Consolidated Financial Statements
(Expressed in Canadian dollars)

AFTERMATH SILVER LTD.

(An Exploration Stage Company)

Years ended May 31, 2019 and 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Aftermath Silver Ltd.

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has no operating revenue and has a history of losses and has a net working capital deficiency. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

September 25, 2019

AFTERMATH SILVER LTD.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	May 31, 2019	May 31, 2018
Assets		
Current assets:		
Cash	$ 43,323	$ 232,902
Receivables	6,622	3,639
Prepaid expenses and advances (note 6)	602	56,984
	50,547	**293,525**
Deferred costs (note 4)	46,677	-
	$ 97,224	**$ 293,525**
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 358,745	$ 325,297
Due to related parties (note 6)	291,886	39,526
	650,631	**364,823**
Shareholders' deficiency:		
Share capital (note 5)	6,495,478	6,495,964
Subscriptions received in advance (note 10)	89,040	-
Share-based payments reserve (note 5(d))	708,430	708,430
Deficit	(7,846,355)	(7,275,692)
	(553,407)	**(71,298)**
	$ 97,224	**$ 293,525**

Nature of operations and going concern (note 1)
Subsequent events (note 10)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"David Terry" Director

"Michael J. Williams" Director

AFTERMATH SILVER LTD.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

		Years ended		
		May 31, 2019		May 31, 2018
Expenses:				
Accounting and legal (note 6)	$	73,043	$	96,089
Consulting (note 6)		180,000		189,000
Corporate secretarial (note 6)		15,000		15,000
Directors' fees (note 6)		27,000		-
Foreign exchange		3,911		566
Listing and filing fees		12,678		13,373
Office and sundry (note 6)		100,201		56,233
Property investigation (note 4)		51,547		76,837
Travel and meals		107,283		6,484
				-
Loss and comprehensive loss for the year	**$**	**(570,663)**	**$**	**(453,582)**
Loss per share - basic and diluted	$	(0.02)	$	(0.02)
Weighted average number of shares outstanding		27,787,384		22,515,902

See accompanying notes to consolidated financial statements.

AFTERMATH SILVER LTD.

Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

	Number of shares (note 6)	Share capital (note 6)	Subscriptions received in advance	Share-based payments reserve	Foreign currency translation reserve	Deficit	Total deficiency
May 31, 2017	**6,655,099**	**$ 5,089,506**	**-**	**$ 708,430**	**$ 1,084**	**$ (6,822,110)**	**$ (1,023,090)**
Private placement shares issued	14,000,280	700,014	-	-	-	-	700,014
Shares issued for debt	7,132,005	713,201		-	-	-	713,201
Share issuance costs	-	(6,757)	-	-	-	-	(6,757)
Loss for the year	-	-	-	-	(1,084)	(453,582)	(454,666)
May 31, 2018	**27,787,384**	**6,495,964**	**-**	**708,430**	**-**	**(7,275,692)**	**(71,298)**
Share issuance costs	-	(486)	-	-	-	-	(486)
Subscriptions received in advance	-	-	89,040	-	-	-	89,040
Loss for the year	-	-	-	-	-	(570,663)	(570,663)
May 31, 2019	**27,787,384**	**$ 6,495,478**	**$ 89,040**	**$ 708,430**	**$ -**	**$ (7,846,355)**	**$ (553,407)**

See accompanying notes to consolidated financial statements.

AFTERMATH SILVER LTD.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Years ended		
		May 31, 2019		May 31, 2018
Cash flows from operating activities:				
Loss for the year	$	(570,663)	$	(453,582)
Items not affected by cash:				
Interest expense		-		1,565
Changes in non-cash working capital:				
Accounts receivable		(2,983)		13,387
Prepaid expenses		56,382		(55,727)
Accounts payable and accrued liabilities		(13,229)		12,968
Due to related parties		252,360		65,576
Cash used in operating activities		**(278,133)**		**(415,813)**
Cash flows from financing activities:				
Share issuance costs		(486)		(6,757)
Subscriptions received in advance		89,040		700,014
Loan from related party		-		(44,000)
Cash provided from financing activities		**88,554**		**649,257**
Change in cash		**(189,579)**		**233,444**
Effect of exchange rate changes on cash		-		(1,084)
Cash, beginning of year		232,902		542
Cash, end of year	**$**	**43,323**	**$**	**232,902**
Supplemental schedule of non-cash investing and financing activities:				
Deferred costs in accounts payable and accrued liabilites	$	46,677	$	-

There were no significant non-cash transactions during the year ended May 31, 2018.

See accompanying notes to consolidated financial statements.

1. Nature of operations and going concern:

Aftermath Silver Ltd. ("the Company" or "Aftermath") was incorporated under the laws of British Columbia on January 27, 2011 as a wholly owned subsidiary of Full Metal Minerals Ltd. ("FMM"). Its principal business activity is the acquisition, exploration and development of mineral properties. The Company's shares are traded on the NEX under the symbol AAG.H. The Company's registered and records address is: Suite 1500 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

The Company is in the exploration stage and engages principally in the acquisition and exploration of mineral properties. The recoverability of the amounts shown for mineral properties is ultimately dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the mineral properties, obtaining necessary financing to explore and develop the mineral properties, entering into agreements with others to explore and develop the mineral properties, and upon future profitable production or proceeds from disposition of the mineral properties.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business.

The Company has no operating revenue and has a history of losses. As at May 31, 2019, the Company has a net working capital deficiency. Management has forecasted that the Company's current working capital will not be sufficient to execute its planned expenditures for the coming year. These conditions are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Subsequent to May 31, 2019, the Company has received approximately $1,034,000 towards a previously announced financing.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations.

These consolidated financial statements do not reflect 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. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Unless otherwise stated, amounts are expressed in Canadian dollars.

These consolidated financial statements were authorized for issue by the Board of Directors on September 23, 2019.

2. Significant accounting policies (continued):

(b) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly owned inactive subsidiary, Minera ISP S. R.L. de C.V. Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

(c) Cash:

Cash consists of amounts held in bank accounts and highly liquid investments.

(d) Exploration and evaluation expenditures:

Exploration and evaluation expenditures are recognized in profit or loss. Costs incurred before the Company has obtained legal rights to explore areas of interest are also recognized in profit or loss. Expenditures incurred by the Company in connection with the development of mineral resources after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable are capitalized. Acquisition costs of mineral properties, such as cash and share consideration and option payments, are capitalized on an individual prospect basis. Amounts received for the sale of mineral properties and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in income. The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof. Subsequent recovery of the resulting carrying value depends on successful development or sale of the mineral property. If a mineral property does not prove viable, all unrecoverable costs associated with the project net of any impairment provisions are written off.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property costs or recoveries when the payments are made or received.

(e) Deferred costs:

Costs incurred in relation to transactions that are pending at the end of the reporting period are recognized as deferred costs until the closing of such transactions.

(f) Financial Instruments:

On June 1, 2018, the Company adopted IFRS 9, Financial Instruments (“IFRS 9”) which replaced IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. IFRS 9 did not impact the Company’s classification and measurement of financial assets and liabilities.

2. Significant accounting policies (continued):

(f) Financial Instruments (continued):

Prior periods were not re-stated and no material changes resulted from adopting this new standard. The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings. The following accounting policies with respect to financial instruments reflect the adoption of IFRS 9.

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") are initially recognized at fair value with changes in fair value recorded in profit or loss. The Company does not have any financial assets designated as FVTPL.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as at fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash and receivables are recorded at amortized cost as they meet the required criteria.

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally owed, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and due to related parties.

2. Significant accounting policies (continued):

(f) Financial Instruments (continued):

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data

Impairment

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

(g) Impairment of non-financial assets:

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. 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 to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(h) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a reduction of equity, net of any tax effects. Share capital issued for non-monetary consideration is recorded at fair value, being the quoted share price at the time of issuance.

2. Significant accounting policies (continued):

(i) Related party transactions:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the 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.

(j) Significant accounting estimates and judgments:

The preparation of financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported periods. The Company reviews its estimates and assumptions regularly; however, actual results could differ from those estimates. Significant judgments are used in the Company's assessment of its ability to continue as a going concern which is described in note 1, the determination of functional currency of subsidiary entities, and the value of deferred costs.

Significant accounting estimates are used in the valuation of deferred income taxes. Key estimates made by management with respect to these areas have been described in the notes to these financial statements as appropriate.

(k) Foreign currency transactions:

The presentation currency and functional currency of the Company is the Canadian dollar. The functional currency of the Company and its subsidiary is the Canadian dollar. Transactions of the Company denominated in other currencies are translated into the relevant functional currency using the exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date and the related foreign exchange gains or losses are recognized in profit or loss.

(l) Loss per share:

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year.

The computation of the 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 the loss per share. The dilutive effect of outstanding options and warrants and their equivalents assumes that the proceeds on exercise would be used to purchase common shares at the average market price during the year.

Since the Company has losses, the effect of outstanding warrants and stock options has not been included in this calculation as it would be anti-dilutive.

(m) Income taxes:

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

2. Significant accounting policies (continued):

(m) Income taxes (continued):

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Share-based payments:

The Company has a stock option plan. The cost of stock options granted to employees and directors for services received is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company. These estimates involve inherent uncertainties and the application of management judgment. The costs are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. The corresponding credit for these costs is recognized in the share-based payment reserve in shareholders' deficiency.

Share based compensation arrangements in which the Company receives other goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received 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.

3. New standards and interpretations yet to be adopted:

Certain pronouncements were issued by the IASB or IFRS Interpretations Committee that are not mandatory for accounting periods beginning on or after June 1, 2018 or later periods. They have not been early adopted in these financial statements, and they are not expected to have a significant affect other than increased disclosure. In all cases the Company intends to apply these standards from application date as indicated below:

IFRS 16, Leases, provides a single lessee accounting model for recognition, measurement, presentation and disclosure, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, substantially unchanged from IAS 17, the predecessor to IFRS 16. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. Mineral properties:

Cachinal Property Acquisition

On June 25, 2018, the Company entered into a definitive agreement with Halo labs Inc. (“Halo”) to purchase its holding in the Cachinal De La Sierra silver-gold project (the “Cachinal property”) in Chile through the purchase of Halo’s shares in the Chilean holding company Minera Cachinal SA, representing 80% ownership. In consideration for 80% ownership of Minera Cachinal SA, the Company will pay Halo $1,500,000 cash and assume certain debts. The remaining 20% of Minera Cachinal SA is held by SSR Mining Inc. The Company has agreed to pay a finder’s fee of $107,000, payable in cash and shares. In the event that either the Company or Halo fails to complete the transaction as a result of failure to obtain applicable shareholder approval (the “defaulting party”), a termination fee of $100,000 is payable by the defaulting party to the other party. The transaction is subject to any applicable shareholder and regulatory approval. As at May 31, 2019, the Company has incurred $21,079 (2018 - $nil) in deferred costs, and $35,966 (2018 - $76,837) in property investigation costs.

On June 24, 2019 and July 24, 2019, the definitive agreement with Halo was further amended (note 10). The transaction remains subject to any applicable shareholder and regulatory approval.

4. Mineral properties (continued):

Challacollo Property Acquisition

On August 1, 2018, the Company entered into a non-binding letter of intent with Mandalay Resources Corp. ("Mandalay"), pursuant to which the Company will acquire Minera Mandalay Challacollo Limitada ("MMC"), which currently owns the Challacollo silver-gold project in Chile. In consideration, the Company will pay Mandalay a total of $11,625,000, consisting of staged cash payments totaling $3,750,000, and a final payment of $7,875,000 no later than November 30, 2019 in cash and/or shares. In connection with the transaction, the Company will assume Mandalay's existing contingent share and silver delivery payment obligations with respect to the Challacollo project under the terms of a share purchase agreement dated December 19, 2013 among Mandalay and various third parties, and other existing royalties. The Company has also agreed to pay a finder's fee at applicable TSX rates, payable in cash and shares. The transaction is subject to any applicable shareholder and regulatory approval.

In addition, the Company and Mandalay will enter into an investor rights agreement pursuant to which Mandalay will have the right to participate in future equity offerings by the Company in order to maintain its pro rata ownership interest, and, for as long as Mandalay owns at least 10% of the Company's outstanding shares, to nominate one member of the Company's board of directors. The Company will retain a right of first refusal to purchase any shares of the Company that Mandalay proposes to sell for as long as Mandalay owns at least 20% of the Company's outstanding shares.

A definitive share purchase agreement is in progress. The transaction remains subject to any applicable shareholder and regulatory approval.

During the year ended May 31, 2019, the Company has incurred $24,183 (2018 - $nil) in deferred costs and $15,581 (2018 - $nil) in property investigation costs.

5. Share capital:

(a) Authorized share capital:

Unlimited number of voting common shares without par value.

(b) Issued share capital:

The Company did not complete any share issuances during the year ended May 31, 2019.

During the year ended May 31, 2018:

On December 1, 2017, the Company closed a non-brokered private placement, issuing 14,000,280 common shares at a price of $0.05 per share, for total gross proceeds of $700,014, and incurred related share issuance costs of $6,757.

On May 7, 2018, the Company issued 7,132,005 common shares at a price of $0.10 to settle debt of $713,201.

(c) Warrants:

The Company did not have any warrants outstanding as at May 31, 2019 and May 31, 2018.

(Expressed in Canadian dollars)

5. Share capital:

(d) Stock options:

The Board of Directors may grant options to purchase shares from time to time, subject to the aggregate number of common shares of the Company issuable under all outstanding stock options of the Company not exceeding 10% of the issued and outstanding common shares of the Company at the time of the grant.

The options are exercisable over periods of up to ten years to buy shares of the Company at a price not less than the closing market price prevailing on the date the option is granted, less a discount of up to 25%, the amount of the discount varying with market price in accordance with the policies of the TSX Venture Exchange. All option issuances vest over 12 months.

	Stock options
Balance outstanding, May 31, 2017	405,000
Cancelled	(180,000)
Balance outstanding, May 31, 2018	225,000
Cancelled	(225,000)
Balance outstanding, May 31, 2019	-

On September 17, 2018, the Company cancelled 47,500 stock options exercisable at $2.65 until July 19, 2021, and 177,500 stock options exercisable at $1.50 until April 30, 2019

As at May 31, 2019 the Company has no options outstanding.

6. Related party balances and transactions:

Key management personnel consist of directors and senior management including the Executive Chairman, President and Chief Executive Officer, Chief Financial Officer, and Corporate Secretary.

During the years ended May 31, 2019 and 2018, the Company paid or accrued the following amounts to key management personnel or companies controlled by them:

	Year ended May 31, 2019	Year ended May 31, 2018
Accounting and legal	$ 42,000	$ 7,000
Consulting	180,000	183,000
Corporate secretarial	15,000	15,000
Directors fees	27,000	-

In addition, payments to companies with common directors and officers for rent, office, and administration totaled $53,109 (2018 - $22,825).

As at May 31, 2019, due to related parties included $291,886 (2018 - $39,526) due to key management personnel. During the year ended May 31, 2018, key management assigned $549,830 of debt to third parties, which was subsequently settled, along with $129,849 owing to key management personnel. Amounts due to related parties are unsecured with no specific terms of repayment.

As at May 31, 2019, prepaid expenses included $nil (2018 - $32,526) of advances to directors.

6. Related party balances and transactions (continued):

During fiscal 2018, the Company repaid a short-term loan of $44,000. A balance of $1,565 for accrued interest is included in due to related parties.

7. Financial instruments:

The Company's cash is classified at level one of the fair value hierarchy. The carrying values of receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short terms to maturity.

(a) Financial instrument risk exposure and risk management:

Credit risk

Credit risk arises from the possibility that counterparties may be unable to fulfill their commitments to the Company. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The carrying value of these instruments represents the Company's maximum exposure to credit risk. The Company manages and limits exposure to credit risk by maintaining its cash with high-credit quality financial institutions. There is minimal credit risk with respect to GST receivable as this amount is recoverable from Canadian governmental agencies. At May 31, 2019, the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company is exposed to liquidity risk and manages it through the management of its capital structure, as outlined in note 7(b) of these consolidated financial statements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing financial assets as at May 31, 2019.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign currency rates. The Company's functional and reporting currency is the Canadian dollar. The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of shareholders' equity.

The Company's main risks are associated with fluctuations in the US dollar ("US") and assets and liabilities are translated based on the foreign currency translated method described in note 2(k). The Company does not enter into any foreign exchange hedging contracts. In order to mitigate this risk, the Company maintains a portion of its cash in US dollar denominated bank accounts. As at May 31, 2019, the Company had amounts payable totaling approximately US$31,000. The Company has determined that a 10% increase or decrease in the US dollar against the Canadian dollar on these instruments, as at May 31, 2019, would result in a $4,220 change to profit or loss for the period.

(Expressed in Canadian dollars)

7. Financial instruments (continued):

(b) Capital management:

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's exploration and evaluation of its resource properties and support any expansion plans. The capital of the Company consists of the items included in shareholders' deficiency.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its financial objectives. Notwithstanding the risks described in note 1 of the consolidated financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

8. Income taxes:

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

		2019		2018
Statutory tax rate		27.00%		26.42%
Recovery of income taxes based on statutory tax rate	$	(154,000)	$	(120,000)
Change in statutory, foreign tax, foreign exchange rates and other		(26,000)		18,000
Expiry of non-capital losses		-		82,000
Non-deductible and other items		4,000		-
Change in unrecognized deductible temporary differences		176,000		20,000
Total income tax expense (recovery)	$	-	$	-

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse.

(b) Deferred tax assets have not been recognized as at May 31, 2019 and 2018 in respect of the following items:

		2019		2018
Exploration and evaluation assets	$	233,000	$	219,000
Property and equipment		27,000		26,000
Share issuance costs		1,000		1,000
Non-capital losses available for future period		1,253,000		1,092,000
	$	1,514,000	$	1,338,000

The Company has non-capital losses of approximately $3,941,000 (2018 - $3,383,000) and $631,000 (2018 - $594,000) to reduce future income tax payable in Canada and Mexico, respectively. The Company's non-capital losses expire in Canada between 2031 and 2039, and in Mexico between 2022 and 2027.

8. Income taxes (continued):

No deferred tax asset has been recognized in respect of the above as the Company currently does not have any sources of taxable income and there is uncertainty as to whether the Company will earn taxable income in the future. As a result, it is not currently probable that the benefits of such amounts will be realized.

9. Segmented information:

The Company operates in one segment being the acquisition and exploration of mineral properties. Geographical information can be found in note 4.

10. Subsequent events:

Amendment to Cachinal Property Acquisition

On June 24, 2019 and July 24, 2019, the Company further amended the terms of the definitive agreement with Halo with respect to the Cachinal property acquisition (note 4). Under the amended agreement, the Company will pay $250,000 in cash on closing, $250,000 in cash on or before 6 months following closing, $525,000 in cash on or before 12 months following closing, and $550,000 in cash on or before 18 months following closing. At any time, Halo will have the right to convert any remaining unpaid purchase price into common shares of the Company at a price of $0.20 per share.

Financings

On February 6, 2019, and subsequently amended on June 27, 2019, July 19, 2019, and July 24, 2019, the Company announced a non-brokered financing of up to 31,250,000 units at $0.08 per unit for total gross proceeds of up to $2,500,000. Each unit comprises one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of $0.12 per share for a period of 3 years. As at May 31, 2019, the Company has received $89,040 in funds towards the financing, and subsequent to May 31, 2019, the Company has received a total of approximately $1,034,000 towards the financing.

On September 3, 2019, the Company announced an additional non-brokered private placement of up to 15,000,000 units at a price of $0.20 per unit for total gross proceeds of up to $3,000,000. Each unit comprises one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of $0.25 per share for a period of 3 years.