment also removed the January 1, 2015 effective date.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of reviewing the implication of the new accounting pronouncement. Management does not anticipate the impact to be significant.

(ii) IFRS 16 - Leases (“IFRS 16”) was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 - Leases.

The IASB issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 - Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of reviewing the implication of the new accounting pronouncement. Management does not anticipate the impact to be significant.

(iii) Various other accounting pronouncements (such as IFRS 14, IFRS 15, and the various annual improvements) that have no material impact to the Company are not included above. The Company has not early adopted these standards.

**(Expressed in Canadian Dollars)**

## 3. SHORT-TERM INVESTMENTS

| **Royal Bank Guaranteed Investment Certificates** | | **November 30, 2017** | | **May 31, 2017** |
|---|---|---|---|---|
| Bearing interest at 0.5%, due August 10, 2018 | **$** | **30,046** | $ | - |
| Bearing interest at 0.5%, due August 10, 2017 | | **-** | | 30,121 |
| | **$** | **30,046** | $ | 30,121 |

## 4. MARKETABLE SECURITIES

| **November 30, 2017** | **Number of Shares** | | **Cost** | | **Unrealized (Loss)/Income** | | **Fair Market Value** |
|---|---|---|---|---|---|---|---|
| Anconia Resources Corp. ("Anconia") | 6,252,000 | $ | 196,530 | $ | (134,010) | $ | 62,520 |
| Northern Fox Resources Inc. ("NFR") | 6,000,000 | | 600,000 | | - | | 600,000 |
| Renforth Resources Inc. ("Renforth") | 5,015,000 | | 221,471 | | 29,279 | | 250,750 |
| | | $ | 1,018,001 | $ | (104,731) | $ | 913,270 |

| **May 31, 2017** | **Number of Shares** | | **Cost** | | **Unrealized (Loss)/Income** | | **Fair Market Value** |
|---|---|---|---|---|---|---|---|
| Anconia | 6,252,000 | $ | 196,530 | $ | (71,490) | $ | 125,040 |
| NFR | 6,000,000 | | 600,000 | | - | | 600,000 |
| Renforth | 5,225,000 | | 230,745 | | 108,880 | | 339,625 |
| | | $ | 1,027,275 | $ | 37,390 | $ | 1,064,665 |

During the three and six months ended November 30, 2017, the Company sold marketable securities for gross proceeds of $nil and $12,465, respectively (three and six months ended November 30, 2016 - $25,910 and $84,521, respectively) which resulted in a realized gain on marketable securities of $nil and $3,191, respectively (three and six months end November, 2016 - realized loss of $16,463 and $64,343, respectively).

During the three and six months ended November 30, 2017, the Company recognized a loss on marketable securities of $68,705 and $142,121, respectively (three and six months ended November 30, 2016 - gain on marketable securities of $30,968 and $79,059, respectively) as a result of change in their fair value.

During the six months ended November 30, 2017, pursuant to the agreement, the Company received nil common shares from Renforth which were valued at $nil (six months ended November 30, 2016 - 2,000,000 common shares value at $80,000).

**(Expressed in Canadian Dollars)**

## 5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

| | November 30, 2017 | May 31, 2017 |
|---|---|---|
| Sale tax receivable | **$ 11,805** | $ 13,583 |
| Prepaid expenses | **51,672** | 4,569 |
| Accounts receivable | **20,101** | 2,072 |
| | **$ 83,578** | $ 20,224 |

The following is an aged analysis of the accounts receivable:

| | November 30, 2017 | May 31, 2017 |
|---|---|---|
| Less than 12 months | **$ 18,161** | $ 132 |
| Greater than 12 months | **1,940** | 1,940 |
| | **$ 20,101** | $ 2,072 |

Sales tax receivable is not past due.

## 6. PROPERTY, PLANT AND EQUIPMENT

| Cost | Equipment and Furniture | Mining Equipment | Buildings | Computer Equipment | Total |
|---|---|---|---|---|---|
| **Balance, May 31, 2017** | **$ 78,257** | **$ 300,575** | **$ 79,500** | **$ 6,380** | **$ 464,712** |
| Additions | - | - | - | 1,223 | 1,223 |
| **Balance, November 30, 2017** | **$ 78,257** | **$ 300,575** | **$ 79,500** | **$ 7,603** | **$ 465,935** |

| Accumulated Depreciation | Equipment and Furniture | Mining Equipment | Buildings | Computer Equipment | Total |
|---|---|---|---|---|---|
| **Balance, May 31, 2017** | **$ 59,883** | **$ 274,530** | **$ 76,978** | **$ 5,968** | **$ 417,359** |
| Depreciation | 1,304 | 2,603 | 378 | 154 | 4,439 |
| **Balance, November 30, 2017** | **$ 61,187** | **$ 277,133** | **$ 77,356** | **$ 6,122** | **$ 421,798** |

| Net Book Value | Equipment and Furniture | Mining Equipment | Buildings | Computer Equipment | Total |
|---|---|---|---|---|---|
| **Balance, May 31, 2017** | **$ 18,374** | **$ 26,045** | **$ 2,522** | **$ 412** | **$ 47,353** |
| **Balance, November 30, 2017** | **$ 17,070** | **$ 23,442** | **$ 2,144** | **$ 1,481** | **$ 44,137** |

**(Expressed in Canadian Dollars)**

## 7. EXPLORATION AND EVALUATION ASSETS

The Company enters into exploration agreements or permits with other companies or foreign governments pursuant to which it may explore, or earn interests in mineral properties by issuing common shares and/or making option or rental payments and/or incurring expenditures in varying amounts by varying dates. Failure by the Company to meet such requirements can result in a reduction or loss of the Company's ownership interests or entitlements under the agreements or permits.

The following expenditures are incurred on the Company's mineral properties:

| | Three Months Ended November 30, 2017 | Six Months Ended November 30, 2017 | Year Ended May 31, 2017 |
|---|---|---|---|
| **Burnt Hill Property, New Brunswick** | | | |
| Opening balance | **$ 6,266,708** | **$ 6,237,039** | $ 6,129,090 |
| Acquisition costs (i) | **100,000** | **100,000** | - |
| Administrative | **-** | **55** | 1,756 |
| Consulting | **13,500** | **27,000** | 53,100 |
| Geological | **-** | **-** | 30,785 |
| Management fees | **-** | **83** | 4,395 |
| Other | **5,251** | **21,282** | 17,913 |
| Total expenditures | **118,751** | **148,420** | 107,949 |
| Closing balance | **$ 6,385,459** | **$ 6,385,459** | $ 6,237,039 |
| **Thierry Mine Project, Ontario** | | | |
| Opening balance | **$ 15,932,735** | **$ 15,873,026** | $ 16,303,857 |
| Administration | **3,966** | **4,253** | 4,817 |
| Auto, fuel and transportation | **-** | **574** | - |
| Consulting | **24,000** | **48,000** | 94,200 |
| Management fees | **-** | **86** | - |
| Property taxes | **-** | **14,609** | 105,858 |
| Other | **15,000** | **30,000** | 64,294 |
| Shares and cash received under the option agreement | **-** | **-** | (700,000) |
| Travel and related costs | **-** | **5,153** | - |
| Total expenditures (recovery) | **42,966** | **102,675** | (430,831) |
| Closing balance | **$ 15,975,701** | **$ 15,975,701** | $ 15,873,026 |
| **Kirkland Lake/Grenfell Gold Property, Ontario** | | | |
| Opening balance | **$ -** | **$ -** | $ - |
| Shares received under the arrangement | **-** | **-** | (150,000) |
| Property option revenue | **-** | **-** | 150,000 |
| Total expenditures | **-** | **-** | - |
| Closing balance | **$ -** | **$ -** | $ - |
| **Total** | **$ 22,361,160** | **$ 22,361,160** | $ 22,110,065 |

**(Expressed in Canadian Dollars)**

## 7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

(i) On September 26, 2017, Cadillac amended and restated the option agreement with Noront Resources Ltd. ("Noront") regarding the acquisition of Noront's remaining 49% interest in the Burnt Hill Property located near Boisetown, New Brunswick. Once all milestones and/or date sensitive payments are made, Noront will receive an aggregate of $1.8 million through a combination of cash and shares for their 49% interest over the course of 3.5 years.

In September 2017, according to the agreement, Cadillac paid $50,000 in cash to Noront and issued 1,000,000 common shares of Cadillac valued at $50,000.

## 8. RESTRICTED CASH

The Company has restricted cash comprised of Bankers Acceptances. The Acceptances currently are reinvested on a monthly basis. The restricted amounts have been provided as security for an irrevocable letter of credit to the Ministry of Northern Development and Mines relating to the Thierry Mine Project. As of November 30, 2017 the balance was $400,000 (May 31, 2017 - $400,000).

In respect of the above security on the Thierry Mine Project, management has estimated that the present value of its decommissioning obligation as of November 30, 2017 amounts to $433,312 (May 31, 2017 - $428,556) which has been recognized as decommissioning provision. The present value of the obligation was calculated using a risk-free pre-tax discount rate of 2.41% and the obligation is expected to be realized in 10 years. During the three and six months ended November 30, 2017, the Company recorded an accretion expense of $2,378 and $4,756, respectively (three and six months ended November 30, 2016 - $2,377 and $4,755, respectively).

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for purchases relating to expenditures on mining rights and general operating activities.

| | | **November 30, 2017** | | **May 31, 2017** |
|---|---|---|---|---|
| Accounts payable | **$** | **577,327** | $ | 687,550 |
| Accrued liabilities | | **366,239** | | 367,942 |
| | **$** | **943,566** | $ | 1,055,492 |

The following is an aged analysis of the accounts payable and accrued liabilities:

| | | **November 30, 2017** | | **May 31, 2017** |
|---|---|---|---|---|
| Less than 1 month | **$** | **88,296** | $ | 154,144 |
| 1 to 3 months | | **29,715** | | 58,254 |
| 3 to 12 months | | **273,925** | | 294,202 |
| Greater than 12 months | | **551,630** | | 548,892 |
| | **$** | **943,566** | $ | 1,055,492 |

**(Expressed in Canadian Dollars)**

## 10. CONVERTIBLE DEBENTURES

Movement in the Convertible Debentures was as follows:

| | July 28, 2015 | December 30, 2015 | Total |
|---|---|---|---|
| **Balance, May 31, 2016** | **$ 217,963** | **$ 103,942** | **$ 321,905** |
| Interest expense | 21,000 | 10,500 | 31,500 |
| Accretion expense | 36,674 | 15,318 | 51,992 |
| Interest payment | (21,144) | (10,527) | (31,671) |
| **Balance, May 31, 2017** | **254,493** | **119,233** | **373,726** |
| Interest expense | 10,528 | 5,264 | 15,792 |
| Accretion expense | 22,798 | 9,242 | 32,040 |
| Interest payment | (10,413) | (5,236) | (15,649) |
| **Balance, November 30, 2017** | **$ 277,406** | **$ 128,503** | **$ 405,909** |

## 11. SHARE CAPITAL

(a) Authorized

Unlimited number of non-participating, redeemable, voting Class B preference shares.
Unlimited number of Class C preference shares issuable in series.
Unlimited number of common shares with no par value.

(b) Issued common shares

| | Number of Shares | Stated Value |
|---|---|---|
| **Balance, May 31, 2016** | **28,897,024** | **$ 29,294,256** |
| Common shares issued for debt (i)(ii) | 5,772,857 | 233,714 |
| Common shares issued for private placement (iii) | 18,000,000 | 900,000 |
| Warrants and broker warrants issued (iii) | - | (636,000) |
| Shares issue costs | - | (115,566) |
| **Balance, November 30, 2016** | **52,669,881** | **$ 29,676,404** |
| | | |
| **Balance, May 31, 2017** | **72,085,266** | **$ 30,123,458** |
| Common shares issued to Noront (Note 7(i)) | 1,000,000 | 50,000 |
| Warrants exercised | 12,000,000 | 992,667 |
| Share issue costs | - | (29,687) |
| **Balance, November 30, 2017** | **85,085,266** | **$ 31,136,438** |

(i) On June 28, 2016, the Company agreed to settle obligations of $156,500 owed to vendors for services rendered to the Company by issuing 3,130,000 common shares of the Company valued at a fair value of $0.04 per common share. A gain on debt settlement of $28,500 was recorded in relation to the debt settlement during the six months ended November 30, 2016.

(ii) On July 7, 2016, the Company agreed to settle obligation of $125,000 owed to Norman Brewster, President and Chief Executive Officer ("CEO") and of $60,000 owed to Leo O'Shaughnessy, Chief Financial Officer ("CFO") for services rendered to the Company by issuing 2,642,857 common shares of the Company valued at a fair value of $0.04. A gain on debt settlement of $79,286 was recorded in relation to the debt settlement during the six months ended November 30, 2016.

**(Expressed in Canadian Dollars)**

### 11. SHARE CAPITAL (CONTINUED)

(b) Issued common shares (continued)

(iii) On October 3, 2016, the Company closed a non-brokered private placement offerings subscribed by three independent investors for a total of $900,000 to acquire 18,000,000 units at $0.05 each. Each unit consisted of one common share and one warrant exercisable at $0.05 to acquire one common share for a period of 2 years from closing. Commissions of $63,000 were paid in connection with the placement and was included in the share issue costs. The agent also received 1,440,000 broker warrants. Each broker warrant can be exercised for one common share at an exercise price of $0.05 for a period of 2 years.

The fair value of the 18,000,000 warrants was estimated at $589,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 271.35%, risk-free interest rate - 0.53% and an expected average life of 2 years.

The fair value of the 1,440,000 broker warrants was estimated at $47,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield - 0%, expected volatility - 271.35%, risk-free interest rate - 0.53% and an expected average life of 2 years.

(iv) On May 8, 2017, the Company agreed to settle obligation of $100,000 owed to Norman Brewster, President and CEO and of $40,000 owed to Leo O'Shaughnessy, CFO for services rendered to the Company by issuing 2,800,000 common shares of the Company valued at a fair value of $0.04. A gain on debt settlement of $28,000 was recorded in relation to the debt settlement during the year ended May 31, 2017.

### 12. SHARE-BASED COMPENSATION AND CONTRIBUTED SURPLUS

(a) Share-based compensation

The following table reflects the continuity of share-based compensation for the periods presented:

| | Number of Stock Options | Weighted Average Exercise Price ($) |
|---|---|---|
| **Balance, May 31, 2016 and November 30, 2016** | **2,880,000** | **0.21** |
| **Balance, May 31, 2017 and November 30, 2017** | **5,060,000** | **0.10** |

As of November 30, 2017, the following share-based compensation were outstanding and exercisable:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| **Expiry Date** | **Number of Options** | **Weighted Average Remaining Contractual Life (years)** | **Weighted Average Exercise Price** | **Number of Options** | **Weighted Average Exercise Price** |
| April 22, 2018 | 205,000 | 0.39 | $ 1.00 | 205,000 | $ 1.00 |
| January 5, 2021 | 2,575,000 | 3.10 | 0.08 | 2,575,000 | 0.08 |
| December 22, 2021 | 2,280,000 | 4.06 | 0.05 | 2,280,000 | 0.05 |
| | **5,060,000** | **3.42** | **$ 0.10** | **5,060,000** | **$ 0.10** |

(Expressed in Canadian Dollars)

## 12. SHARE-BASED COMPENSATION AND CONTRIBUTED SURPLUS (CONTINUED)

(b) Contributed surplus

Contributed surplus consists of estimated value of outstanding options and accumulated value of all expired options and warrants.

| | |
|---|---|
| **Balance, May 31, 2017 and November 30, 2017** | **$ 10,626,250** |

## 13. WARRANTS

The following table summarizes warrants that have been issued, exercised or have expired during the periods presented:

| | Number of Warrants | Fair Value ($) |
|---|---|---|
| **Balance, May 31, 2016** | **4,905,000** | **62,930** |
| Issued (Note 11(b)(iii)) | 19,440,000 | 636,000 |
| **Balance, November 30, 2016** | **24,345,000** | **698,930** |
| | | |
| **Balance, May 31, 2017** | **42,289,615** | **1,157,930** |
| Exercised | (12,000,000) | (392,667) |
| **Balance, November 30, 2017** | **30,289,615** | **765,263** |

The following table summarizes the warrants outstanding at November 30, 2017:

| Exercise Price per Share ($) | Expiry Date | Number of Warrants Outstanding |
|---|---|---|
| 0.15 | July 28, 2018 | 3,270,000 |
| 0.05 | October 2, 2018 | 7,440,000 |
| 0.15 | December 30, 2018 | 1,635,000 |
| 0.07 | March 30, 2019 | 12,960,000 |
| 0.08 | March 30, 2019 | 4,984,615 |
| | | **30,289,615** |

## 14. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three and six months ended November 30, 2017 was based on the loss attributable to common shareholders of $272,680 and $506,425, respectively (three and six months ended November 30, 2016 – $63,522 and $90,679, respectively) and the weighted average number of common shares outstanding of 84,786,636 and 78,485,266, respectively (three and six months ended November 30, 2016 – 46,110,977 and 39,390,214, respectively). Diluted loss per share did not include the effect of 5,060,000 options (November 30, 2016 - 2,880,000 options), 30,289,615 warrants (November 30, 2016 - 24,345,000 warrants) and 4,500,000 common shares (November 30, 2016 - 4,500,000 common shares) issuable upon conversion of the Convertible Debentures as they are anti-dilutive.

**(Expressed in Canadian Dollars)**

## 15. SEGMENTED INFORMATION

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the unaudited condensed interim consolidated financial statements for expenses, and loss for the periods also represent segmented amounts.

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

## 16. MAJOR SHAREHOLDERS AND RELATED PARTY DISCLOSURES

### Major shareholders

To the knowledge of the directors and senior officers of the Company, as at November 30, 2017, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than as set out below:

| Major Shareholders | Number of Common Shares | Percentage of Outstanding Common Shares |
|---|---|---|
| Best Path Developments Limited | 9,142,728 | 10.75% |
| Jieli Chen | 10,428,636 | 12.26% |
| Renxia Qi | 10,428,636 | 12.26% |
| Universal Precious Development Limited | 9,705,385 | 11.40% |

The Company's major shareholders do not have different voting rights than other holders of the Company's common shares.

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

### Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

Related parties include the Board of Directors, close family members and entities which are controlled by these individuals as well as certain persons performing similar functions.

The below noted transactions are in the normal course of business and are measured at fair value and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

**(Expressed in Canadian Dollars)**

## 16. MAJOR SHAREHOLDERS AND RELATED PARTY DISCLOSURES (CONTINUED)

**Related party transactions (continued)**

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

| | Three Months Ended November 30, 2017 | Three Months Ended November 30, 2016 | Six Months Ended November 30, 2017 | Six Months Ended November 30, 2016 |
|---|---|---|---|---|
| Norman Brewster (i) | **$ 37,500** | $ 36,000 | **$ 75,000** | $ 72,000 |
| Norman Brewster (i) | **4,500** | 4,500 | **9,000** | 9,000 |
| L. O'Shaughnessy & Associates (ii) | **18,750** | 18,750 | **37,500** | 37,500 |
| | **$ 60,750** | $ 59,250 | **$ 121,500** | $ 118,500 |

(i) During the three and six months ended November 30, 2017, consulting fees of $37,500 and $75,000, respectively and car allowance of $4,500 and $9,000, respectively were accrued or paid to Norman Brewster, the President and CEO of the Company (comparative period - consulting fees $36,000 and $72,000, respectively and car allowance $4,500 and $9,000, respectively). As at November 30, 2017, an amount of $48,322 was owing to the President and CEO of the Company and was included in accounts payable and accrued liabilities (May 31, 2017 - $83,322).

(ii) During the three and six months ended November 30, 2017, management fees of $18,750 and $37,500, respectively (comparative period - $18,750 and $37,500, respectively) were accrued or paid to L. O'Shaughnessy & Associates, a registered business name, for services to be performed by the CFO of the Company. As at November 30, 2017, an amount of $71,639 was owing to the CFO and was included in accounts payable and accrued liabilities (May 31, 2017 - $85,859).

(iii) Refer to Note 11(b)(ii)(iv).

(iv) On August 11, 2016, the Company agreed to settle in full the amount due from Renforth by way of a $10,000 payment (received in August 2016) and the issue of 2,000,000 Renforth shares to Cadillac (received in September 2016).

As at November 30, 2017, an amount of $nil was due from Renforth (May 31, 2016 - $95,000).

(b) Directors and key management compensation of the Company was as follows:

| | Three Months Ended November 30, 2017 | Three Months Ended November 30, 2016 | Six Months Ended November 30, 2017 | Six Months Ended November 30, 2016 |
|---|---|---|---|---|
| Salaries, benefits and fees | **$ 69,750** | $ 67,750 | **$ 135,500** | $ 132,000 |

The Board of Directors do not have employment or service contracts with the Company. They are entitled to director fees and share-based compensation for their services. As at November 30, 2017, an amount of $88,000 was owing to directors and was included in accounts payable and accrued liabilities (May 31, 2017 - $74,000).