COLIBRI RESOURCE CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2018

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

These accompanying unaudited condensed consolidated interim financial statements of Colibri Resource Corporation have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by CPA Canada for a review of interim financial statements by an entity's auditors.

COLIBRI RESOURCE CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited – Prepared by Management)

	Three months ended May 31		Six months ended May 31	
	2018	**2017**	**2018**	**2017**
EXPENSES, ADMINISTRATIVE AND GENERAL				
Accounting and audit fees	14.383	17,500	25,194	69,741
Advertising and promotion	130,148	20,339	131,963	31,125
Amortization	204	304	386	607
Consulting	13,200	24,250	82,816	35,870
Directors fees	5,000	2,250	5,000	2,250
Foreign exchange	2,906	411	9,724	245
Interest expense	2,306	-	7,366	-
Legal	17,643	47,535	22,643	53,297
Management fees (Note 6)	18,000	2,500	36,000	15,000
Office and miscellaneous	16,616	7,676	20,011	11,501
Rent	5,856	4,951	10,518	9,613
Telephone	711	1,887	1,267	2,872
Transfer agent and filing fees	6,125	23,187	15,248	29,389
Travel and related costs	15,076	13,293	28,318	32,294
Wages and benefits	21,860	20,358	39,470	41,528
Share-based compensation	188,271	-	193,522	-
	(458,305)	(186,441)	(629,446)	(335,332)
Loss on sale of subsidiary	(140,792)	-	(140,792)	-
NET LOSS FOR THE PERIOD	(599,097)	-	(770,238)	-
COMPREHENSIVE LOSS				
Net loss for the period	(599,097)	(186,441)	(770,238)	(335,332)
Other comprehensive income (loss) Items that will subsequently be reclassified to profit or loss				
Cumulative translation adjustment	(201,982)	-	(154,020)	-
COMPREHENSIVE LOSS FOR THE YEAR	(801,079)	(186,441)	(924,258)	(335,332)
BASIC AND DILUTED LOSS PER SHARE	(0.01)	(0.02)	(0.02)	(0.03)
Weighted average number of shares outstanding (Note 7)	40,751,684	11,126,176	46,740,419	10,709,179

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

COLIBRI RESOURCE CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited – Prepared by Management)

	Note	May 31, 2018	November 30, 2017
ASSETS			
Current assets			
Cash		$ 210,224	$ 52,242
Receivables		21,196	5,876
Prepaid expenses		298,983	263,440
		530,403	351,558
Equipment	4	1,922	993
Exploration and evaluation assets	5	7,018,062	6,937,148
		$7,550,387	$7,259,699
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 63,354	$ 60,900
Accounts payable to related parties	6	199,494	341,770
		262,848	402,670
Shareholders' equity			
Share capital	7	14,064,305	12,925,034
Contributed surplus	7	3,912,406	3,696,909
Accumulated other comprehensive income		(225,148)	(71,128)
Deficit		(10,464,024)	(9,693,786)
		7,287,539	6,857,029
		$7,550,387	$7,259,699

Nature of operations and going concern (note 1)
Subsequent events (note 12)

Approved on behalf of the Board:

"Ed Stringer" Director

"Ronald Goguen" Director

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

COLIBRI RESOURCE CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited – Prepared by Management)

	Share Capital		Accumulated Other Comprehensive Income	Contributed Surplus	Deficit	Total
	Number	Amount				
Balance at November 30, 2016	10,292,915	$8,184,412	$ -	$3,773,512	$(9,212,046)	$2,745,878
Warrants exercised	1,440,000	108,000				108,000
Loss for the period	-	-	-	-	(335,332)	(335,332)
Balance at May 31, 2017	11,732,915	$8,292,412	$ -	$3,773,512	$(9,547,378)	$2,518,546
Loss for the period	-	-	-	-	(247,586)	(247,586)
Other comprehensive income	-	-	(71,128)	-	-	(71,128)
Net proceeds from private placement	4,265,000	596,363	-	-	-	296,363
Exercise of warrants	325,000	48,750	-	-	-	48,750
Shares issued for debt	66,666	10,000	-	-	-	10,000
Shares issued for exploration and evaluation assets	24,242,425	4,000,000	-	-	-	4,000,000
Broker warrants	-	(22,491)	-	22,491	-	-
Share based compensation	-	-	-	2,084	-	2.084
Options expired	-	-	-	(101,178)	101,178	-
Balance at November 30, 2017	40,632,006	$12,925,034	$ (71,128)	$3,696,909	$(9,693,786)	$6,857,029
Loss for the period	-	-	-	-	(770,238)	(770,238)
Other comprehensive income	-	-	(154,020)	-	-	(154,020)
Net proceeds from private placement	12,120,980	1,147,646	-	-	-	1,147,646
Exercise of warrants	160,000	13,600	-	-	-	13,600
Broker warrants	-	(21,975)	-	21,975	-	-
Share based compensation	-	-	-	193,522	-	193,522
Balance at May 31, 2018	52,912,986	$14,064,305	$ (225,148)	$3,912,406	$(10,464,024)	$7,287,539

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

COLIBRI RESOURCE CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited – Prepared by Management)

		Six Months Ended May 31		
		2018		**2017**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss and comprehensive loss for the periods	$	(770,238)	$	(335,332)
Add: Items not requiring the use of cash				
Amortization		386		607
Share based compensation		193,522		-
Loss on sale of subsidiary		140,792		-
		(435,538)		(334,725)
Change in non-cash working capital items:				
(Increase) decrease in receivables		(15,320)		(40,100)
(Increase) decrease in prepaid expenses		(35,543)		2,912
Increase (decrease) in accounts payable and accrued liabilities		(139,822)		6,662
Net cash used in operating activities		(626,223)		(365,251)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Acquisition of exploration and evaluation assets		(325,538)		(10,370)
Proceeds on sale of subsidiary		2,054		-
Acquisition of equipment		(1,315)		-
		(324,799)		(10,370)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash from private placement		1,161,246		108,000
Net cash from financing activities		1,161,246		108,000
INCREASE (DECREASE) IN CASH DURING THE PERIOD		157,982		(265,621)
CASH, beginning of periods		52,242		282,052
CASH, end of periods	**$**	210,224	$	14,431

Supplemental disclosure with respect to cash flows (Note 7)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Colibri Resource Corporation ("the Company") was incorporated on February 20, 2004 in the Province of British Columbia. The Company's registered office and principal place of business is 105 Englehart St., Suite 700, Dieppe, NB, Canada.

The Company is pursuing opportunities in the exploration of mineral and natural resource properties in Mexico and is considered to be in the exploration stage.

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition of the properties.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and liabilities in the normal course of business. Several adverse conditions cast significant doubt on the validity of this assumption. As at May 31, 2018, the Company has working capital of $ 267,549 (Nov 30, 2017 –deficit of $3,669) and has a cumulative deficit of $10,464,024 (Nov 30, 2017 – $9,544,080), no source of operating cash flow, and no assurances that sufficient funding will be available to conduct further exploration and development of its resource property projects.

The only source of future funds presently available to the Company is through the issuance of share capital, or by the sale of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing or sale of an interest in the future will depend in part upon the prevailing market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised through the issuance of shares, control of the Company may change and shareholders may suffer dilution. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's business, results of operations, and financial condition.

The amounts shown as exploration and evaluation assets represent acquisition costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral property interests is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended November 30, 2017, which have been prepared in accordance with IFRS as issued by the IASB. The Company uses the same accounting

2. BASIS OF PRESENTATION – continued

policies and methods of computation as in the annual consolidated financial statements for the year ended November 30, 2017.

The Board of Directors approved these consolidated financial statements for issue on July 30, 2018.

(b) Basis of Measurement

These condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, with the exception of certain financial instruments classified as available-for-sale which are measured at fair value as described in Note 3. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

(c) Subsidiaries and Principles of Consolidation

These condensed interim consolidated financial statements include the accounts of Colibri Resources Corporation and its wholly owned subsidiaries Canadian Gold Resources Ltd., and Minera Bestep S.A. de C.V. Minera Bestep S.A. de C.V. was incorporated in Mexico for the purposes of developing mineral properties. All intercompany transactions and balances have been eliminated upon consolidation. All amounts are reported and measured in Canadian dollars.

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial report from the date control commences to the date control ceases.

(d) Significant Accounting Judgments and Estimates

The preparation of these condensed consolidated interim financial statements requires management to make estimates 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. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim 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 may affect both the period of revision and future periods. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the condensed consolidated interim statement of financial position 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:

- The assumption of going concern basis of accounting;
- The carrying value and recoverable amount of exploration and evaluation assets;
- The inputs used in accounting for share-based compensation expense in the statements of operations and comprehensive loss;
- The valuation of shares issued in non-cash transactions;
- The valuation allowance applied against deferred income tax assets; and
- The determination of functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and cashable highly liquid investments with limited interest and credit risk. The remaining maturities at point of purchase are at three months or less, with no penalties on early retirement.

(b) Exploration and evaluation assets

Exploration and evaluation assets are recorded at cost less accumulated impairment losses, if any. All direct costs related to the acquisition, exploration and evaluation of mineral properties are capitalized until the technical feasibility and commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. Technical feasibility and commercial viability is defined as (1) the determination of mineral reserves and (2) a decision to proceed with development has been recommended by management and approved by the Company's board of directors. To the extent that the expenditures are made to establish mineral reserves within the rights to explore, the Company will consider those costs as capital in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the exploration and evaluation asset.

Management reviews the facts and circumstances to determine whether there is an indication that the carrying amount of the exploration and evaluation assets exceeds their carrying value on a regular basis. Indication includes but is not limited to, the expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned and if the entity has decided to discontinue exploration activity in the specific area. If the facts and circumstances suggest the carrying value exceeds the recovery value, the Company will write down the carrying value of the property.

Where the Company has determined that the underlying mineral interest has reserves and, if impairment indicators exist, the Company will also assess for impairment under IAS 36 impairment of assets, whereby the cash generating unit (CGU) is assessed for impairment by comparing the carrying value to its recoverable amount, which is the higher of the value in use and the fair value less cost to sell. The fair value is determined by the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction, which is often estimated using discounted cash flows for the CGU.

(c) Impairment of Long-lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

cash- generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(d) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The consolidated financial statements are presented in Canadian dollars, which is Colibri's functional currency.

The assets and liabilities of the Company's foreign operations that have a functional currency different from that of Colibri are translated in Canadian dollars using the exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transaction are used. Exchange differences arising, if any, are recognized in other comprehensive income as cumulative translation adjustments.

The functional currency of the Company's 100% owned subsidiary, Minera Bestep S.A. de C.V. is the Mexican Peso.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. The foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year–end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of income

(e) Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred taxation is provided on all qualifying temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Income Taxes *(Continued)*

right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(f) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of options and warrants outstanding for the reporting period, if dilutive. The treasury stock method is used to arrive at the diluted loss per share, which is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. Diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

(g) Share Capital

The Company records its share capital proceeds from share issuances net of related issue costs and any tax effects. The fair value of common shares issued as consideration for mineral right interests is based on the trading price of those shares on the TSX-V on the date of agreement to issue shares or other fair value equivalent amount as determined by the Board of Directors. Agent's warrants, stock options and other equity instruments issued as purchase consideration in nonmonetary transactions other than as consideration for mineral properties are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method.

(h) Share-based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of shares that will eventually vest. The number of forfeitures likely to occur is estimated on grant date. Any consideration paid by directors, officers and employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

(i) Financial Instruments

<u>Financial assets</u>

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

<u>Fair value through profit or loss</u> - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

<u>Loans and receivables</u> - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

<u>Held-to-maturity investments</u> - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

<u>Available-for-sale</u> - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through other comprehensive income (loss).

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash at fair value through profit or loss, and sales tax receivable as loans and loans receivable.

<u>Financial liabilities</u>

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

<u>Fair value through profit or loss</u> - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

<u>Other financial liabilities</u> - This category consists of liabilities carried at amortized cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

Accounts payable and accrued liabilities are designated as other financial liabilities and measured at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement. The Company had neither available-for-sale, nor held-to-maturity instruments during the period ended May 31, 2018.

The Company is required to disclose the inputs used in fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:
Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The Company has determined that no adjustments are currently required for transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading.

(j) Accounting standards issued but not yet applied:

For the purposes of preparing and presenting the Company's condensed consolidated interim financial statements, the Company has adopted all applicable standards and interpretations issued other than those discussed below. These standards have not yet been adopted because they are not effective for the Company until subsequent to May 31, 2018.

IFRS 9 Financial Instruments ("IFRS 9"): In July 2014, the IASB issued the complete IFRS 9, Financial Instruments (2014), which will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 provides a new model for the classification and measurement of financial instruments. The IASB has determined the revised effective date for IFRS 9 will be for annual periods beginning on or after January 1, 2018. The Company will evaluate the impact of the change to the consolidated financial statements based on the characteristics of the financial instruments outstanding at the time of adoption. The Company does not anticipate a significant impact on the financial results from adopting the standard.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not anticipate a significant impact on the financial results it has no revenue.

IFRS 16 Leases ("IFRS 16") eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Accounting standards issued but not yet applied *(continued)***:**

recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing the asset.

The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. Prospective application is required is required beginning on or after January 1, 2019 with early adoption permitted only if an entity early adopts IFRS 15 as well. The Company does not anticipate a significant impact on its financial results from adopting this standard.

IFRS 2 *Share-based Payments* ("IFRS 2") has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in June 2016. The amendments provide guidance on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company does not anticipate a significant impact on its financial results from adopting this standard.

4. EQUIPMENT

	Office Equipment	Computer Equipment	Total
Cost:			
Balance May 31, 2017	$ 6,608	$ 26,215	$ 32,823
Additions	1,315	-	1,315
Balance May 31, 2018	$ 7,923	$ 26,215	$ 34,138
Accumulated amortization:			
Balance May 31, 2017	$ 6,608	$ 24,615	$ 31,223
Amortization	22	971	993
Balance May 31, 2018	$ 6,630	$ 25,586	$ 32,216
Carrying amounts:			
May 31, 2017	$ nil	$ 1,600	$ 1,600
May 31, 2018	$ 1,293	$ 629	$ 1,922

5. EXPLORAT ION AND EVALUATION ASSETS

Title to Mineral Properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Colibri Property

On June 16, 2004, the Company agreed to an option agreement with Minera Cadenza S de RL de CV ("Cadenza"), a private Mexican company wholly owned by Cadence Resource Corporation, a Canadian private company controlled by a director and a former director of the Company, to purchase a 90% interest in the Colibri property, located in the State of Sonora, Mexico. Upon signing the option agreement, the Company paid $50,000 and issued 200,000 common shares with a value of $30,000. The Company agreed to pay $300,000, issue a total of 1,200,000 common shares and incur a total of $1,800,000 (incurred) in exploration expenditures by June 16, 2010, to earn its 90% interest. The Company has paid the $350,000 and issued all of the 1,400,000 common shares with a total value of $244,500. The Company exercised its option and acquired 100% interest in the Colibri Property, and Cadence Resource Corporation retains a 3% Net Smelter Returns ("NSR") royalty.

As part of the Colibri property, on June 16, 2004, the Company agreed to an assignment of contract agreement to have the right to purchase a 100% interest in two mineral claims known as the San Francisco and the Juarez claims for a total of US$1,000,000 to be paid over a six year period ending January 1, 2011. All option payments made under this agreement will be applied to the purchase price of US$1,000,000 if the Company elects to purchase these two mineral claims. To date, the Company has paid US$131,000, but has decided not to pay the remaining option payments, as the costs did not warrant the cost of finalizing the option agreements. All previously capitalized costs relating to these two mineral claims were written off in the Company's 2009 consolidated financial statements.

On May 27, 2011, the Company closed an "earn-in" and shareholders agreement with Agnico-Eagle Mines Ltd., whereby Agnico may acquire up to a 75% interest in the Colibri gold project and form a joint venture with the Company by making qualified exploration expenditures and payments to Colibri. To earn its 75% interest, Agnico is required to spend a minimum of US$3.0 million in exploration expenditures by May 27, 2014, of which US$1.5 million (US$2,797,013 incurred to November 30, 2014) is to be spent in the first 18 months, as well as complete a positive feasibility study within five years. In addition, Agnico will be required to make option payments totaling US$1,452,000 (US$218,000 paid to November 30, 2016) over a seven year period.

After completion of the feasibility study, and Agnico earning its 75% interest, Agnico and Colibri will form a joint venture to develop the Colibri Project. As required under this agreement, a Mexican company, Minera Azor Dorado S.A. de C.V. (the "Operating Company") was incorporated as a wholly-owned subsidiary of a newly incorporated British Columbia company, 0901223 B.C. Ltd. (the joint venture company) to hold the right, title and interest in the Colibri Project and transfer of the concessions comprising the Colibri Project to the Operating Company.

The Company owned 100% of the joint venture company up to November 17, 2012, at which time Agnico exercised its first option under the Earn-in Agreement to acquire a 51% interest, consequently leaving the Company with a 49% interest in the joint venture company. Effective May 14, 2013 Agnico decided not to exercise the second option under the Earn-in and Shareholders Agreement. Following termination of the second option, Agnico and Colibri will now jointly operate the Colibri Project, with Agnico as General Manager, at their current ownership levels subject to adjustments relating to budget funding obligations. As Agnico has also terminated the sole-funding period, any further contributions to the Project must now be

5. EXPLORATION AND EVALUATION ASSETS *(Continued)*

Colibri Property *(Continued)*

contributed by Agnico and Colibri in proportion to their ownership interests. The Company has elected not to participate in funding of the last year's budget, and as a result has had its ownership interest recalculated to 24.5%, as stipulated in Section 12.6 of the Agreement.

Evelyn Property

In March 2010 the Company's subsidiary, Minera Halcones, acquired a 100% interest in the Evelyn III claim via a Mexican government "sorteo" or claim lottery. This 506.3 hectare claim is located in the State of Sonora, Mexico.

During the period the Company sold its subsidiary, Minera Halcones including the Evelyn Property for proceeds of $2,054 realizing a loss of $140,792..

Pilar Property

In August 2017 the Company through its wholly owned subsidiary, Minera Bestep, acquired a 100% interest in the Pilar property. The Pilar property is located in the State of Sonora, Mexico.

Sun Property

In August 2017, the Company through its wholly owned subsidiary, Minera Bestep S.A. de C.V., acquired a 100% interest in the Sun concession.

For the three months ended May 31, 2018	Colibri Property	Pilar Property	Sun Property	Evelyn Property	Total
Acquisition costs:					
Balance, December 1, 2017	$ 422,062	$ 4,403,518	$ 7,700	$ -	$ 4,833,282
Balance, end of the period	422,062	4,403,518	7,700	-	4,833,282
Deferred Exploration costs:					
Balance, December 1, 2017	$1,958,729	$ 11,364	$ 167	$ 133,606	$2,103,866
Additions					
Field expenses and personnel	-	182,186	-	-	182,186
Miscellaneous	-	17,039	-	-	17,039
Property and claim taxes	-	-	-	3,069	3,069
Travel and transport	-	15,295	-	-	15,295
Disposals	-	-	-	(136,675)	(136,675)
	-	214,520	-	(133,606)	80,914
	1,958,729	225,884	167	-	2,184,780
Balance, end of the period	$2,380,793	$4,629,402	$ 7,867	$ -	$7,018,062

5. EXPORATION AND EVALUATION ASSETS *(Continued)*

For the year ended November 30, 2017	Colibri Property	Pilar Property	Sun Property	Evelyn Property	Total
Acquisition costs:					
Balance, December 1, 2016	$ 422,064	$ -	$ -	$ -	$ 422,064
Acquisition	-	4,458,709	7,700	-	4,466,409
Foreign exchange		(55,191)			(55,191)
Balance, November 30, 2017	$ 422,064	$4,403,518	$ 7,700	$ -	$ 4,833,282
Deferred Exploration costs:					
Balance, December 1, 2016	$1,958,729	$ -	$ -	$ 112,600	$2,071,329
Additions					
Field expenses and personnel	-	7,154	-	36	7,190
Geological consulting		-	-	2,258	2,258
Miscellaneous	-	3,060	-	133	3,193
Property and claim taxes	-	1,150	167	18,579	19,896
Travel and transport	-	-	-	-	-
	-	11,364	167	21,006	32,537
Total deferred exploration costs	1,958,729	11,364	167	133,606	2,103,866
Balance, November 30, 2017	$2,380,793	$ 4,414,882	$ 7,867	$ 133,606	$6,937,148

6. RELATED PARTY TRANSACTIONS AND BALANCES

Accounts payable and accrued liabilities to related parties at May 31, 2018 of $199,494 (2017 – $15,800) is comprised of loans plus accrued interest due to companies controlled by officers and significant shareholders of the Company. Amounts payable to related parties bear interest at 6% per annum, are due on demand, and are unsecured.

The Company entered into the following transactions with related parties for the three months ended May 31, 2018:

a) Paid or accrued $18,000 (2017 – $12,500) in management fees to companies controlled by directors and officers of the Company.

b) Paid or accrued $9,000 (2017-$nil) in management fees to an officer of the Company.

c) Paid or accrued $3,500 (2017 – $3,300) in accounting fees to an officer of the Company.

d) Paid or accrued $5,000 (2017 – $NIL) in fees to directors of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

Common shares:

	Number of Shares	Amount
Balance at November 30, 2016	10,292,915	$8,184,412
Shares issued for cash, net of issuance costs	1,440,000	108,000
Balance May 31, 2017	11,732,915	8,292,412
Shares issued for cash, net of issuance costs	4,590,000	622,622
Shares issued for exploration and evaluation assets	24,242,425	4,000,000
Shares issued for debt	66,666	10,000
Balance November 30, 2017	40,632,006	12,925,034
Share issued for cash, net of issuance costs	12,280,980	1,139,271
Balance February 28, 2018	52,912,986	$14,064,305

On September 24, 2015, the Company implemented a share consolidation of all its outstanding common shares on the basis of one post-consolidation share for every fifteen pre-consolidated shares.

(c) Warrants

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	
Balance, November 30, 2016	4,767,166	$	0.00
Exercised during fiscal 2017	(1,440,000)	$	0.08
Exercised during fiscal 2017	(325,000)	$	0.15
Issued during fiscal 2017	4,265,000	$	0.25
Balance November 30, 2017	7,267,166	$	0.24
Issued during the period	12,120,980		0.15
Exercised during the period	(160,000)		0.085
Balance February 28, 2018	19,228,146		0.19

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Continued)*

The following warrants are outstanding at May 31, 2018

Number of warrants	Exercise price per warrant	Expiry date
175,000	$0.15	June 30, 2018
2,667,166	$0.25	October 26, 2018
4,265,000	$0.25	September 6, 2019
10,770,980	$0.15	February 26, 2023
1,350,000	$0.15	March 14, 2023
19,228,146		

In addition, there are 674,873 broker warrants outstanding exercisable at prices ranging from $0.15 to $0.25 per share and expiring at dates between until October 26, 2018 and February 26, 2023.

(d) Stock Options

The Company has in place a rolling stock option plan whereby the Company may grant stock options to eligible persons to acquire a total of up to 10% of the then existing number of shares outstanding. Awarded stock options generally vest at the discretion of the directors and are exercisable over a period not exceeding ten years at exercise prices determined by the directors. The exercise price of each option is subject to a minimum price of $0.10 and cannot be less than the discounted market price of the Company's stock as calculated pursuant to the policies of the TSX Venture Exchange.

The number of stock options outstanding at May 31, 2018 is summarized as follows:

	Number Of Options	Weighted Average Exercise
Balance, November 30, 2016	610,000	$0.34
Options expired	(60,000)	$2.10
Balance May 31, 2017	550,000	$0.15
Options granted	150,000	$0.15
Balance, November 30, 2017	700,000	$0.15
Options granted	3,775,000	$0.10
Balance, May 31, 2018	4,475,000	$0.11

At May 31, 2018, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
550,000	$0.15	June 14, 2021
150,000	$0.15	January 23, 2019
1,800,000	$0.10	April 16, 2018
1,975,000	$0.10	April 16, 2013
4,475,000		

At May 31, 2018, the 4,475,000 options outstanding have a weighted average life remaining of 6.53 years.

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Continued)*

The fair value of options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, expected forfeitures and the risk- free interest rate for the term of the option.

The model inputs for options granted during the period ended May 31, 2018 include:

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
April 16, 2018	April 16, 2028	$0.09	$0.10	1.20%	10	185%	0%
April 16, 2018	April 16, 2023	$0.09	$0.10	1.20%	5 years	185%	0%

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Total expenses arising from the share-based payment transactions recognized during the period as part of share-based compensation expense was $188,271(2017: $nil).

As at May 31, 2018 there was $148,568 (2017: $nil) of total unrecognized compensation cost related to unvested share-based compensation.

Total expenses arising from the share-based payment transactions that were capitalized during the period as part of exploration and evaluation asset acquisition costs were $nil (2017: $nil).

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	May 31, 2018	May 31, 2017
Cash paid for:		
Income taxes	$ -	$ -
Interest	$ -	$ -

9. SEGMENTED INFORMATION

The Company primarily operates in one reportable business segment, being the acquisition and exploration of mineral properties located in Mexico. The net loss and assets identifiable with these geographic areas are as follows:

9. SEGMENTED INFORMATION *(Continued)*

May 31, 2018	Canada	Mexico	Total
Net loss for the period	$(528,686)	$(70,511)	$(599,097)
Current assets	477,708	52,695	530,403
Mineral properties	-	7,018,062	7,018,062
Capital assets	1,922	-	1,922
Total assets	$ 479,630	$7,070,757	$7,550,387
Total liabilities	$ 250,009	$ 12,839	$ 262,848

May 31, 2017	Canada	Mexico	Total
Net loss for the period	$ (177,692)	$ (8,749)	$ (186,441)
Current assets	64,925	5,113	70,038
Mineral properties	-	2,503,763	2,503,763
Capital assets	1,600	-	1,600
Total assets	$ 66,525	$2,508,876	$2,575,601
Total liabilities	$52,892	$ 3,962	$ 56,854

10. FINANCIAL INSTRUMENTS

The Company, through its financial assets and liabilities is exposed to various risks. The following analysis provides a measurement of risks as at the balance sheet date, February 28, 2018.

1. Fair Value

The carrying values of cash, accounts receivable, accounts payable to related parties, and accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of the instruments.

2. Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances primarily in large Canadian chartered banks, and no interest bearing debt. The Company's current policy is to invest cash in Canadian bank savings accounts with interest that varies at prime and guaranteed investment certificates with terms of one year or less.

3. Credit Risk

The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable financial institutions, primarily in Canada, and is kept in highly liquid accounts that are closely monitored by management. Credit risk with respect to its accounts receivable is minimal due to the insignificant balances that are primarily due from government agencies.

10. FINANCIAL INSTRUMENTS *(Continued)*

The Company's maximum exposure to credit risk is as follows:

May 31, 2018	Canada	Mexico	Total
Cash and cash equivalents	$ 161,409	$ 48,815	$ 210,224
Receivables	18,089	3,107	21,196
	$ 179,498	$ 51,922	$ 231,420

May 31, 2017	Canada	Mexico	Total
Cash and cash equivalents	$14,431	$ -	$ 14,431
Receivables	40,122	5,113	45,235
	$54,553	$ 5,113	$ 59,666

4. Derivatives – Mineral Properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties ("NSR"), the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine value.

5. Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rate. The Company's cash flow exposure to foreign currency is due mainly to cash, option payments and costs incurred for the development of its mineral properties in Mexico. As at May 31, 2018, the Company's condensed consolidated interim balance sheets included $1,215 (2017 – $NIL) of cash denominated in U.S. currency and $47,600 (2017 – $8,094) denominated in Mexican currency; $NIL (2017 – $NIL) of accounts payable which were U.S. currency denominated and $12,839 (2017 – $3,962) of accounts payable which were Mexico currency denominated. The Company does not use, hold or issue financial instruments for trading or speculative purposes. At May 31, 2018 there were no foreign exchange contracts outstanding.

6. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined below. The Company has sufficient funds as at May 31, 2018 to settle its current accounts payable of $262,848, and insufficient funds to cover its long-term commitments on mineral claims as outlined in Note 5.

In the opinion of management, working capital of $267,549 at May 31, 2018 is sufficient to support the Company's normal operating requirements through its current reporting period. The Company is continuing to review expenditures in order to ensure adequate liquidity and flexibility to support its exploration and development strategies.

The Company believes that external financing, likely in the form of equity offerings or optioning one or more of its claims, will be required in order to maintain its current operations.

11. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity. 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 development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. As at May 31, 2018, total managed capital was $7,287,539 (2017– $2,518,546)

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 issue new shares, issue new debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. These budgets are approved by the Company's Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in interest-bearing accounts with Canadian chartered banks.

The Company's capital resources available to it have been depleted, so has reduced operating expenditures to a minimum.

There were no changes in the Company's approach to capital management during the period ended May 31, 2018. The Company is not subject to externally imposed capital requirements.

12. SUBSEQUENT EVENTS

Subsequent to the period end, the Company re-acquired the Evelyn Property for cash consideration of $19,000.