CHAKANA COPPER CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2019 AND
FOR THE NINE MONTHS ENDED MAY 31, 2018 (RESTATED)

(EXPRESSED IN CANADIAN DOLLARS)

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Independent Auditor's Report

To the Shareholders of Chakana Copper Corp.

Opinion

We have audited the consolidated financial statements of Chakana Copper Corp. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2019 and May 31, 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the year ended May 31, 2019 and the nine months ended May 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter - Restated Financial Statements

We draw attention to Note 2 to the consolidated financial statements, which describes that the consolidated financial statements that we originally reported on September 27, 2018 have been restated and describes the matter that gave rise to the restatement of the consolidated financial statements. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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.

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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 Gordon Cummings.

"D&H Group LLP"

Vancouver, B.C.
November 15, 2019

Chartered Professional Accountants

CHAKANA COPPER CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2019 AND MAY 31, 2018

(expressed in Canadian Dollars)

		May 31, 2019		May 31, 2018 (Restated – Note 2)
ASSETS				
Current Assets				
Cash (Note 9)	$	12,279,037	$	13,159,191
Prepaid and other current assets (Note 10)		247,727		374,805
		12,526,764		13,533,996
Non-Current Assets				
Exploration and evaluation assets (Note 11)		2,163,052		640,722
Equipment (Note 12)		902,309		473,126
VAT receivable (Note 13)		412,162		79,747
Total Assets	$	16,004,287	$	14,727,591
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (Note 14)	$	526,094	$	486,930
Total Liabilities	$	526,094	$	486,930
Shareholders' Equity				
Common shares (Note 15)		29,974,224		21,319,696
Warrant reserve (Notes 16)		1,133,947		1,143,257
Stock options (Note 17)		1,512,084		1,346,701
Accumulated other comprehensive loss		388,082		72,738
Deficit		(17,530,144)		(9,641,731)
	$	15,478,193	$	14,240,661
Total Liabilities and Shareholders' Equity	$	16,004,287	$	14,727,591

Nature of Operations (Note 1)
Subsequent Events (Note 28)

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

Approved on behalf of the Board of Directors

/s/ Tom Wharton
Tom Wharton, Director

/s/ Darren Devine
Darren Devine, Director

CHAKANA COPPER CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED MAY 31, 2019 AND FOR THE NINE MONTHS ENDED MAY 31, 2018

(expressed in Canadian Dollars)

		Year ended May 31, 2019		Nine months ended May 31, 2018 (Restated – Note 2)
OPERATING EXPENSES				
Consulting fees	$	241,134	$	233,292
Exploration and evaluation expenditures (Note 18)		4,957,372		4,520,735
Depreciation		88,857		21,134
General and administrative expenses		442,440		509,271
Investor relations		342,588		274,233
Legal and professional fees		178,901		216,730
Salaries and wages		661,287		282,157
Stock-based compensation (Note 17)		165,383		1,362,674
Travel and meals		133,120		190,035
Operating Expenses		(7,211,082)		(7,610,261)
Other				
Foreign exchange loss		(394,940)		(124,934)
Write-off of debt		-		47,220
Interest income		86,495		21,671
Listing expense		-		(651,529)
Misuse of funds (Notes 2, 20 and 28)		(368,886)		(120,169)
Net Loss		(7,888,413)		(8,438,002)
Other Comprehensive Income (Loss)				
Foreign currency translation		315,345		78,108
Comprehensive Loss		(7,573,068)		(8,359,894)
Basic and diluted loss per share (Note 21)	$	(0.10)	$	(0.14)
Weighted average number of shares outstanding (basic and diluted) (Note 21)		81,601,903		58,211,027

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

CHAKANA COPPER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2019 AND FOR THE NINE MONTHS ENDED MAY 31, 2018

(expressed in Canadian Dollars)

		Year ended May 31, 2019		Nine months ended May 31, 2018 (Restated – Note 2)
Cash Flows used in Operating Activities				
Net loss	$	(7,888,413)	$	(8,438,002)
Adjustments to reconcile net loss to cash used in operating activities				
Depreciation		88,857		21,134
Listing expense		-		649,997
Stock-based compensation		165,383		1,362,674
Write-off of debt		-		47,220
Decrease/(Increase) in prepaids and other current assets		127,077		(327,334)
Increase in accounts payable and accrued liabilities.		39,164		29,554
Increase in value-added taxes receivable		(332,415)		(79,747)
		(7,800,347)		(6,734,504)
Cash Flows used in Investing Activities				
Purchase of equipment		(512,905)		(437,395)
Acquisition of exploration and evaluation assets		(799,305)		(607,967)
		(1,312,210)		(1,045,362)
Cash Flows from Financing Activities				
Net proceeds from issuance of common shares		7,927,751		17,245,040
Proceeds from subscription receipts		-		706,417
Proceeds from exercise of warrants		17,290		20,000
		7,945,041		17,971,457
Changes in cash during the period		(1,167,516)		10,191,591
Foreign exchange on cash		287,362		78,108
Cash – Beginning of the period	$	13,159,191	$	2,889,492
Cash– End of the period	$	12,279,037	$	13,159,191

Supplemental Cash Flow Information (Note 27)

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

CHAKANA COPPER CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED MAY 31, 2019 AND FOR THE NINE MONTHS ENDED MAY 31, 2018
(Expressed in Canadian Dollars, except per share amounts)

	Common Shares						
	Shares	**Amount**	**Accumulated Other Comprehensive Loss**	**Warrant Reserve**	**Stock Option Reserve**	**Deficit**	**Total**
Restated Balance – May 31, 2018	80,070,347	$ 21,319,696	$ 72,738	$ 1,143,257	$ 1,346,701	$ (9,641,731)	$ 14,240,661
Net loss for the period		-	-	-	-	(7,888,413)	(7,888,413)
Other comprehensive loss for the period		-	315,344	-	-	-	315,344
Vesting of stock options		-	-	-	165,383	-	165,383
Shares issued for:							
Cash (Note 15)	15,686,275	8,000,000	-	-	-	-	8,000,000
Share issuance costs		(80,072)	-	-	-	-	(80,072)
Acquisition of property (Note 11)	1,400,000	708,000	-	-	-	-	708,000
Warrant exercises (Note 16)	43,225	26,600	-	(9,310)	-	-	17,290
Balance – May 31, 2019	97,199,847	$ 29,974,224	$ 388,082	$ 1,133,947	$ 1,512,084	$ (17,530,144)	$ 15,478,193
Balance – August 31, 2017	41,306,167	$ 2,985,400	$ (5,370)	$ 840,126	$ -	$ (1,203,729)	$ 2,616,427
Net loss for the period		-	-	-	-	(8,476,508)	(8,476,508)
Other comprehensive loss for the period	-	-	78,108	-	-	-	78,108
Stock options granted	-	-	-	-	1,362,674	-	1,362,674
Shares issued for:							
Reverse acquisition of Remo Resources (Note 8)	1,299,994	649,997	-	-	-	-	649,997
Cash (Note 15)	28,888,889	18,000,000	-	-	-	-	18,000,000
Share issuance costs	370,715	(1,280,337)	-	525,378	-	-	(754,959)
Stock option exercise (Note 17)	50,000	35,973	-	-	(15,973)	-	20,000
Warrant exercises (Note 16)	8,154,582	928,663	-	(222,247)	-	-	706,416
Net effect of restatement (Note 2)	-	-	-	-	-	38,506	38,506
Restated Balance – May 31, 2018	80,070,347	$ 21,319,696	$ 72,738	$ 1,143,257	$ 1,346,701	$ (9,641,731)	$ 14,240,661

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

1. Nature of Operations

Chakana Copper Corp. (formerly Remo Resources Inc.) (the "Corporation") was incorporated on May 2, 2011, under the laws of the province of British Columbia, Canada, and changed its name from Hadrian Resources Inc. on August 4, 2011 and changed its name to Chakana Copper Corp. on January 30, 2018. The Corporation is listed on the TSX Venture Exchange ("TSX-V") under the symbol "PERU". The Corporation is currently engaged in exploration of mineral properties, with its principal focus at this stage on the exploration of the Soledad copper-gold-silver project located in Central Peru (the "Soledad Project").

The head office, principal address is located at 800 West Pender Street, Suite 1430, Vancouver, British Columbia, V6C 2V6, Canada and records office of the Corporation is located at 1055 West Pender Street, Suite 1500, Vancouver, British Columbia, V6E 4V7, Canada.

The Corporation is in the process of exploring and developing its mineral properties. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Corporation to obtain necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each mineral property. Furthermore, the acquisition of title to mineral properties is a complicated and uncertain process, and while the Corporation has taken steps in accordance with normal industry standards to verify its title to the mineral properties in which it has an interest, there can be no assurance that such title will ultimately be secured. The carrying amounts of mineral properties are based on costs incurred to date, and do not necessarily represent present or future values.

Reverse Takeover

On January 30, 2018, Remo completed the acquisition of Chakana Copper Corp. ("Chakana"), a private British Columbia corporation incorporated on December 1, 2016. Chakana's wholly-owned subsidiary, Chakana Resources S.A.C, a limited liability company formed under the laws of the Peru on December 1, 2016, holds an option to acquire a 100% interest in the Soledad Project in Peru, and is the operator of all related mineral exploration activities. The Corporation acquired all of the issued and outstanding shares of Chakana through a three-cornered amalgamation involving a wholly-owned British Columbia subsidiary of the Corporation and Chakana (the "Reverse Takeover Transaction", the "Transaction", or the "RTO"). In connection to the Transaction, the Corporation consolidated its common shares on the basis of one-post consolidation common share for each 6.865385 pre-consolidation shares (the "Consolidation"). The Transaction resulted in the shareholders of Chakana holding 96.94%, of the Corporation's issued and outstanding common shares. Accordingly, the transaction is treated as a reverse takeover and the financial statements represent a continuation of the legal subsidiary, Chakana, not the Corporation, the legal parent.

2. Restatement of Previously issued Consolidated Financial Statements

Chakana has restated its consolidated statement of financial position as at May 31, 2018; its consolidated statement of loss and comprehensive loss, consolidated statement of cash flows, and consolidated statement of changes in equity for the nine months ended May 31, 2018.

2. Restatement of Previously issued Consolidated Statements (continued)

In the course of preparing the Corporation's consolidated financial statements for the year ended May 31, 2019, the following errors were discovered pertaining to the 2018 fiscal year end:

- Overstatement of $120,170 in prepaid expenses and an understatement of equipment, exploration and evaluation assets and exploration and evaluation expenditures;
- Understatement of $158,675 in equipment and exploration assets an overstatement of exploration and evaluation expenditures and prepaid expenses;
- $79,746 value-added tax receivables was incorrectly classified as a current asset;
- The Corporation realized a loss of $120,169 as a result of funds that were misused by a former employee of the Corporation, of which a settlement agreement has subsequently been reached (see notes 20 and 28).

As a result, the following adjustments were made to the comparative consolidated financial information.

(expressed in Canadian Dollars)

		As Reported		Adjustment		Restated
Statement of financial position						
Prepaid and other current assets	$	574,721	$	(199,916)	$	374,805
Exploration and evaluation assets		606,975		33,747		640,722
Equipment		348,198		124,928		473,126
VAT receivable	$	-	$	79,747	$	79,747
Statement of loss and comprehensive loss						
Exploration and evaluation expenditures	$	(4,679,410)	$	158,675	$	(4,520,735)
Misuse of funds		-		(120,169)		(120,169)
Net loss		(8,476,508)		38,506		(8,438,002)
Basic and diluted loss per share	$	(0.15)	$	0.01	$	(0.14)
Consolidated Statement of Cash Flows						
Net loss	$	(8,476,508)	$	38,506	$	(8,438,002)
Increase in prepaid and other current assets		(527,250)		199,916		(327,334)
Increase of value-added taxes receivable		-		(79,747)		(79,747)
Cash Flows used in Operations	$	(6,893,179)	$	158,675	$	(6,734,504)
Purchase of equipment	$	(312,467)	$	(124,928)	$	(437,395)
Acquisition of exploration and evaluation assets		(574,220)		(33,747)		(607,967)
Cash flow used in Investing Activities	$	(886,687)	$	(158,675)	$	(1,045,362)
Statement of changes in equity						
Deficit at the end of the year	$	(9,680,237)	$	38,506	$	(9,641,731)

3. Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements were approved by the Board of Directors on November 15, 2019.

The Corporation's financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as explained in Note 22, and are presented in Canadian dollars except where otherwise indicated.

4. Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are summarized below.

(a) Basis of Consolidation

The Corporation's consolidated financial statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are entities controlled by the Corporation, where control is achieved by the Corporation being exposed to, or having rights to, variable returns from its involvement with the entity and having the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation, and are deconsolidated from the date that control ceases. The Corporation currently has two wholly owned subsidiaries: 1124467 B.C, Ltd. and Chakana Resources S.A.C.

All inter-company transactions, balances, income and expenses are eliminated on consolidation.

(b) Cash

Cash is comprised of cash at banks and demand deposits.

(c) Exploration and Evaluation Assets

Exploration and evaluation assets is comprised of mineral interests owned by the Corporation and are initially measured at the fair value of the consideration paid for the mineral rights acquired. The amounts shown for mineral property represents the cost of acquisition and do not reflect present or future values. These costs will be amortized against future production or written off if the assets are abandoned or sold.

Exploration and evaluation costs, except for the cost of acquisition, are expensed as incurred until management has determined that there is sufficient evidence to show the technical feasibility and commercial viability of the extraction of the mineral resources from the mineral properties. Once technical feasibility and commercial viability is demonstrated in the mineral properties, exploration and evaluation expenditures are capitalized as exploration and evaluation assets.

At each reporting date, exploration and evaluation assets are tested for indications of impairment.

(d) Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment comprises of its purchase price and any costs directly attributable to brining the asset to the location and condition necessary for it to be capable of operating in a manner intended by management.

The cost of equipment, less residual value (if any), is depreciated over the estimated useful life of the asset on a straight-line basis as follows:

Equipment	3-10 years

Where components of an item of property and equipment have different useful lives or for which different deprecation rates would be appropriate, they are accounted for as separate items of property and equipment.

An item of equipment is derecognized upon disposal or replacement. Any gains or loss arising on recognition of the asset (calculated as the difference between the net proceeds of disposition and the carrying amount of the asset) is included on the Consolidated Statement of Loss and Comprehensive loss when the asset is derecognized.

4. Significant Accounting Policies (continued)

(e) Impairment of Long-Lived Assets

Impairment tests for non-current assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the non-current asset's recoverable amount is calculated. The recoverable amount is determined at the higher of fair value less costs of disposal and the asset's value in use. If the carrying value of a non-current asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount of the non-current asset to its recoverable amount.

(f) Value-Added Tax Receivable

Expenditures incurred by the Corporation in Peru are subject to Peruvian Value Added Tax ("VAT"). Under Peruvian law VAT paid can be used in the future to offset amounts resulting from VAT charged on sales. Under certain circumstances and subject to approval from tax authorities a corporation can also apply for early refund of VAT prior to generating sales. The Corporation has entered into an agreement with the Ministry of Energy and Mines to apply for early refund of VAT. VAT refundable under the agreement is recorded as a receivable to the extent management believes the amount will be refunded. VAT which can be used in the future to offset amounts resulting from VAT charged on sales is expensed when occurred.

(g) Current and Deferred 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 they relate to a business combination or to items recognized directly in equity or in other comprehensive income.

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

Deferred income taxes are recognized using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. However, deferred income taxes are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss.

Deferred income taxes are determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are presented as non-current in the financial statements.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right of offset, 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. Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

4. Significant Accounting Policies (continued)

(h) Warrants

When the Corporation issues units that are comprised of a combination of shares and warrants, the value is assigned to shares and warrants based on the residual value method. The fair value assigned to the warrants is determined based on a Black-Scholes option pricing model. The value of the shares is then determined by the proceeds from the issuance of units less the calculated fair value of the warrants.

(i) Share-based Payment Transactions

The Corporation has a stock option plan that provides for the granting of options to officers, directors, consultants and related company employees to acquire shares of the Corporation. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in reserves as the options vest. Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as reserves. When options are exercised, the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled, or expires, the initial recorded value is reversed and charged to deficit.

(j) Foreign Currencies

The consolidated financial statements are presented in Canadian dollars. The functional currency of the Corporation and its subsidiaries are measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the parent and the Canadian subsidiary, 1124467, B.C, Ltd is the Canadian dollar, and the functional currency of Chakana Resources S.A.C is the U.S. dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are retranslated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Under IFRS, the results and financial position of all the Corporation's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction); and
- all resulting exchange differences are recognized as a separate component of equity.

4. Significant Accounting Policies (continued)

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

(k) Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per share is calculated using the treasury share method whereby all “in the money” options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

Where dilutive potential ordinary shares have an anti-dilutive impact, they are excluded from the calculation of diluted earnings (loss) per share.

(l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(m) Financial Instruments

Classification

The Corporation classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVOCI”) or at amortized cost. The Corporation determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Corporation’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Corporation can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Corporation has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

4. Significant Accounting Policies (continued)

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in compressive income or loss in the period in which they arise.

Impairment of Financial Assets at Amortized Cost

The Corporation recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Corporation measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Corporation measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Corporation shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net (loss) income.

5. Significant Accounting Judgements and Estimates

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

Judgments that have the most significant effect on the amounts recognized in the Corporation's consolidated financial statements are as follows:

- *Impairment of Exploration and Evaluation Assets*

  The net carrying value of the exploration asset is reviewed regularly for conditions that suggest potential indications impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

- *Going Concern*

  The assessment of the Corporation's ability to continue as a going concern involves critical judgement based on historical experience and expectations of the Corporation's ability to generate adequate financing. Significant judgements are used in the Corporation's assessment of its ability to continue as a going concern.

(expressed in Canadian Dollars)

5. Significant Accounting Judgements and Estimates (continued)

- *Value added Tax Receivable*

  The Corporation has a signed agreement with the Peruvian Ministry of Energy and Mines to receive a refund on value-added taxes for certain exploration related expenditures incurred by the Corporation in Peru, prior to the Corporation generating sales. These value-added tax receivables are subject to review by the Peruvian tax authorities. Management is required to assess the likelihood of approval for the expenditures filed for refund and collectability of the value-added tax receivables from the Peruvian Ministry of Energy and Mines.

- *Income taxes*

  Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (“temporary differences”), and losses carried forward.

  The determination of the ability of the Corporation to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Corporation. Management is required to assess whether it is probable that the Corporation will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

- *Functional Currency*

  The functional currency for the Corporation's subsidiary, Chakana Resources S.A.C., is the U.S. dollar - the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Corporation reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

6. Accounting Standards and Amendments Adopted

IFRS 9 – Financial Instruments

The Corporation adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9") as of June 1, 2019. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking “expected loss” impairment model. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The table below summarizes the classification and carrying amount changes upon transition from IAS 39 to IFRS as at June 1, 2018.

	Original under IAS 39			**New Under IFRS 9**		
	Classification		Carrying Amount	Classification		Carrying Amount
Cash	FVTPL	$	13,159,191	FVTPL	$	13,159,191
Accounts payable and accrued liabilities	Other financial liabilities	$	486,930	Amortized Cost		486,930

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

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

6. Accounting Standards and Amendments Adopted (continued)

IFRS 15 – Revenue from Contracts with Customers

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

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

7. Accounting Standards and Amendments Issued but Not Yet Adopted

The IASB has issued or amended a number of standards that were not effective at May 31, 2019. These standards have not been early adopted in these consolidated financial statements.

IFRS 16 - Leases
This new standard was issued with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted.

The Corporation is currently assessing the impact these standards and amendments may have on its financial statements.

8. Reverse Acquisition

On January 30, 2018, pursuant to the terms of the Transaction, the Corporation acquired all of the outstanding shares of Chakana, at an exchange ratio of 1:1, for 41,306,167 common shares of the Corporation. After the completion of the Transaction, the shareholders of Chakana held approximately 96.94% of the Corporation. Chakana is considered to have acquired the Corporation, with the Transaction being accounted as a reverse takeover of the Corporation by Chakana. Accordingly, the financial statements represent a continuation of Chakana, not the Corporation with the exception that all figures as to the number of common shares, as well as loss per share in these consolidated financial statements reflect the legal capital of Corporation at the exchange ratio in the acquisition.

The acquisition constitutes an asset acquisition as the Corporation does not meet the definition of a business, as defined in IFRS 3, Business Combination.

For the purposes of accounting for the reverse takeover, the percentage of ownership of the pre-acquisition shareholders' of Chakana in the combined entity upon completion of the acquisition was determined to be 3.05% (which represents 1,299,994 common shares out of total 42,606,161 common shares of the Corporation outstanding upon closing of the acquisition).

As a result of this asset acquisition, a listing expense of $649,997 has been recorded. This reflects the difference between the estimated fair value of Chakana shares deemed to have been issued to the Corporation's shareholders less the fair value of the assets of the Corporation acquired.

Upon the completion of the transaction on January 30, 2018, the corporation issued 200,000 finder's fee shares.

(expressed in Canadian Dollars)

8. Reverse Acquisition (continued)

The allocation of consideration transferred is subject to change and is summarized as follows:

Purchase Price		
1,299,994 common shares of the Corporation at $0.50 per shares	$	649,997
Total Purchase Price	$	649,997
Allocation of Purchase Price		
Cash	$	467
Prepaid expenses and other current assets		7,117
Accounts and accrued liabilities		(9,116)
Charge related to public company listing		651,529
	$	649,997

9. Cash

		May 31, 2019		May 31, 2018
Cash	$	2,779,037	$	8,159,191
Demand Deposit - GICs		9,500,000		5,000,000
	$	12,279,037	$	13,159,191

10. Prepaid expenses and other current assets

		May 31 2019		May 31, 2018 (Restated – Note 2)
Prepaid expenses and other current assets	$	247,727	$	374,805
	$	247,727	$	374,805

11. Exploration and Evaluation Assets

		Condor Option		Aija Project		Total
Balance – August 31, 2017	$	32,755	$	-	$	32,755
Acquisition costs		406,820		201,147		607,967
Balance – May 31, 2018 (restated)	$	439,575	$	201,147	$	640,722
Acquisition costs		1,434,950		80,534		1,515,484
Foreign exchange on translation		5,586		1,260		6,846
Balance – May 31, 2019	$	1,880,111	$	282,941	$	2,163,052

The Corporation's wholly-owned indirect subsidiary Chakana Resources S.A.C. holds (i) the option to acquire 100% ownership interest in the Soledad Project ("Condor Option"), (ii) holds an option to acquire 100% ownership interest in the adjacent Aija Project, Peru ("Aija Project"), and (ii) holds an option to acquire up to 100% ownership in other adjacent mineral concessions owned by Minera Barrick Misquichilca S.A. ("Barrick Option"). All three options are collectively referred as the "Soledad Project." The Corporation is the operator of all related mineral exploration activities on these projects.

(expressed in Canadian Dollars)

11. Exploration and Evaluation Assets (continued)

(i) Soledad Project, Peru ("Condor Option")

On April 17, 2017, the Corporation entered into the Mining Assignment and Option Agreement with Minera Vertiente del Sol SAC ("MVS") (the "Agreement") a subsidiary of Condor Resources Inc. ("Condor"), pursuant to which the Corporation has the sole and exclusive option to acquire 100% of the rights and interests in the Soledad Copper / Gold Project, Peru (the "Soledad Project"), subject to a 2% net smelter return royalty ("NSR"). The closing date for the Agreement was June 23, 2017.

The Corporation's option to acquire rights and interests in the Soledad Project is exercisable by issuing 500,000 common shares by June 23, 2018 (issued), making aggregate cash payments of USD $5,375,000, and completing 12,500 metres of drilling on the Soledad Project.

The option exercise cash payments schedule are as follows:

Installment	**Date**		**Amount (in USD$)**
1	February 2017 (paid)	$	10,000
2	Upon signing the Agreement on April 17, 2017 (paid)		15,000
3	December 23, 2017 (paid)		25,000
4	June 23, 2018 (paid)		50,000
5	December 23, 2018 (paid)		50,000
6	June 23, 2019 (paid subsequent to year end)		75,000
7	December 23, 2019		75,000
8	June 23, 2020		100,000
9	December 23, 2020		150,000
10	June 23, 2021		200,000
11	December 23, 2021		4,625,000
	Total	**$**	**5,375,000**

As at May 31, 2019, the Corporation has paid instalments 1 to 5, totalling USD $150,000. The June 23, 2018 instalment was accompanied with the issuance of 500,000 shares of the Corporation (note 15).

Under the agreement, the Corporation may purchase from MVS 50% of the NSR, equal to a 1% NSR, for USD $2,000,000 at any time.

On March 18, 2019, the Corporation purchased a 1% NSR on the Soledad Project for $369,902 (USD $275,000) and 900,000 common shares (Note 15). As a result of the Corporation purchasing the NSR, the option agreement between the parties will be amended to reflect a reduction of the NSR royalty from 2% to 1%, with the Corporation having the right to re-purchase 50% of the NSR (or 0.5% NSR) for USD $1,000,000 subsequent to exercising the option agreement. If the Corporation does not exercise the option agreement to acquire Condor's Soledad concessions, Condor has the right to purchase 50% of the NSR (or 0.5% NSR) for USD $1,000,000. The amendment to the option agreement also eliminated Chakana's pre-royalty payment obligations.

(expressed in Canadian Dollars)

11. Exploration and Evaluation Assets (continued)

Pursuant to the Assignment, the Corporation must complete 12,500 metres of exploration drilling at the Soledad Project.

As at May 31, 2019, the Corporation has drilled 25,211 (May 31, 2018 – 16,227) metres and incurred $9,834,912 (May 31, 2018 – $5,340,846) of exploration expenditures on the Soledad Project, therefore meeting all of its drilling and work expenditure commitments under the Agreement.

(ii) Aija Project, Peru ("Aija Project")

On March 20, 2018, the Corporation entered into an Option Agreement with an arms-length third party to acquire 100% of the rights and interest in the Aija Project (the "Aija Project") subject to a 2% Net Smelter Royalty. The Aija Project includes 3 principal concessions, and 7 smaller parcels within one of the principal concessions, totalling in aggregate 574.71 hectares. These concessions are contiguous with the southern boundary of the Condor Option.

The Option exercise cash payments schedule is as follows:

Installment	Date		Amount (in USD$)
1	Upon execution of Letter of Intent on October 3, 2017 (paid)	$	75,000
2	Upon close of Definitive Agreement on August 1, 2018 (paid)	$	75,000
3	February 1, 2019 (paid)	$	50,000
4	August 1, 2019 (paid subsequent to year end)	$	50,000
5	February 1, 2020	$	75,000
6	August 1, 2020	$	75,000
7	February 1, 2021	$	100,000
8	August 1, 2021	$	100,000
9	February 1, 2022	$	100,000
10	August 1, 2022	$	100,000
11	February 1, 2023	$	1,500,000
	Total	**$**	**2,300,000**

Under the terms of the Option, the third-party is entitled to a 2% NSR which the Corporation may purchase all of the 2% NSR at any time for USD $2,000,000. There are no drilling or work expenditure commitments under the Option.

(iii) Barrick Option Agreement ("Barrick Option")

On July 11, 2018, Mineral Barrick Misquichilca S.A. ("Barrick") granted the Corporation an option to acquire a 100% interest in three concessions adjoining the southern extent of the Aija Project ("Barrick Option"). Under terms of the agreement, the Corporation has 5 years to complete a minimum of 2,000 m of drilling and produce a Preliminary Economic Assessment report compliant with National Instrument 43-101. Upon exercise of the option, Barrick will retain a 2% NSR subject to the Corporation's right to purchase 50% of the royalty for USD $2,000,000.

Barrick will have a one-time right to re-acquire a 70% interest in the concessions within 120 days of exercising the option by paying the Corporation three times the aggregate amount of exploration expenditures incurred since the execution date and cancelling the 2% NSR. If a production decision is then not made by Barrick within 7 years of the Back-in Closing Date, Barrick will make pre-royalty payments of USD $75,000 per year until a production decision is made for a maximum of 5 years (USD $375,000). If the Corporation does not contribute its share of project costs its interest will be diluted until 10%, upon which its interest will be converted to a 2% NSR with Barrick retaining a right to purchase 50% of the royalty for USD $2,000,000.

(expressed in Canadian Dollars)

12. Equipment

		Equipment
Cost		
As at May 31, 2018 (Restated)	$	494,260
Additions		512,905
Disposals		-
Foreign exchange on translation		5,093
As at May 31, 2019	$	1,012,258
Accumulated depreciation		
As at May 31, 2018	$	(21,134)
Depreciation		(88,521)
Disposals		-
Foreign exchange on translation		(294)
As at May 31, 2019	$	(109,949)
Net Book Value		
As at May 31, 2018 (Restated)		473,126
As at May 31, 2019	$	902,309

13. VAT Receivable

		May 31 2019		May 31, 2018 (Restated – Note 2)
VAT receivable	$	412,162	$	79,747
	$	412,162	$	79,747

As at May 31, 2019, the Corporation has $412,162 (May 31, 2018 - $79,747) in VAT receivable refundable from Peruvian tax authorities.

14. Accounts Payable and Accrued Liabilities

		May 31, 2019		May 31, 2018
Accounts Payable	$	405,297	$	437,470
Accrued Liabilities		120,797		49,460
	$	526,094	$	486,930

15. Share Capital

(a) Authorized Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value. As at May 31, 2019, there were 17,180,999 common shares held in escrow to be released over a 19 month period.

(b) Issued Capital

During the year ended May 31, 2019, the Corporation issued common shares as follows:

- On May 13, 2019 the Corporation completed a private placement of 15,686,275 common shares of at a price of $0.51 for gross proceeds of $8,000,000. In connection to the private placement, the Corporation recorded $72,249 of share issuance costs related to the legal costs of completing the private placement.
- On April 17, 2019, the Corporation issued 900,000 common shares at a fair value of $0.42 per share as required in connection to the acquisition of a 1% NSR royalty on the Soledad project (note 11). The Corporation recorded $7,822 of share issuance costs in relation to the issuance of the common shares for the acquisition.
- On June 19, 2018, the Corporation issued 500,000 common shares at a fair value of $0.66 per share in connection with the Soledad Property option payment (note 11).
- On June 7, 2018, the Corporation issued 43,225 common shares on the exercise of warrants at an exercise price of $0.40 for gross proceeds of $17,290.

During the nine months ended May 31, 2018, the Corporation issued common shares as follows:

- On March 23, 2018, the Corporation completed a brokered private placement by issuing 8,888,889 common shares at $0.90 per share for gross proceeds of $8,000,000. In connection with this private placement, the Corporation paid cash finders' fees totaling $373,250 and issued 391,000 non-transferable warrants. Each warrant entitles the holder to purchase one common share of the Corporation at a price of $0.90 per common share for a period of 24 months following the date of issuance.
- On January 30, 2018, upon closing of the Transaction, the Corporation issued 200,000 finders' fee shares to an arms-length third party.
- On November 7 and 9, 2017, the Corporation issued 8,602,500 common shares for gross proceeds of $4,301,250 and 11,397,500 subscription receipts for gross proceeds of $5,698,750, with aggregate total gross proceeds of $10,000,000. The subscriptions receipts were held in escrow until the closing of the Transaction; whereby, all subscription receipts were exchanged for post-consolidated common shares of Remo on the closing date of the Transaction. In connection with the share offering, the Corporation incurred share issuance costs of $75,075 commission paid in cash, issued 127,715 common shares, and 277,865 warrants exercisable at $0.50 per common share for a period of 24 months from the date of issuance. On January 30, 2018, upon the closing of the Transaction, the common shares on conversion of the subscription receipts were issued and respective cash received. Additional share issuance costs of $248,413 cash commissions were paid, and 43,000 common shares and 539,825 warrants, exercisable at $0.50 per common share for a period of 24 months from the date of issuance, were issued.

(expressed in Canadian Dollars)

15. Share Capital (continued)

- The Corporation issued the following common shares on exercise of warrants:
  - 7,608,332 common shares on exercise of warrants at an exercise price of $0.05 per common share for gross proceeds of $380,417;
  - 8,750 common shares on exercise of warrants at an exercise price of $0.40 per common share for gross proceeds of $3,500;
  - 537,500 common shares on exercise of warrants at an exercise price of $0.60 per common share for gross proceeds of $322,500;
- The Corporation issued the following common shares on exercise of stock options:
  - 50,000 common shares on the exercise of stock options at an exercise price of $0.40 per common share for gross proceeds of $20,000.

16. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted Average exercise price	Number of shares issued or issuable on exercise
Balance – August 31, 2017	$0.25	12,122,434
Issuance of warrants	$0.63	1,208,690
Exercise of warrants	$0.09	(8,154,583)
Balance – May 31, 2018	$0.59	5,176,541
Exercise of warrants	$0.40	(43,225)
Expiry of warrants	$0.60	(3,507,250)
Balance – May 31, 2019	$0.57	1,626,066

The expiry of warrant are as follows:

Grant Date	Expiry Date	Number of warrants issued	Weighted Average Exercise Price
June 29, 2017	June 29, 2019	230,551	$0.40
July 17, 2017	July 17, 2019	23,275	$0.40
July 28, 2017	July 28, 2019	163,550	$0.40
November 7, 2017	November 7, 2019	277,865	$0.50
January 29, 2018	January 29, 2020	539,825	$0.50
March 23, 2018	March 23, 2020	391,000	$0.90
		1,626,066	$0.57

(expressed in Canadian Dollars)

17. Stock Options

The Corporation adopted a stock option plan (the "Plan") whereby it can grant stock options to directors, officers, employees, and consultants of the Corporation. The maximum number of common shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Corporation at any time.

The changes in incentive stock options outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – August 31, 2017		-
Granted	$0.40	3,860,000
Granted	$0.94	425,000
Exercised	$0.40	(50,000)
Expired	$0.40	(225,000)
Balance – May 31, 2018 and May 31, 2019	$0.46	4,010,000

During the year ended May 31, 2018, the Corporation granted 4,285,000 incentive stock options to employees, consultants, and directors. Of the 4,285,000 incentive stock options, 3,860,000 may be exercised within 5 years from the date of grant at a price of $0.40 per common share and 425,000 options may be exercised within 5 years from the date of grant at the price of $0.94 per common share.

The fair value of options have been estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate ranging from 1.57% to 1.96% per annum, an expected life of options of 5 years, an expected volatility ranging from 112.26% to 121.93%, and no expected dividends.

Incentive stock options outstanding and exercisable May 31, 2019 are summarized as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
$0.40	3,585,000	3.29	$0.40	3,585,000	$0.40
$0.94	425,000	3.83	$0.94	106,250	$0.94
	4,010,000	3.35	$0.46	3,691,250	$0.42

Stock options at an exercise price of $0.40 and $0.94 expire September 14, 2022, and March 29, 2023 respectively.

(expressed in Canadian Dollars)

18. Exploration and Evaluation Expenditures

The Corporation incurred exploration and evaluation expenditures for the year ended May 31, 2019 and nine months ended May 31, 2018 as follows:

		Year ended May 31, 2019		**Nine months ended May 31, 2018 (Restated – Note 2)**
Drilling	$	1,354,442	$	2,278,335
Exploration support and administration		1,364,578		943,788
Field operations and consumables		917,975		432,984
Geological consultants		298,731		217,586
Sampling and geological costs		811,549		442,852
Travel		210,097		205,190
	$	4,957,372	$	4,520,735

19. Income Tax

Income Tax Reconciliation

A reconciliation of taxes at statutory rates with periods income taxes is as follows:

		Year ended May 31, 2019		**Nine months ended May 31, 2018**
Loss before income taxes	$	(7,888,413)	$	(8,438,002)
Statutory tax rate		27%		26%
Expense (recovery) at statutory rate		(2,129,872)		(2,193,881)
Effect of different foreign statutory rates		(141,481)		(199,729)
Permanent differences		5,375		324,604
Non-capital losses acquired on Transaction		(180,644)		(173,953)
Net change in benefits of tax attributes not recognized		2,446,622		2,242,959

Tax Attributes Note Recognized

		May 31, 2019		**May 31, 2018**
Non-capital losses	$	4,790,641	$	2,535,894
Share issuance costs		494,302		148,094
Total	$	5,284,943	$	2,683,988

As at May 31, 2019, the Corporation has non-capital losses of approximately $5,216,616 (2018 - $ 3,007,360). These non-capital losses expire beginning August 31, 2037.

The Corporation also has non-capital losses of approximately $11,464,928 (May 31, 2018 - $5,805,679) carried forward for Peruvian income tax purposes which are available for application against future taxable income. These non-capital losses expire beginning August 31, 2022.

(expressed in Canadian Dollars)

Future income tax benefits which may arise as a result of these losses have not been recognized in the financial statements as their realization is unlikely.

20. Loss Due to Misuse of Funds

		Year ended May 31 2019		Nine months ended May 31, 2018 (Restated – Note 2)
Misuse of Funds	$	368,886	$	120,169
	$	368,886	$	120,169

Subsequent to May 31, 2019, Management discovered that an employee had misused $569,698 of Corporation's funds for personal benefit. The employee directed unauthorized cash payments to be made, which were supported by falsified supporting documentation. Management has reviewed the payments and determined that $120,169 of these transactions relates to the nine months ended May 31, 2018 and $368,886 relates to the year ended May 31, 2019. Subsequent to the year ended May 31, 2019, Management has determined $80,643 of the misuse loss relates to the period from June 1, 2019 to September 18, 2019, the termination date of the employee.

Management has determined that the effect of the misuse of funds during the nine months ended May 31, 2018 is material to the consolidated statement of loss and comprehensive loss for that period and to the consolidated statement of financial position as at May 31, 2018. The effect of restating the financial position and financial performance for the period ended May 31, 2018 is described in Note 2.

On October 4, 2019, the Corporation signed a settlement agreement pursuant to which 4,000,000 of the common shares of the Corporation, owned by a former employee of the Corporation, were relinquished as compensation for misuse of funds by the former employee. These 4,000,000 shares were cancelled on November 14, 2019. Additionally, as a result of the former employee's termination for cause, 1,000,000 share purchase options, issued September 17, 2017, have been cancelled.

21. Loss Per Share

The following table sets forth the computation of basic and diluted loss per common share for the year ended May 31, 2019 and nine months ended May 31, 2018:

		Year ended May 31, 2019		Nine months ended May 31, 2018 (Restated – Note 2)
Numerator				
Net loss for the period	$	(7,888,413)	$	(8,438,002)
Denominator				
Basic – weighted average number of common shares outstanding		81,601,903		58,211,027
Effect of dilutive securities		-		-
Diluted – adjusted weighted average number of common shares outstanding		81,601,903		58,211,027
Loss Per Share – Basic and Diluted		$(0.10)		$(0.14)

22. Financial Instruments

Fair value

The Corporation's financial instruments consisted of cash and cash equivalents. The fair values of cash and cash equivalents approximate their carrying values because of their current nature.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's primary exposure to credit risk is on its cash and short-term investments which are being held in bank accounts. The cash and short-term investments are deposited in bank accounts held with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Corporation has secondary exposure to risk on its sales tax receivables. The risk is minimal since it is recoverable from the Canadian government.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Corporation's functional currency. The Corporation only operates in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Corporation's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis. The Corporation attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources. Liquidity risk is assessed as low.

23. Management of Capital

The Corporation's primary objectives in capital management are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the development of the Soledad and Aija Projects. Capital is comprised of the Corporation's shareholders' equity. The Corporation manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. To maintain or adjust its capital structure, the Corporation may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

24. Segmented Information

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

(expressed in Canadian Dollars)

24. Segmented Information (continued)

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

		Canada		Peru		Total
As at May 31, 2019						
Current Assets	$	12,294,975	$	231,789	$	12,526,764
Equipment		-		2,163,052		2,163,052
Exploration an evaluation Assets		-		902,309		902,309
VAT receivable		-		412,162		412,162
	$	12,294,975	$	3,709,312	$	16,004,287
As at May 31, 2018						
Current Assets	$	13,384,733	$	149,263	$	13,533,996
Equipment		-		640,722		640,722
Exploration an evaluation Assets		-		473,126		473,126
VAT receivable		-		79,747		79,747
	$	13,384,733	$	1,342,948	$	14,727,591

25. Related Party Disclosures

The Corporation's related parties include key management personnel and companies related by way of directors or shareholders in common.

(a) Key Management Personnel Compensation

During the year ended May 31, 2019 and nine months ended May 31, 2018, the Corporation paid and/or accrued the following compensation for salaries, fees and stock-based compensation to key management personnel:

		May 31, 2019		May 31, 2018
Fees				
Management	$	340,457	$	562,430
Directors		165,535		417,022
	$	505,992	$	979,452

(b) Due to Related Parties

The Corporation has the following amounts due to related parties:

		May 31, 2019		May 31, 2018
Management	$	-	$	13,167
Directors		33,014		15,138
	$	33,014	$	28,305

(expressed in Canadian Dollars)

26. Commitments under Operating Leases

The Corporation leases various premises under operating leases which expire from January 31, 2020 to July 31, 2020. The Corporation is obligated to make $171,337 in minimum lease payments under the premise leases in the fiscal year ending May 31, 2020.

27. Supplemental Cash Flow

Non- cash activities conducted by the Corporation are as follows:

	Year ended May 31, 2019	Nine months ended May 31, 2018
Cash Flows used in Investing Activities		
Acquisition of exploration and evaluation assets	$ (708,000)	$ -
	$ (708,000)	$ -
Cash Flows from Financing Activities		
Shares issued for exploration and evaluation assets	$ 708,000	$ -
	$ 708,000	$ -
	$ -	$ -

28. Subsequent Events

a) On October 4, 2019, the Corporation signed a settlement agreement pursuant to which 4,000,000 of the common shares of the Corporation, owned by a former employee of the Corporation, were relinquished as compensation for misuse of funds by the former employee. These 4,000,000 shares were cancelled on November 14, 2019. Additionally, as a result of the former employee's termination for cause, 1,000,000 share purchase options, issued September 17, 2017, have been cancelled.

b) On November 7, 2019, 277,865 share purchase warrants exercisable at $0.50 per warrant expired without being exercised.