PORTOFINO RESOURCES INC.

PORTOFINO RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED

FEBRUARY 28, 2019 AND 2018

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these financial statements.

PORTOFINO RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
AS AT FEBRUARY 28, 2019
(Expressed in Canadian dollars)

	Note	February 29, 2019	May 31, 2018
		$	$
ASSETS			
CURRENT			
Cash		147,553	164,707
Amounts receivable	8	35,109	77,425
Taxes receivable		10,957	12,848
Prepaid expenses	8	75,926	75,304
Promissory notes	7	256,077	224,249
		525,622	554,533
NON-CURRENT			
Exploration and evaluation asset	5	278,034	278,034
Equipment	4	504	882
		804,160	833,449
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	8	82,540	120,264
EQUITY			
SHARE CAPITAL	6	3,789,013	3,231,243
CONTRIBUTED SURPLUS	6	634,250	634,250
DEFICIT		(3,701,643)	(3,152,308)
		721,620	713,185
		804,160	833,449

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)
COMMITMENTS (Notes 6 and 13)
SUBSEQUENT EVENTS (Note 14)

Approved and authorized for issue on behalf of the Board on April 29, 2019

/s/ "David Tafel" CEO *sI* "Jeremy Wright" CFO

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

PORTOFINO RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian dollars)

		Three-month ended		Nine-month ended	
	Note	**February 28 2019**	**February 28 2018**	**February 28 2019**	**February 28 2018**
		$	$		
EXPENSES					
Advertising and promotion		(15,720)	-	-	-
Consulting fees		44,800	59,276	117,500	282,850
Depreciation		126	126	378	378
Due diligence costs	8, 12	28,383	-	75,480	-
General exploration expenditure			315,344		422,268
Insurance		-	871		871
Investor communications		44,437	2,872	70,237	2,872
Management fees	12	48,000	50,250	125,250	139,750
Office		13,061	28,057	25,766	86,983
Professional fees	12	36,864	31,182	91,531	93,332
Rent		11,029	16,507	21,730	39,330
Share based compensation		-	160,000	-	160,000
Transfer agent and filing fees		13,823	11,540	17,759	18,546
Travel and promotion		7,712	20,407	27,555	30,112
LOSS BEFORE OTHER ITEM		(232,515)	(696,432)	(573,185)	(1,277,292)
OTHER ITEM:					
Interest income	12	7,961	-	23,851	-
NET LOSS AND COMPREHENSIVE LOSS		(224,554)	(696,432)	(549,335)	(1,277,292)
LOSS PER SHARE – Basic and diluted		(0.01)	(0.05)	(0.04)	(0.13)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	6	17,395,199	12,893,833	14,442,734	9,898,977

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

PORTOFINO RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian dollars)

		Common Shares				
		Number of Shares	**Amount**	**Contributed Surplus**	**Deficit**	**Total**
			$	$	$	$
Balance, May 31, 2017	6	8,105,000	1,704,862	525,813	(1,617,027)	613,648
Issued for properties		25,000	5,000	-	-	5,000
Issued for cash on private placement	6	2,234,375	715,000	-	-	715,000
Issued for cash on exercise of warrants	6	2,623,625	811,208	-	-	811,208
Value attributable to warrants issued in private placement		-	28,855	(28,855)	-	-
Share issue costs		-	(24,518)	-	-	(24,518)
Share based compensation		-	-	160,000	-	160,000
Net loss and comprehensive loss		-	-	-	(1,277,292)	(1,277,292)
Balance, February 28, 2018		**12,988,000**	**3,240,407**	**656,958**	**(2,894,319)**	**1,003,046**
Balance, May 31, 2018	6	12,988,000	3,231,243	634,250	(3,152,308)	713,185
Issued for cash on private placement		11,010,809	605,594			605,594
Issued for cash on exercise of warrants	6	2,875	863	-	-	863
Share issue costs		-	(48,687)			(48,688)
Net loss and comprehensive loss		-	-	-	(549,335)	(549,335)
Balance, February 28, 2019	**6**	**24,001,684**	**3,789,013**	**634,250**	**(3,701,643)**	**721,620**

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

PORTOFINO RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED FEBRUARY 28, 2019 AND 2018
(Expressed in Canadian dollars)

	February 28, 2019	February 28, 2018
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	(549,335)	(1,277,292)
Adjusted for items not affecting cash:		
Amortization	378	378
Accrued interest	(23,851)	-
Share based payments	-	160,000
	(572,808)	(1,116,914)
Changes in non-cash working capital balances:		
Amounts receivable	42,315	-
Taxes receivable	1,891	580
Prepaid expenses	(622)	59,450
Accounts payable and accrued liabilities	(37,723)	(46,881)
Cash used in operating activities	5,861	(1,103,765))
INVESTING ACTIVITY		
Advances of promissory notes	(22,477)	32,302
Receipt of promissory note	14,500	(10,000)
Purchase of property and activities		-
Exploration and evaluation asset		-
Cash used in investing activities	(7,977)	22,032
FINANCING ACTIVITIES		
Shares issued for cash	606,457	1,526,208
Share issuance costs	(48,687)	(24,518)
Share for properties		5,000
Cash provided by financing activities	557,770	1,506,690
INCREASE (DECREASE) IN CASH	(17,154)	424,957
CASH, BEGINNING OF PERIOD	164,707	194,282
CASH, END OF PERIOD	147,553	619,239

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

1. NATURE OF OPERATIONS

Portofino Resources Inc. ("the Company") was incorporated on June 14, 2011 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is Suite 520, 470 Granville Street, Vancouver, British Columbia, Canada. The Company's shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "POR".

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at February 28, 2019, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a deficit of $3,701,643 as at February 28, 2019 (2018: $2,894,319), which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These financial statements do not give effect to any adjustments which would be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these unaudited condensed financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards Board ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on April 29, 2019.

b) Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting policies consistent with those applied in the Company's May 31, 2018 annual financial statements.

The preparation of condensed interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the applications of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These unaudited condensed interim financial statements do not include all of the information required for full annual financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of presentation (Continued)

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation; are presented on a historical cost basis; and have been prepared using the accrual basis of accounting except for cash flow information and financial instruments that are measured at fair value, as explained in the accounting policies set out below.

The accounting policies set out below have been applied consistently to all years presented in these unaudited condensed interim financial statements.

c) Equipment

Equipment is recorded at cost less accumulated amortization. Equipment is amortized on a straight-line basis over 3 years.

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves. However, until such time as a definitive agreement is signed and approved by the TSX-V Exchange for a mineral property, all costs associated with assessing the mineral property, including preliminary mineral exploration, are expensed as Due Diligence Costs.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Share-based payments (Continued)

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

The fair value of the stock options and agent warrants is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historical experience), expected dividends, expected forfeitures, and risk-free interest rate (based on government bonds).

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss based on the pro-rata portion of the deferred premium. To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

g) Foreign currency

The Company’s functional currency is the Canadian dollar. Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates (“the functional currency”), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

h) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Decommissioning, restoration and similar liabilities (Continued)

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

j) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. At February 28, 2019, the Company has classified amounts receivable and promissory notes as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss, except for losses in value that are considered other than temporary which are recognized in earnings. At February 28, 2019, the Company has not classified any financial assets as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

k) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial liabilities (Continued)

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At February 28, 2019 the Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these 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 financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates

i. the determination of the net realizable value related to write-down of the mineral property;
ii. the determination of fair values of share-based payments and finder's warrants; and
iii. the measurement of deferred income tax assets and liabilities.

Significant accounting judgments

i. the evaluation of the Company's ability to continue as a going concern;
ii. the assessment of indications of impairment of the mineral property; and
iii. the assessment of the collectability of the promissory notes.

4. EQUIPMENT

The net book value as at February 28, 2019 was $504 (2018: $1,008).

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	**Exploration Costs**	**Total**
	$	$	$
Balance, May 31, 2017	51,000	209,034	260,034
Balance, February 28, 2018	51,000	209,034	260,034
Balance, May 31, 2018	69,000	209,034	278,034
Balance, February 28, 2019	**69,000**	**209,034**	**278,034**

Canada, British Columbia

Iron Horse-Bolivar Mineral Property

Pursuant to an option agreement dated February 28, 2012 and amended agreement dated September 15, 2017, with Rich River Exploration Ltd. ("Rich River") and Craig Alvin Lynes, collectively, the "Optionors", the Company was granted an option to acquire a 100% undivided interest in the Iron Horse-Bolivar Mineral Property (the "Property") originally comprised of seven mineral claims located in the Peachland region of British Columbia. During the year-ended May 31, 2018 three claim blocks were allowed to lapse, reducing the Property from 2,247 Ha to 1,812 Ha, as the 435 Ha had previously returned limited results and would not be subject to further exploration activity by the Company.

To earn the 100% interest, the Company agreed to issue 275,000 common shares of the Company to the Optionor, make cash payments totaling $100,000, and incur a total of $1,000,000 in exploration expenditures as follows:

	Number of Common Shares	**Cash**	**Exploration Expenditures**
		$	$
Upon execution of the agreement (paid)	-	10,000	-
On or before February 28, 2013 (incurred)	-	-	100,000
Upon listing of the Company's common shares on the TSX Venture Exchange (issued and paid)	85,000	15,000	-
On or before the December 5, 2015 (issued)	90,000	-	-
On or before the December 5, 2017 (paid and issued)	100,000	5,000	125,000
On or before the December 5, 2018	-	25,000	300,000
On or before December 5, 2019	-	45,000	475,000
Total	275,000	100,000	1,000,000

The Optionors will retain a 3% Net Smelter Returns royalty on the Property. The first 2% of the royalty may be purchased by the Company at $500,000 for each 1%. The purchase of the remaining 1% is negotiable after commercial production commences.

See Subsequent Event Note 13 regarding the Iron Horse-Bolivar option termination.

5. EXPLORATION AND EVALUATION ASSET (CONTINUED)

Argentina, Catamarca Province

Hombre Muerto West Lithium Brine Project

Pursuant to an option agreement dated September 6, 2018 with a private Argentine concession owner (the "Hombre Muerto Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Hombre Muerto West lithium brine project in Catamarca, Argentina. The Hombre Muerto West project is comprised of two claim blocks totalling 1,804-hectares located within the Salar del Hombre Muerto

To acquire a 100% interest in the properties, Portofino has agreed to make annual escalating payments to the Hombre Muerto Optionor over a four-year period totalling US$400,000 and 1,000,000 common shares as follows:

a) An initial US$15,000 deposit (paid)
b) Within 30 days of execution of a definitive agreement-pay US$7,000(paid)
c) Upon TSX-V Exchange approval- issue 100,000 shares
d) By the first anniversary of TSX-V Exchange approval- issue 200,000 shares and pay US$14,000,
e) By the 2nd anniversary of approval- issue 200,000 shares and pay US$44,000,
f) By the 3rd anniversary- issue 500,000 shares and pay US$100,000,
g) By the 4th anniversary- pay US$220,000.

The transaction is subject to TSX-V Exchange approval.

Yergo Lithium Brine Project

Pursuant to an option agreement dated February 15, 2019 with a private Argentine concession owner (the "Yergo Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Yergo lithium brine project in Catamarca, Argentina. The concession area comprises approximately 2,932 hectares encompassing the full salar.
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To acquire a 100% interest in the property, Portofino has agreed to make annual escalating payments to the Yergo Optionor over a four-year period totalling US$370,000 as follows:

a) US$10,000 on signing (paid),
b) By the 1st anniversary of approval- US$20,000,
c) By the 2nd anniversary of approval- US$70,000,
d) By the 3rd anniversary of approval- US$120,000, and
e) By the 4th anniversary- US$150,000.

6. SHARE CAPITAL

On January 4, 2019, the Company consolidated its common shares on a 4 for 1 basis. The consolidation was completed pursuant to board of directors resolution and was approved by the TSX Venture Exchange. At the time of consolidation, the Company had 51,963,500 common shares issued and outstanding and the resulting post consolidation shares outstanding are 12,990,875. The exercise price and number of common shares issuable pursuant to all outstanding stock options and warrants have been adjusted in accordance with the consolidation ratio.

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Escrow Shares:

There were NIL common shares held in escrow as at February 28, 2019 (2018: Nil).

c) Issued and Outstanding as at February 28, 2019: 24,001,684 common shares

<u>During the nine-month period ended February 28, 2019:</u>

(i) The Company issued 2,875 common shares for gross proceeds of $863 from the exercise of purchase warrants.

(ii) The Company issued 11,010,809 units for gross proceeds of $605,594. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at $0.08 per share expiring on January 23, 2021. The Company issued 799,490 finder's warrants. The broker warrants have the same terms as that of the subscribers. The Company also paid $43,972 in cash as finder's fees and incurred other costs of $4,835.

<u>During the nine-month period ended February 28, 2018:</u>

(i) The Company issued 2,234,375 units for gross proceeds of $715,000. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at $0.12 per share for the first year and $0.15 per share for the second year. The Company issued 55,125 finder's warrants with a fair value of $17,163. Each finder's warrant entitles the holder to purchase one common share of the Company at $0.48 per share for the first year and $0.60 per share for the second year. The Company also paid $17,640 in cash as finder's fees and incurred other costs of $6,878.

(iii) The Company issued 2,623,625 common shares for gross proceeds of $811,207 from the exercise of purchase warrants. A total fair value of $28,855 was transferred from contributed surplus to common shares.

(iv) The Company issued 25,000 common shares with a fair value of $13,000 to the Optionors of the Property (see Note 6).

(Expressed in Canadian dollars)

6. SHARE CAPITAL (CONTINUED)

(d) Stock Options:

The Company has an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares of the Company at any one time.

During the nine-month period ended February 28, 2019, the following is a summary of changes in options:

	Number of Options	Weighted Average Exercise Price
		$
Outstanding and exercisable, May 31, 2017	375,000	0.40
Issued	400,000	0.48
Cancelled	(16,250)	0.40
Outstanding and exercisable, February 28, 2018	758,750	0.44
Outstanding and exercisable, May 31, 2018	758,750	0.44
Issued	1,500,000	0.08
Cancelled	(25,000)	0.48
Outstanding and exercisable, February 28, 2019	2,233,750	0.20

The following options were outstanding and exercisable at February 28, 2019:

Number of Options	Weighted average Exercise Price	Expiry Date	Remaining Life (in years)
358,750	0.40	January 12, 2022	2.87
375,000	0.48	December 29, 2022	3.84
1,500,000	0.08	February 27, 2024	5.00
2,233,750	$ 0.20		3.90

(Expressed in Canadian dollars)

6. SHARE CAPITAL (CONTINUED)

(d) Warrants

During the nine-month period ended February 29, 2019, the following is a summary of changes in warrants:

	Number of Warrants	Weighted Average Exercise Price
		$
Outstanding, May 31, 2017	5,235,500	0.32
Issuance of private placement warrants	2,234,375	0.48
Issuance of finder's warrants	55,125	0.48
Exercise of warrants	(2,623,625)	0.32
Outstanding and exercisable, February 28, 2018	4,901,375	0.40
Outstanding and exercisable, May 31, 2018	4,901,375	0.40
Issued	11,810,298	0.08
Expired	(776,250)	0.48
Exercise of warrants	(2,875)	0.35
Outstanding and exercisable, February 28, 2019	15,932,548	0.18

The following warrants were outstanding and exercisable at February 28, 2019:

Number of warrants	Exercise price	Expiry date	Remaining contractual life (in years)
1,443,500	$0.32	April 17, 2019	0.13
389,250	$0.32	May 26, 2019	0.24
2,289,500	$0.60	November 16, 2019	0.72
11,810,298	$0.08	January 23, 2021	1.90
15,932,548			0.75

7. PROMISSORY NOTES

a) During the year ended May 31, 2018, the Company issued US$ 127,206 (2017: US$40,000) in promissory notes to a wholly owned Argentine subsidiary of a company with a common officer. The notes are unsecured; bear interest at 1.5% per month until December 31, 2018. Interest rises to 2.5% per month on any unpaid balances after December 31, 2018. The Company has received repayment of $61,329 related to the promissory note receivable from prior year.

   In addition, on June 6, 2018, the Company issued a Promissory Note receivable of US$10,000.

   As at February 28, 2019, the amount outstanding was C$206,078.

b) As at February 28, 2019, the Company has promissory notes receivable of $50,000 (2018: $50,000) to a company with directors in common to the Company. The notes are unsecured, non-interest bearing and are due on demand.

(Expressed in Canadian dollars)

8. RELATED PARTY BALANCES AND TRANSACTIONS

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

The following related parties' amounts have been included in amounts receivable, accounts payable and accrued liabilities, promissory notes and prepaid expenses:

	2019	**2018**
	$	$
Amounts receivable (for shared office and non-executive administration)	35,109	-
Accounts payable and accrued liabilities	7,500	8,000
Promissory notes	256,077	73,168
Prepaid expenses	-	15,793

The amounts are due to or advanced to companies controlled by directors of the Company. The amounts receivable, accounts payable and accrued liabilities are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions:

	2019	**2018**
	$	$
Due diligence costs	15,308	10,180
Professional fees	52,500	66,200
Total	67,808	76,380

The Company paid due diligence costs to companies with common officers & directors. Professional fees are paid to companies controlled by the chief financial officer and a director of the Company.

Key management personnel include the officers and directors of the Company. The remuneration of key management is as follows:

	2019	**2018**
	$	$
Management fees	125,250	139,750

Management services were provided by companies controlled by two directors of the Company.

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash, which is classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at February 28, 2019 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Cash	147,553	-	-	147,553

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at February 28, 2019 because of the demand nature or short-term maturity of these instruments.

The following table summarizes the carrying value of the Company's financial instruments:

	2019	**2018**
	$	$
Cash(i)	147,553	619,239
Amounts receivable (ii)	35,109	-
Promissory notes (ii)	256,077	73,168
Accounts payable (iii)	82,540	44,415

(i) FVTPL
(ii) Loans and receivable
(iii) Other financial liabilities

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

Financial risk management objectives and policies

The Company's financial instruments include cash, promissory notes and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company is exposed to foreign currency risk related to cash payments and exploration expenditures that are denominated in US dollars and Pesos. The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada. Management does not hedge its explore to foreign exchange risk and the Company's net exposure is limited.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution. The fair value interest rate risk on cash is insignificant due to their short-term nature.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist of cash and promissory notes. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

12. COMMITMENT

Pursuant to the initial and amended letters of intent with Centurion Minerals Ltd. ("Centurion"), a public company having common directors with the Company, Centurion assisted the Company with due diligence, structuring and negotiating a mining transaction on behalf of the Company. As consideration, the Company has paid a total of $75,000 and is also required to issue up to 500,000 common shares of the Company upon the approval of the mining transaction by TSX-V.

13. SUBSEQUENT EVENTS

On April 26, 2019 the Company announced that Rich River Exploration Ltd. and the Company agreed to terminate the Iron Horse-Bolivar mineral property option agreement.