Bonterra Resources Inc.

Condensed Interim Financial Statements

Three Months Ended August 31, 2017

(Expressed in Canadian Dollars)

Bonterra Resources Inc.

Three Months Ended August 31, 2017

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED 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 interim financial statements they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

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

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

October 12, 2017

Bonterra Resources Inc.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)

		August 31, 2017		May 31, 2017
Assets				
Current				
Cash and cash equivalents	$	**24,554,809**	$	13,687,072
Receivables (note 10)		**400,742**		291,549
Prepaid expenses (note 10)		**348,603**		57,716
		25,304,154		14,036,337
Prepaid Expenses		**1,415,000**		10,000
Property, Plant and Equipment (note 7)		**1,460,232**		27,487
Exploration and Evaluation Assets (note 8)		**31,969,156**		27,565,156
	$	**60,148,542**	$	41,638,980
Liabilities				
Current				
Accounts payable and accrued liabilities (notes 9 and 10)	$	**2,038,374**	$	1,214,714
Other liabilities (note 9)		**5,421,652**		385,436
		7,460,026		1,600,150
Shareholders' Equity				
Share Capital (note 11)		**71,842,177**		59,257,592
Share-based Payments Reserve (note 11)		**7,692,160**		7,677,200
Deficit		**(26,845,821)**		(26,895,962)
		52,688,516		40,038,830
	$	**60,148,542**	$	41,638,980

Going Concern (note 2)
Commitments (note 14)
Subsequent Event (note 15)

Approved on behalf of the Board:

"Robert Gagnon" ……………………………… Director
Robert Gagnon

"Nav Dhaliwal" ……………………………… Director
Nav Dhaliwal

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

Bonterra Resources Inc.
Condensed Interim Statements of Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

	Three Months Ended	
	August 31, 2017	August 31, 2016
Expenses		
Amortization (note 7)	$ **2,120**	$ 536
Consulting fees	**277,333**	284,693
Management and director fees (note 10)	**266,000**	55,500
Office and general	**112,900**	24,659
Professional fees (note 10)	**34,146**	18,592
Rent (note 10)	**55,333**	3,643
Share-based payments (notes 10 and 11)	**14,960**	51,619
Shareholder communications and investor relations	**207,043**	228,234
Transfer agent and filing fees	**2,582**	1,870
Travel	**59,701**	26,982
Net Loss Before Other Items	**(1,032,118)**	(696,398)
Other Items		
Other income (note 9)	**1,035,164**	139,959
Interest income	**47,095**	-
Net and Comprehensive Income (Loss) for the Period	$ **50,141**	$ (556,369)
Basic and Diluted Income (Loss) Per Share	$ **0.00**	$ (0.01)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	**180,767,733**	79,504,400

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

Bonterra Resources Inc.
Condensed Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital							
	Number of Shares		Share Capital		Share-based Payments Reserve		Deficit		Total
Balance May 31, 2016	**70,773,282**	**$**	**35,314,325**	**$**	**4,421,229**	**$**	**(23,514,729)**	**$**	**16,220,825**
Private placements	18,314,915		4,203,180		1,205,040		-		5,408,220
Share issue costs	-		(332,180)		-		-		(332,180)
Fair value of finder's warrants	-		(194,714)		194,714		-		-
Stock options vested	-		-		51,619		-		51,619
Net and comprehensive loss for period	-		-		-		(556,369)		(556,369)
Balance, August 31, 2016	**89,088,197**	**$**	**38,990,611**	**$**	**5,872,602**	**$**	**(24,071,098)**	**$**	**20,792,115**
Private placements	65,677,440		19,429,704		-		-		19,429,704
Share issue costs	-		(1,276,741)		-		-		(1,276,741)
Fair value of finder's warrants	-		(404,376)		404,376		-		-
Stock options granted and vested	-		-		1,742,269		-		1,742,269
Shares issued on exercise of stock options	400,000		88,000		-		-		88,000
Transfer of stock option fair value on exercise	-		76,894		(76,894)		-		-
Shares issued on exercise of warrants	4,455,317		1,203,088		-		-		1,203,088
Transfer of warrant fair value on exercise	-		265,153		(265,153)		-		-
Shares issued for exploration and evaluation assets	2,167,284		885,259		-		-		885,259
Net and comprehensive loss for period	-		-		-		(2,824,864)		(2,824,864)
Balance, May 31, 2017	**161,788,238**	**$**	**59,257,592**	**$**	**7,677,200**	**$**	**(26,895,962)**	**$**	**40,038,830**
Private placements	27,857,000		13,928,500		-		-		13,928,500
Share issue costs	-		(1,343,915)		-		-		(1,343,915)
Stock options vested	-		-		14,960		-		14,960
Net and comprehensive income (loss) for period	-		-		-		50,141		50,141
Balance, August 31, 2017	**189,645,238**	**$**	**71,842,177**	**$**	**7,692,160**	**$**	**(26,845,821)**	**$**	**52,688,516**

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

Bonterra Resources Inc.
Condensed Interim Statements of Cash Flows
For the Three Months Ended August 31,
(Expressed in Canadian Dollars)

	2017	2016
Operating Activities		
Net income (loss) for the period	$ **50,141**	$ (556,369)
Items not involving cash		
Amortization	**2,120**	536
Share-based payments	**14,960**	51,619
Other income	**(1,035,164)**	(139,959)
Changes in non-cash working capital		
Receivables	**(109,193)**	88,462
Prepaid expenses	**(290,887)**	(347,286)
Accounts payable and accrued liabilities	**(335,478)**	198,564
Due to related parties	**-**	(23,272)
Cash Used in Operating Activities	**(1,703,501)**	(727,705)
Investing Activities		
Exploration and evaluation asset expenditures	**(4,649,862)**	(1,680,105)
Purchase of property, plant and equipment	**(1,434,865)**	-
Cash Used in Investing Activities	**(6,084,727)**	(1,680,105)
Financing Activities		
Shares and units issued for cash	**19,999,880**	6,636,970
Share issuance costs	**(1,343,915)**	(332,180)
Cash Provided by Financing Activities	**18,655,965**	6,304,790
Inflow of Cash and Cash Equivalents	**10,867,737**	3,896,980
Cash and Cash Equivalents, Beginning of Period	**13,687,072**	351,029
Cash and Cash Equivalents, End of Period	$ **24,554,809**	$ 4,248,009
Cash and Cash Equivalents		
Cash	$ **1,016,658**	$ 4,248,009
Term Deposits	**23,538,151**	-
	$ **24,554,809**	$ 4,248,009

Supplemental Disclosure with Respect to Cash Flows (note 12)

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Bonterra Resources Inc. (the "Company") is an exploration stage company incorporated on May 1, 2007, under the laws of the Province of British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in the Provinces of Ontario and Quebec, Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "BTR". The Company's head office and principal business address is 1680 - 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company's registered and records office is 1000 – 840 Howe Street, Vancouver, British Columbia, Canada, V6Z 2M1.

2. GOING CONCERN

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These condensed interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed interim financial statements. The Company considers that it has adequate resources to main its core operations for the next twelve months.

3. BASIS OF PREPARATION

a) Statement of compliance

The condensed interim financial statements ("financial statements") of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim financial statements of the Company should be read in conjunction with the Company's May 31, 2017 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on October 12, 2017.

b) Basis of measurement

These condensed interim financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale ("AFS"), and fair value through profit or loss ("FVTPL"). These condensed interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

4. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 4 to the audited financial statements for the year ended May 31, 2017.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next fiscal year are discussed below:

a) Impairment of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditure and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

b) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

5. CRITICAL ACCOUNTING ESTIMATES (Continued)

Critical judgments in applying accounting policies (continued)

d) Going concern risk assessment

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These condensed interim financial statements do not give effect to any adjustments required to realize it assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed interim financial statements.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the condensed interim financial statements.

a) Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred.

The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at August 31, 2017, the Company has no known rehabilitation requirements and accordingly, no provision has been made.

b) Share purchase warrant valuation

The Company measures the value of share purchase warrants issued as part of private placement units using a pro rata method. The pro rata method requires each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components. The fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes pricing model. Estimating fair value for share purchase warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share purchase warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share purchase warrants are disclosed in note 11.

(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES (Continued)

Key sources of estimation uncertainty (continued)

c) Valuation of flow-through premium

The determination of the valuation of flow-through premium and warrants in equity units is subject to significant judgment and estimates. The flow-through premium is valued as the estimated premium that investors pay for the flow-through feature, being the portion in excess of the market value of shares without the flow-through feature issued in concurrent private placement financing. In the case that the Company did not issue non-flow-through shares together with the flow-through shares, the market value of shares without the flow-through feature will be determined using their closing quoted bid price.

6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash and cash equivalents are classified as financial assets at FVTPL; receivables as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities. The carrying value of these instruments approximates their fair values due to their short term to maturity.

The following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy:

August 31, 2017	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 24,554,809	$ -	$ -	$ 24,554,809

May 31, 2017	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 13,687,072	$ -	$ -	$ 13,687,072

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. Included in receivables is $352,044 (May 31, 2017 - $248,604) of GST receivable. Accordingly, the Company has minimal credit risk.

6. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of August 31, 2017 equal $2,038,374 (May 31, 2017 - $1,214,714). All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

i) Currency risk **-** The Company has no funds held in a foreign currency and as a result is not exposed to significant currency risk on its financial instruments at year-end.

ii) Interest rate risk **-** Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates and, therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

iii) Other price risk **-** Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company does not have significant exposure to this risk.

d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

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

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the three months ended August 31, 2017. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Equipment	Computer Equipment	Camp and Infrastructure	Total
Cost				
Balance, May 31, 2016	$ 18,130	$ 21,576	$ -	$ 39,706
Additions	2,875	23,803	-	26,678
Balance, May 31, 2017	21,005	45,379	-	66,384
Additions	-	5,960	1,428,905	1,434,865
Disposal	-	(3,106)	-	(3,106)
Balance, August 31, 2017	$ 21,005	$ 48,233	$ 1,428,905	$ 1,498,143
Amortization				
Balance, May 31, 2016	$ 13,119	$ 17,769	$ -	$ 30,888
Amortization	1,290	6,719	-	8,009
Balance, May 31, 2017	14,409	24,488	-	38,897
Amortization	330	1,790	-	2,120
Disposal	-	(3,106)	-	(3,106)
Balance, August 31, 2017	$ 14,739	$ 23,172	$ -	$ 37,911
Net Book Value, May 31, 2017	$ 6,596	$ 20,891	$ -	$ 27,487
Net Book Value, August 31, 2017	$ 6,266	$ 25,061	$ 1,428,905	$ 1,460,232

8. EXPLORATION AND EVALUATION ASSETS

a) Gladiator Project

(i) Coliseum Property

During the year ended May 31, 2010, the Company acquired a 100% interest in 95 claim blocks in Quebec near Windfall Lake at a cost of $20,000 (paid), the issuance of 50,000 common shares to the vendors and 5,440 common shares to a finder (issued) and incurring $140,000 of exploration expenditures (incurred). The shares were valued at $155,232 based on the market value of the shares on share issue date. The property is subject to a 2% net smelter returns royalty of which 0.5% can be purchased by the Company for $1,000,000.

8. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Gladiator Project (continued)

(ii) West Arena Property

The Company entered into an option agreement on September 15, 2010, as amended on February 8, 2011 and March 19, 2012 to acquire a 100% interest in 23 additional mineral claims adjacent to the Coliseum claims in Quebec for aggregate consideration of $10,000 cash (paid), 87,500 common shares (issued) and $750,000 in exploration expenditures (incurred). The Company has completed the acquisition and owns 100% subject to the NSR below.

The agreement is subject to a 2% NSR of which 1% can be purchased for $500,000. A finder's fee of 2,845 shares was paid in connection with this acquisition.

On November 7, 2013, the Company sold an additional 1% NSR to Gold Royalties Corporation ("GRO") in exchange for 1,000,000 common shares of GRO, valued at $325,000.

(iii) East Arena Property

On December 30, 2010, the Company closed and received approval from the TSX Venture Exchange for a property purchase agreement entered into on December 10, 2010 to acquire a 100% interest in 57 mineral claims east of the Urban-Barry Township in Quebec. Consideration paid was 100,000 common shares valued at $860,000 based on the market price of the shares on the share issue date, and cash payments of $35,000. The agreement is subject to a 2% NSR of which 1% may be purchased for $1,000,000.

(iv) St-Cyr Property

On February 23, 2016, the Company entered into an agreement to acquire a 100% interest in the St-Cyr Property, located in Quebec. In consideration, the Company issued 700,000 common shares of the Company (issued on March 2, 2016 and valued at $224,000). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

(v) West Lacroix Lake Property

On February 23, 2016, the Company entered into an agreement with to acquire a 100% interest in the St-Cyr Property, located in Quebec. In consideration, the Company issued 500,000 common shares of the Company (issued on March 2, 2016 and valued at $160,000). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

8. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Gladiator Project (continued)

(vi) Lac Barry Property

On March 10, 2016, and as amended March 30, 2017, the Company entered into an option agreement with Golden Valley Mines Ltd. ("Golden Valley") to acquire an 85% interest in Golden Valley's Lac Barry Property, located in Quebec.

In consideration, the Company issued 519,480 common shares of the Company (issued on March 16, 2016 and valued at $225,973) and paid $25,000. In order to maintain the option, the Company must incur expenditures of $2,000,000 as follows:

- $250,000 before April 15, 2017 (incurred);
- an additional $750,000 on or before March 10, 2018; and
- an additional $1,000,000 on or before March 10, 2019.

Golden Valley retains a 15% interest in the property and a 3% NSR, of which 1% can be purchased by the Company for $1,000,000.

(vii) Macho South Property

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Macho South Property, located in Quebec. In consideration, the Company issued 1,200,000 common shares of the Company (issued on March 21, 2016 and valued at $510,000). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

(viii) Barry Property

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Barry Property, located in Quebec. In consideration, the Company issued 800,000 common shares of the Company (issued on March 21, 2016 and valued at $340,000). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

(ix) Bailly Property

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Bailly Property, located in Quebec. In consideration, the Company issued 250,000 common shares of the Company (issued on March 21, 2016 and valued at $106,250). The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

On March 21, 2016, the Company issued 202,232 common shares of the Company (valued at $85,949) as finder's fees on the acquisitions of the Macho South, Barry and Bailly properties.

(x) Thubiére Property

On March 10, 2017, the Company entered into an agreement to acquire a 100% interest in the Thubiére Property, located in Quebec. In consideration, the company paid $5,000 and issued 150,000 common shares (issued on March 21, 2017 and valued at $54,000).

8. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Gladiator Project (continued)

(xi) Lac Mista Property

On March 14, 2017, the Company entered into an agreement to acquire a 100% interest in the Lac Mista Property, located in Quebec. In consideration, the company paid $10,000 and issued 150,000 common shares (issued on March 21, 2017 and valued at $54,000). The vendors retain a 2% GORR on the property, of which 1% (one-half) may be repurchased by the Company for $1,000,000.

(xii) Trove Property

On March 29, 2017, the Company entered into an option agreement with Durango Resources Inc. ("Durango") to acquire a 100% interest in the Trove Property, located in Quebec.

In consideration, the Company must make payments as follows:

- cash payment of $150,000 (paid) and issuance of 1,500,000 common shares of the Company upon approval by the TSX-V (issued on April 17, 2017 and valued at $630,000);
- an additional cash payment of $150,000 and issuance of an additional 1,500,000 common shares of the Company on or before April 19, 2018; and
- an additional cash payment of $200,000 on or before April 19, 2019.

In the event of a minimum discovery of an inferred mineral resource of 500,000 ounces or greater of gold, the Company will issue to Durango 2,000,000 common shares upon completion of a technical report.

The Company must also incur exploration expenditures of $1,000,000 by April 19, 2019. Durango retains a 2% NSR, of which 1% (one-half) may be repurchased by the Company for $1,000,000.

In relation to the acquisition of the Trove Property, the Company paid a finder's fee of 267,284 common shares (issued and valued at $112,259).

b) Larder Lake Project

On March 16, 2016, the Company entered into an option agreement to acquire a 100% interest in the Larder Lake Property from Kerr Mines and its wholly-owned subsidiary, Bear Lake Gold Ltd., located in Ontario. The terms of the agreement were amended on April 14, 2016 and TSX-V approval for the transaction was received on April 26, 2016.

In consideration for the Larder Lake Property, the Company issued 10,000,000 common shares of the Company (issued on April 26, 2016 and valued at $3,800,000). The Company was also required to pay $1,150,000 as follows:

- $200,000 upon TSX-V approval (paid);
- $300,000 on or before December 26, 2016 (paid);
- $350,000 on or before April 26, 2017 (paid); and
- $300,000 on or before October 26, 2017 (paid).

The Company was required to accelerate the final two payments as a result of completing an equity financing for gross proceeds of $4,000,000 or more in non-flow through financing during the year ended May 31, 2017.

8. EXPLORATION AND EVALUATION ASSETS (Continued)

b) Larder Lake Project (continued)

In relation to the acquisition of the Larker Lake Project, the Company paid a finder's fee of 558,908 common shares (issued and valued at $212,385).

On March 10, 2017, the Company entered into an agreement to acquire a 100% interest in the McVittie claim, located in Ontario. The Company issued 100,000 common shares as consideration (issued on March 20, 2017 and valued at $35,000). The vendors retain 1.5% NSR on the claim, of which 1% may be repurchased by the Company for $750,000.

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (Continued)

	Gladiator Project	Larder Lake Project	Total
Balance, May 31, 2016	**$ 12,124,885**	**$ 4,251,666**	**$ 16,376,551**
Acquisition Costs			
Claim renewals	8,399	74,405	82,804
Option payments	928,000	985,000	1,913,000
Finder's fees	112,259	-	112,259
Total Acquisition Costs	**1,048,658**	**1,059,405**	**2,108,063**
Property Exploration Costs			
Assays and geochemistry	367,319	198	367,517
Camp and other costs	1,464,183	43,918	1,508,101
Drilling	6,063,946	-	6,063,946
Geological	739,916	129,227	869,143
Geophysics	190,367	-	190,367
Travel and transport	80,367	1,101	81,468
Total Exploration Costs	**8,906,098**	**174,444**	**9,080,542**
Balance, May 31, 2017	**22,079,641**	**5,485,515**	**27,565,156**
Acquisition Costs			
Claim renewals	8,663	-	8,663
Total Acquisition Costs	**8,663**	**-**	**8,663**
Property Exploration Costs			
Assays	158,995	-	158,995
Camp and other costs	148,948	1,176	150,124
Drilling	3,521,183	-	3,521,183
Geochemistry	163,489	-	163,489
Geological	241,432	-	241,432
Geophysics	128,727	-	128,727
Travel and transport	31,387	-	31,387
Total Exploration Costs	**4,394,161**	**1,176**	**4,395,337**
Balance, August 31, 2017	**$ 26,482,465**	**$ 5,486,691**	**$ 31,969,156**

(Expressed in Canadian Dollars)

9. OTHER LIABILITIES

Other liabilities consist of the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through share issuances.

	Issued During the Year Ended May 31, 2017	Issued During the Three Months Ended August 31, 2017	**Total**
Balance, May 31, 2016	$ 55,572	$ -	$ **55,572**
Liability incurred on flow-through shares issued July 2016	1,287,750	-	**1,287,750**
Liability incurred on flow-through shares issued August 2016	131,750	-	**131,750**
Liability incurred on flow-through shares issued March 2017	770,000	-	**770,000**
Settlement of flow-through share liability by incurring expenditures	(1,804,064)	-	**(1,859,636)**
Balance, May 31, 2017	385,436	-	**385,436**
Liability incurred on flow-through shares issued June 2017	-	6,071,380	**6,071,380**
Settlement of flow-through share liability by incurring expenditures	(385,436)	(649,728)	**(1,035,164)**
Balance, August 31, 2017	$ -	$ 5,421,652	$ **5,421,652**

During the three months ended August 31, 2017

On June 30, 2017, the Company issued 17,857,000 flow-through shares at a price of $0.84 per share. The premium paid by investors was calculated as $0.34 per share. Accordingly, $6,071,380 was recorded as other liabilities.

At August 31, 2017, the Company had a remaining commitment to incur exploration expenditures in relation to its June2017 flow-through share financing of $13,394,669.

Included in accounts payable and accrued liabilities at August 31, 2017 is a provision for tax liabilities as a result of not meeting flow-through expenditure requirements from flow-through common shares issued in calendar 2012 and 2013 of $243,794, and a provision for Part XII.6 tax and penalties of $20,061.

During the year ended May 31, 2017

On July 7, 2016, the Company issued 7,575,000 flow-through shares at a price of $0.40 per share. The premium paid by investors was calculated as $0.17 per share. Accordingly, $1,287,750 was recorded as other liabilities.

On August 29, 2016, the Company issued 775,000 flow-through shares at a price of $0.40 per share. The premium paid by investors was calculated as $0.17 per share. Accordingly, $131,750 was recorded as other liabilities.

(Expressed in Canadian Dollars)

9. OTHER LIABILITIES (Continued)

On March 2, 2017, the Company issued 11,000,000 flow-through shares at a price of $0.35 per share. The premium paid by investors was calculated as $0.07 per share. Accordingly, $770,000 was recorded as other liabilities.

At May 31, 2017, the Company had a remaining commitment to incur exploration expenditures in relation to its March 2017 flow-through share financing of $1,927,178.

Included in accounts payable and accrued liabilities at May 31, 2017 is a provision for tax liabilities as a result of not meeting flow-through expenditure requirements from flow-through common shares issued in calendar 2012 and 2013 of $243,794, and a provision for Part XII.6 tax and penalties of $20,061. The Company paid Part XII.6 tax of $3,640 during the year ended May 31, 2017.

10. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the condensed interim statements of comprehensive loss:

	Three Months Ended August 31, 2017	Three Months Ended August 31, 2016
Short-term compensation	$ 384,500	$ 128,500

During the three months ended August 31, 2017, short-term compensation to related parties consisted of $266,000 in management and director fees (2016 - $55,500), $22,500 in professional fees (2016 - $13,000) and $96,000 in exploration and evaluation asset expenditures (2016 - $60,000).

During the three months ended August 31, 2017, the Company received $5,155 for the recovery of rent expense from companies related by common officers and directors (2016 - $5,020). Included in accounts receivable at August 31, 2017 was $48,698 (May 31, 2017 - $41,876) for the recovery of shared expenses from companies related by a common officer.

During the three months ended August 31, 2017, the Company paid or accrued $47,557 (2016 - $49,297) to private companies with common directors for exploration and evaluation asset expenditures.

11. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value

b) Issued and outstanding

During the three months ended August 31, 2017

On June 30, 2017, the Company closed a bought deal private placement for gross proceeds of $19,999,880. The Company issued 17,857,000 flow-through common shares of the Company at a price of $0.84 per share and 10,000,000 common shares of the Company at a price of $0.50 per share.

The premium paid by investors on the flow-through shares was calculated as $0.34 per share. Accordingly, $6,071,380 was recorded as other liabilities. The underwriters received a cash fee of $1,199,993. Other share issue costs of $143,922 were incurred.

11. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

During the year ended May 31, 2017

On July 7, 2016, the Company completed a non-brokered private placement for gross proceeds of $5,056,970 (of which $3,030,000 is for flow-through expenditures). The Company issued 7,575,000 flow-through shares at a price of $0.40 per share, and 5,791,343 non-flow units at a price of $0.35 per unit. Each non-flow-through unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.50 per share for a period of two years. These warrants had a value of $688,640 using the pro rata method.

The premium paid by investors on the flow-through shares was calculated as $0.17 per share. Accordingly, $1,287,750 was recorded as other liabilities.

The Company paid finder's fees of $228,210 and issued 782,800 finder's warrants with an exercise price of $0.40 for a period of two years. The finder's warrants were valued at $161,281 (note 11(c)). Other share issue costs of $27,467 were incurred.

On August 19, 2016, the Company completed a non-brokered private placement for gross proceeds of $1,770,750 (of which $310,000 is for flow-through expenditures). The Company issued 775,000 flow-through shares at a price of $0.40 per share, and 4,173,572 non-flow-through units at a price of $0.35 per unit. Each non-flow-through unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.50 per share for a period of two years. These warrants had a value of $516,400 using the pro rata method.

The premium paid by investors on the flow-through shares was calculated as $0.17 per share. Accordingly, $131,750 was recorded as other liabilities.

The Company paid finder's fees of $66,900 and issued 126,000 finder's warrants with an exercise price of $0.35 for a period of two years. The finder's warrants were valued at $33,433 (note 11(c)). Other share issue costs of $9,604 were incurred.

On March 2, 2017, the Company closed a bought deal private placement for gross proceeds of $13,974,800. The Company issued 11,000,000 flow-through common shares of the Company at a price of $0.35 per share and 36,160,000 common shares of the Company at a price of $0.28 per share.

The premium paid by investors on the flow-through shares was calculated as $0.07 per share. Accordingly, $770,000 was recorded as other liabilities.

The underwriters received a cash fee of $826,504. The Company also issued 1,886,401 finder’s warrants, each warrant exercisable to acquire one common share at a price of $0.28 and expiring on March 2, 2019. The finder’s warrants were valued at $252,415 (note 11(c)). Other share issue costs of $137,818 were incurred.

On March 13, 2017, the Company closed a non-brokered private placement and issued 3,660,000 common shares of the Company at a price of $0.28 per share, for gross proceeds of $1,024,800.

The Company issued 146,400 finder’s warrants, each warrant exercisable to acquire one common share at a price of $0.28 and expiring on March 14, 2019. The finder’s warrants were valued at $23,893 (note 11(c)).

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

On March 27, 2017, the Company closed a private placement and issued 14,857,440 common shares of the Company to Kinross Gold Corporation at a price of $0.35 per share, for gross proceeds of $5,200,104.

The Company paid finder's fees of $260,000 and issued 742,872 finder's warrants, each warrant exercisable to acquire one common share at a price of $0.35 and expiring on March 23, 2019. The finder's warrants were valued at $128,068 (note 11(c)). Other share issue costs of $52,418 were incurred.

During the year ended May 31, 2017, the Company issued 2,167,284 common shares valued at $885,259 for the acquisition of exploration and evaluation assets (note 8).

During the year ended May 31, 2017, the Company issued 4,455,317 common shares for proceeds of $1,203,088 on the exercise of 4,455,317 share purchase warrants and 400,000 common shares for proceeds of $88,000 on the exercise of 400,000 stock options. The value of the warrants of $265,153 and the value of the stock options of $76,894 was transferred to share capital from share-based payments reserve upon exercise.

c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Three Months Ended August 31, 2017		**Year Ended May 31, 2017**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	17,841,633	$ 0.41	9,637,562	$ 0.27
Issued	-	-	13,649,388	0.45
Exercised	-	-	(4,455,317)	0.27
Expired	(169,850)	0.35	(990,000)	0.20
Outstanding, end of period	17,671,783	$ 0.41	17,841,633	$ 0.41

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

c) Warrants (continued)

The following warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**August 31, 2017**
December 23, 2017	0.31	$ 0.20	956,145
December 23, 2017	0.31	$ 0.30	691,250
July 6, 2018	0.85	$ 0.30	2,375,000
July 7, 2018	0.85	$ 0.40	782,800
July 7, 2018	0.85	$ 0.50	5,791,343
August 19, 2018	0.97	$ 0.35	126,000
August 19, 2018	0.97	$ 0.50	4,173,572
March 2, 2019	1.50	$ 0.28	1,886,401
March 14, 2019	1.53	$ 0.28	146,400
March 23, 2019	1.56	$ 0.35	742,872
	0.93		17,671,783

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its finder's warrants granted. The fair value of each finder's warrant grant was calculated using the following weighted average assumptions:

	Three Months Ended August 31, 2017	**Year Ended May 31, 2017**
Expected life (years)	N/A	2.00
Risk-free interest rate	N/A	0.71%
Expected annualized volatility	N/A	93%
Dividend yield	N/A	N/A
Stock price at grant date	N/A	$0.32
Exercise price	N/A	$0.32
Weighted average grant date fair value	N/A	$0.16

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

d) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a 12 month period with no more than 25% of the options vesting in any three month period.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

d) Stock options (continued)

The following is a summary of option transactions under the Company's stock option plan for the three months ended August 31, 2017 and year ended May 31, 2017:

	Three Months Ended August 31, 2017		**Year Ended May 31, 2017**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	11,150,000	$ 0.39	5,800,000	$ 0.37
Granted	-	-	6,300,000	0.40
Exercised	-	-	(400,000)	0.22
Expired	-	-	(550,000)	0.40
Outstanding, end of period	11,150,000	$ 0.39	11,150,000	$ 0.39

The weighted average trading price on date of exercise for the stock options exercised during the year ended May 31, 2017 was $0.40.

The following options were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**August 31, 2017** Outstanding	Exercisable
April 3, 2020	2.59	$ 0.40	6,300,000	6,187,500
October 14, 2020	3.12	$ 0.22	1,200,000	1,200,000
December 8, 2020	3.27	$ 0.22	800,000	800,000
March 30, 2021	3.58	$ 0.50	2,850,000	2,850,000
	2.95		11,150,000	11,037,500

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. The fair value of each option grant was calculated using the following weighted average assumptions:

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

d) Stock options (continued)

	Three Months Ended August 31, 2017	Year Ended May 31, 2017
Expected life (years)	N/A	3.00
Risk-free interest rate	N/A	0.84%
Expected annualized volatility	N/A	106%
Dividend yield	N/A	N/A
Stock price at grant date	N/A	$0.42
Exercise price	N/A	$0.40
Weighted average grant date fair value	N/A	$0.27

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

During the three months ended August 31, 2017, the Company recorded $14,960 on the vesting of 37,500 stock options previously granted.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2017	2016
Income tax paid	$ -	$ -
Interest paid (received)	$ (47,095)	$ -
Non-cash investing and financing activities:		
Exploration and evaluation expenditures in accounts payable	$ 1,536,740	$ 344,893
Prepaid expenses reclassified to exploration and evaluation assets	$ 1,405,000	$ -
Fair value of agent's warrants issued	$ -	$ 194,714
Fair value of warrants issued as units	$ -	$ 1,278,685

13. SEGMENTED DISCLOSURE

The Company has one operating segment, being mineral exploration and development. All the Company's assets are located in Canada.

14. COMMITMENTS

a) The Company has entered into agreements with officers and consultants that include termination and change of control clauses. In the case of termination, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to two times) the annual base fee payable. In the case of a change of control, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to three times) the sum of the annual base fee and minimum incentive fee payable. As at August 31, 2017, the total annual base fee of the officers and consultants under the agreements is $864,000 and the total annual minimum incentive fee is $49,000. Certain of the agreements contain a cash bonus payable upon any non-flow-through equity financings at the discretion of the Board of Directors.

(Expressed in Canadian Dollars)

14. COMMITMENTS (Continued)

b) The Company has entered into an office sublease agreement commencing September 1, 2017 and expiring August 30, 2022 with basic rent and estimated operating costs per fiscal year approximately as follows:

Fiscal 2018	$	215,000
Fiscal 2019		290,000
Fiscal 2020		295,000
Fiscal 2021		299,000
Fiscal 2022		304,000
Fiscal 2023		76,000
	$	1,479,000

15. SUBSEQUENT EVENT

Subsequent to August 31, 2017, 50,000 stock options granted to a consultant expired unexercised.