(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

May 31, 2017 and 2016

Corporate Head Office

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INDICO RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

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Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF INDICO RESOURCES LTD.

We have audited the accompanying consolidated financial statements of Indico Resources Ltd., which comprise the consolidated statements of financial position as at May 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Indico Resources Ltd. as at May 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
September 26, 2017

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INDICO RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	May 31, 2017	May 31, 2016
ASSETS		
Current assets		
Cash	$ 16,260	$ 3,175
Accounts receivable	1,693	2,511
Prepaid expenses	12,329	16,694
	30,282	22,380
Property and equipment (notes 4 and 5)	470	119,578
Exploration and evaluation assets (notes 4 and 6)	1	4,637,347
	$ 30,753	$ 4,779,305
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	$ 2,419,787	$ 1,550,702
Due to related parties (note 9)	1,259,685	1,256,960
Loans payable (notes 7 and 9)	1,306,158	1,200,288
	4,985,630	4,007,950
Shareholders' equity (deficiency)		
Share capital (note 8)	30,664,353	30,664,353
Share-based payments reserve	3,003,949	3,003,949
Deficit	(38,623,179)	(32,896,947)
	(4,954,877)	771,355
	$ 30,753	$ 4,779,305

Approved on behalf of the Directors:

"Robert Parsons" Director *"Robert Baxter"* Director
Robert Parsons Robert Baxter

INDICO RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
YEARS ENDED MAY 31

	2017	2016
Expenses		
Consulting fees (notes 8 and 9)	$ 519,274	$ 1,254,455
Depreciation	202	288
Exploration expenses (note 8)	82,598	410,145
Investor relations	2,952	6,925
Listing and filing fees	15,126	21,477
Office	51,612	107,470
Professional fees (note 8)	206,714	115,059
Travel	18,302	23,984
	(896,780)	(1,939,803)
Foreign exchange loss	(73,200)	(23,296)
Impairment	(4,756,252)	-
Net loss and comprehensive loss for the year	$ (5,726,232)	$ (1,963,099)
Basic and diluted loss per common share (note 13)	$ (0.04)	$ (0.01)
Weighted average number of common shares outstanding	147,003,489	141,320,429

INDICO RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEARS ENDED MAY 31

	2017	2016
Operating activities		
Net loss for the year	$ (5,726,232)	$ (1,963,099)
Items not affecting cash:		
Share-based payments	-	493,450
Depreciation	202	18,364
Unrealized loss on foreign exchange	11,200	16,553
Impairment	4,756,252	-
Changes in non-cash working capital items:		
Accounts receivable	818	7,479
Prepaid expenses	4,365	(1,640)
Accounts payable and accrued liabilities	869,085	885,899
Due to related parties	2,725	437,501
Cash used in operating activities	(81,585)	(105,493)
Financing activities		
Cash received from loans payable	94,670	74,902
Share issuance costs	-	(40,147)
Cash provided by financing activities	94,670	34,755
Increase (decrease) in cash during the year	13,085	(70,738)
Cash, beginning of the year	3,175	73,913
Cash, end of the year	$ 16,260	$ 3,175

Supplemental cash flow information (note 15)

INDICO RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscriptions Received in Advance	Share-based Payments Reserve	Deficit	Total
Balance, May 31, 2015	107,003,489	$ 27,704,500	$ 3,000,000	$ 2,510,499	$ (30,933,848)	$ 2,281,151
Shares issued for private placement	40,000,000	3,000,000	-	-	-	3,000,000
Share issuance costs	-	(40,147)	-	-	-	(40,147)
Share subscriptions received in advance	-	-	(3,000,000)	-	-	(3,000,000)
Share-based payments	-	-	-	493,450	-	493,450
Net loss for the year	-	-	-	-	(1,963,099)	(1,963,099)
Balance, May 31, 2016	147,003,489	30,664,353	-	3,003,949	(32,896,947)	771,355
Net loss for the year	-	-	-	-	(5,726,232)	(5,726,232)
Balance, May 31, 2017	147,003,489	$ 30,664,353	$ -	$ 3,003,949	$ (38,623,179)	$ (4,954,877)

1. NATURE OF OPERATIONS AND GOING CONCERN

The principal business activity of Indico Resources Ltd. (the "Company" or "Indico") is the acquisition, exploration and development of natural resource properties in Peru. Previously registered in Bermuda, the Company was extra-provincially registered in the province of British Columbia under the *Business Corporations Act* on June 22, 2006. The Company changed domicile from Bermuda to British Columbia by way of a continuance under the *Business Corporations Act* (British Columbia) effective October 15, 2009. The Company is an exploration stage company.

The head office of the Company is located at Suite 507 – 837 West Hastings Street, Vancouver, British Columbia V6C 3N6, Canada. The registered address and records office of the Company is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7, Canada.

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

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from May 31, 2017. Management is aware in making its assessment of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, as explained below.

Several adverse conditions cast significant doubt on the validity of this assumption. The Company has incurred a net loss of $5,726,232 for the year ended May 31, 2017 (2016 - $1,963,099), is currently unable to self-finance operations, has a deficit of $38,623,179 at May 31, 2017 (2016 - $32,896,947), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its exploration and evaluation assets.

The Company does not generate cash flow from operations, and has therefore relied principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's business, results of operations and financial condition.

The business of resource exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and to acquire, explore and maintain its exploration and evaluation assets. The recoverability of the carrying value of exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these assets, and future profitable production or proceeds from disposition of exploration and evaluation assets. The carrying value of the Company's exploration and evaluation assets do not reflect current or future values.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as investments held-for-trading, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting and are prepared in Canadian dollars, which is the Company's functional currency.

Approval of consolidated financial statements

The consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on September 26, 2017.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned integrated subsidiary, Indico Peru S.A.C. ("Indico Peru"), which was incorporated under the laws of Peru on August 24, 2010. All significant intercompany balances and transactions have been eliminated upon consolidation.

Significant accounting estimates and judgments

The preparation of consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated statement of financial position and reported amounts of consolidated expenses during the reporting year. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Critical accounting estimates</u>

a) Share-based payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Critical accounting estimates (cont'd)

b) Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Critical accounting judgments

a) Impairment of exploration and evaluation assets

Assets or cash-generating units ("CGU") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/studies, accessible facilities and existing permits. Accordingly, management has determined that there is impairment for the year ended May 31, 2017 (note 4).

b) Assets held for sale and discontinued operations

Judgment is required in determining whether an asset meets the criteria for classification as "assets held for sale" in the consolidated statements of financial position. Criteria considered by management include the existence of and commitment to a plan to dispose of the assets, the expected selling price of the assets, the expected timeframe of the completion of the anticipated sale and the period of time any amounts have been classified within assets held for sale. Judgment is applied in determining whether disposal groups represent a component of the entity, the results of which should be recorded in profit or loss. Management has determined that the criteria for assets held for sale is not met for the year ended May 31, 2017.

c) Functional currency

Determination of functional currency may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of its subsidiary if there is a change in events and conditions, which determined the primary economic environment.

Management has determined that the functional currency for the Company and its subsidiary is the Canadian dollar.

d) Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short- and long-term operating budget, expected profitability, investing and financing activities, and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Critical accounting judgments (cont'd)

Foreign currency translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Financial instruments

a) Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL")

A financial asset is classified as FVTPL if it is held-for-trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets designated as FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash is classified as FVTPL and is accounted for at fair value.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost, less any impairment. Accounts receivable are classified as loans and receivables.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets measured at amortized cost that management has the intention and ability to hold to maturity. The Company does not have any financial assets classified as held-to-maturity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

a) Financial assets (cont'd)

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivative financial assets that are either designated as AFS or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity. The Company has not classified any financial assets as AFS.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit or loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

If an AFS asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated other comprehensive loss to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

b) Financial liabilities

The Company classifies its financial liabilities in the following categories:

Other financial liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, loans payable, liabilities associated with assets held for sale and due to related parties are classified as other financial liabilities.

FVTPL

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has not classified any financial liabilities as FVTPL.

Property and equipment

a) Recognition and measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition of construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

b) Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and equipment (cont'd)

c) Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

d) Gains and losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized within other items in profit or loss.

e) Depreciation

Depreciation is recognized in profit or loss using the declining-balance method at the following annual rates:

Computer equipment	-	30%
Camp assets	-	10%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Exploration and evaluation assets

All of the Company's projects are currently in the exploration and evaluation phase.

a) Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

b) Exploration and evaluation assets and expenditures

Once the legal right to explore a property has been acquired, costs directly related to the acquisition of the exploration and evaluation assets are capitalized, on an area-of-interest basis. Subsequently the exploration and evaluation assets are carried at cost, less any impairment, until such time as the assets are substantially ready for their intended use, being commercial production at operating levels intended by management, or sale.

Exploration expenditures incurred during the exploration and evaluation phase are expensed as incurred and included in profit or loss.

The Company assesses interests in exploration properties for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exploration and evaluation assets (cont'd)

b) Exploration and evaluation assets and expenditures (cont'd)

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine development costs". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to property carrying values.

Impairment of non-current assets

Non-current assets are evaluated at each reporting date by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a CGU, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

In calculating recoverable amount, if applicable, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions, hence, affecting the recoverable amount.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions for environmental rehabilitation

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by third-party industry specialists and/or internal expertise, and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Additional disturbances and changes in closure and reclamation estimates are accounted for as incurred with a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

Non–current assets held for sale and discontinued operations

Non-current asset and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Company is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Property and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

Income taxes

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share capital

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company. The Company's common shares, share purchase warrants and options are classified as equity instruments.

Commissions paid to agents and other related share issue costs, such as legal, auditing and printing, on the issue of the Company's shares are charged directly to share capital.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The residual value method first allocates value to the common shares issued in the private placements, as determined by the closing quoted bid price on the issuance date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. For the year ended May 31, 2017, 3,940,000 (2016 - 5,990,000) outstanding stock options and 20,000,000 (2016 - 47,289,240) outstanding warrants were not included in the calculation of diluted earnings (loss) per share as their inclusion would have been anti-dilutive.

Share-based payments

Where equity settled share purchase options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period using the graded vesting method. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payments (cont'd)

When the value of goods or services received in exchange for the share-based payments cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction. When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up adjusted by the fair value of any monetary consideration received or given. When the asset received or the consideration given up is shares in an actively traded market, the value of those shares will be considered fair value.

New accounting policies not yet adopted

The following standards and interpretations have been issued, but are not yet effective, and have not been early-adopted by the Company and the Company has yet to assess the full impact.

IFRS 9 *Financial Instruments* (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of **IFRS 9** introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under **IAS 39**; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**. The 2014 version of **IFRS 9** introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New accounting policies not yet adopted (cont'd)

IFRS 9 *Financial Instruments* (2014) (cont'd)

- **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from **IAS 39**.

Applicable to the Company's annual period beginning on June 1, 2018.

IFRS 16 *Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The carrying values of cash, accounts payable and accrued liabilities, loans payable, liabilities associated with assets held for sale and amounts due to related parties approximate their fair values due to the short-term maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

a) Credit risk

Concentration of credit risk exists with respect to the Company's cash, as all amounts are held at a major Canadian financial institution and a major Peruvian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

Cash		**2017**		**2016**
Canadian financial institution	$	15,822	$	2,385
Peruvian financial institution		438		790
	$	16,260	$	3,175

The credit risk associated with cash is minimized by ensuring that substantially all dollar amounts are held with a major financial institution with strong investment-grade ratings by a primary ratings agency.

b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. All of the Company's financial liabilities have contractual maturities of less than 90 days. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company normally maintains sufficient cash to meet the Company's business requirements; however, at May 31, 2017, the cash balance of $16,260 will not be sufficient to meet its obligations related to its accounts payable and accrued liabilities of $2,419,787, due to related parties of $1,259,685, loans payable of $1,306,158, and required administrative and exploration and evaluation expenditures over the next twelve months. The Company will be required to raise additional capital in the future to fund its operations.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

The Company is not subject to material interest rate risk.

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)

c) Market risk (cont'd)

(ii) Foreign currency risk

The Company is exposed to foreign currency risk, as certain monetary financial instruments are denominated in US and Peruvian currencies. At May 31, 2017, total assets and liabilities include cash of US$238 (2016 - US$372) and 1,061 Peruvian soles (2016 - 2,033 Peruvian soles) and accounts payable of 4,033,259 Peruvian soles (2016 - 3,526,312 Peruvian soles). The Company has not entered into any foreign currency contracts to mitigate this risk. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the US dollar by 7% (2016 - 19%) and Peruvian soles by 3% (2016 - 2%) would increase or decrease net loss by $112,906 (2016 - $89,800) in these consolidated financial statements.

(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 or foreign currency risk. The Company is not exposed to such risk.

4. ASSETS HELD FOR SALE

On May 20, 2016, the Company entered into a Letter of Intent ("LOI") to sell 100% of the issued and outstanding shares of Indico Peru to Aruntani S.A.C. ("Aruntani") for total cash consideration of US$6,000,000 (the "Transaction"). Aruntani will acquire all rights held by Indico Peru to Inversiones Minerales S.A.C. ("Inversiones"). In addition to the cash consideration, Aruntani will grant a 1% net smelter return royalty ("NSR") to the Company. Aruntani is a non-arm's length party by virtue of being a holder of 27.2% of the common shares in the capital of the Company.

The Transaction is subject to customary conditions, including receipt of applicable regulatory and third party approvals and consents as may be required to effect and complete the transaction.

In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities associated with the Irmin Copper Gold project and the Company's wholly owned subsidiary, Indico Peru were reclassified from their respective financial position classifications to "assets held for sale" and "liabilities associated with assets held for sale" during the year ended May 31, 2016.

During the year ended May 31, 2017, property owners of the Irmin Copper Gold Porphyry Project filed a deed of termination with respect to the Assignment and Mining Option Agreement (the "Agreement") indicating Indico Peru is in default of the Agreement. The Company does not believe it is in default and filed a retraction against the claim as well as legal proceedings to enforce its ability to exercise the Agreement.

As a result of the deed of termination filed, the Company reclassified the respective assets and liabilities from assets held for sale to cash, property and equipment, exploration and evaluation assets and accounts payable and accrued liabilities as follows, as required by IFRS:

4. ASSETS HELD FOR SALE (cont'd)

Amounts previously reported as of May 31, 2016 as assets held for sale:

		2016
Cash	$	790
Property and equipment		118,906
Exploration and evaluation assets		4,637,347
Previously disclosed as assets held for sale	$	4,757,043

Amounts previously reported as of May 31, 2016 as liabilities associated with assets held for sale:

		2016
Accounts payable and accrued liabilities	$	1,370,678
Previously disclosed as liabilities associated with assets held for sale	$	1,370,678

In accordance with IFRS 6 and IAS 36, the Company recognized indicators of impairment for the respective exploration and evaluation assets and property and equipment and accordingly, recognized an impairment charge of $4,756,252 for financial reporting purposes in the consolidated financial statements. The fair value was determined in accordance with Level 3 of the fair value hierarchy. Notwithstanding this impairment charge of $4,756,252, the Company has been advised by external legal counsel that the deed of termination has no basis in law, and that the Company's rights under the Assignment and Mining Option Agreement remain in force. The Company has commenced arbitration proceedings in Peru, and has filed a suit in the British Columbia Supreme Court, to enforce its legal rights.

Amounts previously reported for the year ended May 31, 2016 as discontinued operations which have been reclassified to respective accounts are as follows:

		2016
Consulting	$	358,557
Exploration and evaluation expenditures (note 10)		410,145
Office		2,525
Professional fees		68,566
		839,793
Foreign exchange loss		6,991
Net loss for the year from discontinued operations, net of tax	$	846,784

4. ASSETS HELD FOR SALE (cont'd)

Amounts previously reported for the year ended May 31, 2016 in the statement of cash flows from discontinued operations are as follows:

		2016
Net loss for the year from discontinued operations, net of tax	$	(846,784)
Depreciation		18,076
Accounts payable		804,121
Operating cash flows from discontinued operations	$	(24,587)

5. PROPERTY AND EQUIPMENT

		Computer equipment		Camp assets		Total
Cost						
Balance, May 31, 2015 and 2016	$	4,704	$	182,575	$	187,279
Impairment (note 4)		-		(182,575)		(182,575)
Balance, May 31, 2017	$	4,704	$	-	$	4,704
Accumulated depreciation						
Balance, May 31, 2015	$	3,744	$	45,593	$	49,337
Depreciation for the year		288		18,076		18,364
Balance, May 31, 2016		4,032		63,669		67,701
Depreciation for the year		202		-		202
Impairment (note 4)		-		(63,669)		(63,669)
Balance, May 31, 2017	$	4,234	$	-	$	4,234
Carrying amounts						
At May 31, 2016	$	672	$	118,906	$	119,578
At May 31, 2017	$	470	$	-	$	470

6. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs for its exploration and evaluation assets relating to the Irmin Copper Gold project (formerly Ocaña), during the years ended May 31, 2017 and 2016:

		Total
Balance, May 31, 2015 and 2016	$	4,637,347
Impairment (note 4)		(4,637,346)
Balance, May 31, 2017	$	1

Property acquisitions

a) Irmin Copper Gold Porphyry Project (formerly Ocaña)

On September 14, 2010, the Company entered into an agreement wherein the Company, through Indico Peru, had been granted the exclusive option to acquire a 100% interest in the Ocaña Copper Gold Porphyry Project (subsequently named Irmin on September 8, 2015) ("Ocaña") in south-central Peru, by way of an option to acquire 100% of the issued and outstanding shares of Inversiones, which holds an option to acquire a 100% interest in the Ocaña property, by making, at its option, payments of cash and shares. The consideration due pursuant to the agreement is as follows.

(i) Payment of US$17,750,000 over a five-year period as follows:

- US$387,273 on or before November 29, 2010 (Paid);
- US$322,727 on or before April 20, 2011 (Paid);
- US$451,818 on or before April 20, 2012 (Paid);
- US$516,364 on or before April 20, 2013 (extended to May 23, 2013) (Paid);
- US$580,909 on or before April 20, 2014 (Paid); and
- US$15,490,909 on or before April 20, 2015 (Amended and extended for five years).

(ii) Issuance of 8,500,000 common shares of the Company over a five-year period as follows:

- 200,000 on or before April 20, 2011 (Issued);
- 300,000 on or before April 20, 2012 (Issued);
- 500,000 on or before April 20, 2013 (Issued);
- 1,000,000 on or before April 20, 2014 (Issued); and
- 6,500,000 on or before April 20, 2015 (Issued).

In addition, the consortium that holds the underlying mineral rights at Ocaña will receive a 1% NSR on commercial production at the Ocaña Project.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Property acquisitions (cont'd)

a) Irmin Copper Gold Porphyry Project (formerly Ocaña) (cont'd)

In October 2014, the parties agreed to amend the final payment of US$15,500,000 due in April 2015. Under the terms of the amended payment schedule, the Company will pay:

- US$1,500,000 on April 20, 2015 (Paid);
- US$2,000,000 on April 20, 2016 (Paid);
- US$2,000,000 on April 20, 2017; (*)
- US$2,000,000 on April 20, 2018; and
- US$7,990,909 on April 20, 2019.

The 2016 option payment was paid by Aruntani.

* The owners of the Irmin property have questioned whether Inversiones has fulfilled certain of its obligations under the Mining Agreement. Inversiones is of the opinion that it has fulfilled all of its obligations, and has informed the owners that the April 20, 2017 option payment is being withheld pending settlement of this dissent. Indico agrees with the approach of Inversiones.

As part of the amending agreement, Inversiones is to commence construction of the project on or before June 30, 2016 and commence production on or before June 30, 2018. Should Inversiones not start construction of the project by June 30, 2016 it is required to pay a $50,000 penalty, and if it fails to commence production on or before June 30, 2018 it will be required to make advance royalty payments on a yearly basis of $300,000 payable from June 30, 2018 onwards. The advance royalty payments can be discounted from future royalty payments at a rate of 20% per year.

On September 8, 2015, Inversiones entered into an agreement (the "Joint Venture Agreement") with Aruntani whereby the companies agreed to develop a mining project on the Ocaña properties through the incorporation of Compañia Minera Irmin SAC ("Irmin") a Peruvian corporation. Interest of this entity would be held 70% by Aruntani and 30% by Inversiones. Aruntani would fund Irmin US$18,700,000 representing its 70% investment while Inversiones would transfer its option to acquire the Ocaña properties. To date, Inversiones has spent approximately US$8,000,000, which represents its 30% investment.

The US$18,700,000 funded by Aruntani would be used to pay the remaining option payments Inversiones is required to make to the Property's optionors, which amount to approximately US$7,000,000 on scheduled payments over the next four years, acquire the land surface of the property, perform mineral reserves evaluation, perform and modify environmental studies, prepare a pre-feasibility study, perform drilling and commence the project construction program.

Once both entities have contributed their respective investments, any further funding must be contributed according to the entities' interest percentage. Under the agreement, Aruntani will have four out of five of Irmin's directors and will be responsible for managing the project. However, in order to enter into an agreement to sell the properties, enter into debt or modify Irmin's capital structure, 100% shareholder approval will be required. The companies also agreed on a name change for the project from Ocaña to Acana in June 2015 and then to Irmin in September 2015.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Property acquisitions (cont'd)

a) Irmin Copper Gold Porphyry Project (formerly Ocaña) (cont'd)

On May 20, 2016, the Company entered into a LOI with Aruntani pursuant to which the Company will sell to Aruntani all of the shares of Indico Peru, which has an irrevocable option to acquire all of the shares in the capital of Inversiones, an entity holding an option to acquire a series of concessions of the Irmin Copper Gold Porphyry Project (the "Transaction").

As part of the Transaction, Aruntani will acquire the Company's legal and beneficial right, title and interest in the Irmin Property, including any interest held pursuant to the Joint Venture Agreement. As consideration of the acquisition of all shares of Indico Peru, Aruntani will pay the Company US$6,000,000 in cash and will grant the Company a 1% NSR over the Irmin Property. Closing of the Transaction is subject to, among other things, the approval of the TSX Venture Exchange ("TSX-V"), minority shareholder approval and valuation, and any other applicable governmental or regulatory authorities (note 4).

Realization of assets

The investment in exploration and evaluation assets comprises a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

Title to exploration and evaluation assets

The acquisition of title to exploration and evaluation assets is a detailed and time-consuming process. The Company has taken steps, in accordance with industry standards for the current stage of exploration activities, to verify title to assets in which it has an interest. Although the Company has taken every reasonable precaution to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

Environmental expenditures

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Environmental expenditures (cont'd)

Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries. The Company has determined, as of May 31, 2017, the disturbances to earth are minimal, and therefore did not record provisions for environmental rehabilitation expenditures.

7. LOANS PAYABLE

		Total
Balance, May 31, 2015	$	1,108,833
Funds received		74,902
Foreign exchange adjustment		16,553
		91,455
Balance, May 31, 2016		1,200,288
Funds received		94,670
Foreign exchange adjustment		11,200
		105,870
Balance, May 31, 2017	$	1,306,158

During the year ended May 31, 2016, the Company received $16,280 from arm's length individuals and $60,173 from the CEO of the Company in the form of non-interest-bearing short-term loans.

During the year ended May 31, 2017, the Company received $30,820 from arm's length individuals and $63,850 from the CEO in the form of non-interest-bearing short-term loans due on or before May 2017. At May 31, 2017, the total amount of loans payable amounted to $1,306,158 (2016 - $1,200,288).

8. SHARE CAPITAL

Authorized

Unlimited number of voting common shares without par value.

Issued

During the year ended May 31, 2017:

There were no shares issued during the year ended May 31, 2017.

During the year ended May 31, 2016:

On July 23, 2015, the Company closed a non-brokered private placement and raised gross proceeds of $3,000,000 through the issuance of 40,000,000 units at a price of $0.075 per share. Each unit consists of one common share and one-half of one common share purchase warrant. Each full share purchase warrant entitles the holder to purchase one common share at an exercise price of $0.10 until July 23, 2017. In connection with the financing, the Company paid an additional $40,147 in share issuance costs.

8. SHARE CAPITAL (cont'd)

Stock options

The Company has a stock option plan (the "Plan") under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the Plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of five years with vesting terms determined by the Board of Directors.

On August 6, 2015, the Company granted 6,440,000 options that vested immediately to directors, officers and consultants of the Company. The options are exercisable at a price of $0.10 per share for a period of five years.

During the year ended May 31, 2017, 2,050,000 options expired unexercised.

Stock option transactions are summarized as follows:

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the year	5,990,000	$ 0.10	1,720,000	$ 0.10
Granted	-	$ -	6,440,000	$ 0.10
Expired	(2,050,000)	$ (0.10)	(2,170,000)	$ (0.10)
Balance, end of the year	3,940,000	$ 0.10	5,990,000	$ 0.10

The weighted average remaining contractual life of options outstanding at May 31, 2017 was 3.19 (2016 – 4.17) years.

Stock options outstanding and exercisable are as follows:

	2017			2016		
Expiry date	Exercise price	Options outstanding	Options exercisable	Exercise price	Options outstanding	Options exercisable
August 6, 2020	$ 0.10	3,940,000	3,940,000	$ 0.10	5,990,000	5,990,000
		3,940,000	3,940,000		5,990,000	5,990,000

8. SHARE CAPITAL (cont'd)

Share-based payments

During the year ended May 31, 2017, the Company granted nil (2016 - 6,440,000) stock options with a fair value of $nil (2016 - $493,450), or $nil (2016 - $0.08) per option, calculated using the Black-Scholes option pricing model. Share-based payments have been allocated as follows:

	2017	2016
Consulting fees	$ -	$ 471,230
Exploration and evaluation expenditures	-	19,156
Professional fees	-	3,064
	$ -	$ 493,450

The following weighted average assumptions were used for the Black-Scholes option pricing model calculations:

	2017	2016
Risk-free interest rate	N/A	0.78%
Expected life of options	N/A	5 years
Expected annualized volatility	N/A	131%
Expected dividend yield	N/A	0.0%
Forfeiture rate	N/A	0.0%

Warrants

	2017		2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of the year	47,289,240	$ 0.13	41,106,980	$ 0.15
Issued	-	$ -	20,000,000	$ 0.10
Expired	(27,289,240)	$ 0.15	(13,817,740)	$ 0.16
Balance, end of the year	20,000,000	$ 0.10	47,289,240	$ 0.13

The weighted average remaining contractual life of warrants outstanding at May 31, 2017 was 0.14 (2016 – 0.82) years.

During the year ended May 31, 2017, 27,289,240 warrants expired unexercised.

8. SHARE CAPITAL (cont'd)

Warrants

Warrants outstanding:

	2017		2016	
Expiry date	Exercise price	Number of warrants	Exercise price	Number of warrants
December 31, 2016	$ -	-	$ 0.15	26,762,000
December 31, 2016 (agent compensation warrants)	$ -	-	$ 0.15	527,240
July 23, 2017 (note 16)	$ 0.10	20,000,000	$ 0.10	20,000,000
		20,000,000		47,289,240

9. RELATED PARTY TRANSACTIONS

During the years ended May 31, 2017 and 2016, the Company entered into the following transactions with related parties:

Management compensation

Key management personnel compensation is comprised of the following:

	2017	2016
Consulting fees to CEO	$ 240,000	$ 240,000
Consulting fees to CFO	60,000	58,750
Directors' fees (included in consulting fees)	116,434	82,794
Geological consulting fees to COO	-	2,323
Share-based payments to CEO, CFO, COO and directors	-	371,620
	$ 416,434	$ 755,487

Transactions with other related parties

	2017	2016
Consulting fees to Corporate Secretary	$ 36,000	$ 36,000
Share-based payments to Corporate Secretary	-	15,325
	$ 36,000	$ 51,325

At May 31, 2017, included in due to related parties was $1,259,685 (2016 - $1,256,960) in expenses owing to companies with common directors.

At May 31, 2017, included in loans payable was $826,850 (2016 - $888,300) in loans payable to directors, officers and a company with common directors. These amounts were unsecured and non-interest-bearing.

9. RELATED PARTY TRANSACTIONS (cont'd)

Key management personnel were not paid any short-term benefits, post-employment benefits, termination benefits or other long-term benefits during the years ended May 31, 2017 and 2016.

10. EXPLORATION AND EVALUATION EXPENDITURES (RECOVERY), NET

The exploration and evaluation expenditures were as follows for the years ended May 31:

	2017	2016
Irmin Copper Gold Porphyry Project (formerly Ocaña)		
Community relations	$ 31,317	$ 221,268
Depreciation	-	18,076
Geological (note 9)	-	21,479
Personnel	24,978	47,201
Peruvian value added tax	26,303	102,121
	$ 82,598	$ 410,145

11. SEGMENTED INFORMATION

The business of the Company is the acquisition, exploration and development of mineral properties, which is considered one business segment.

Geographic information is as follows:

	2017			2016		
	Canada	Peru	Total	Canada	Peru	Total
Cash	$ 15,822	$ 438	$ 16,260	$ 2,385	$ 790	$ 3,175
Exploration and evaluation assets	-	1	1	-	4,637,347	4,637,347
Other assets	14,492	-	14,492	19,877	118,906	138,783
	$ 30,314	$ 439	$ 30,753	$ 22,262	$4,757,043	$4,779,305

12. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company currently has no source of revenues, and accordingly, is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing capital deficiency and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

12. CAPITAL MANAGEMENT (cont'd)

There were no changes in the Company's approach to capital management during the year ended May 31, 2017. The Company is not subject to externally imposed capital requirements.

13. LOSS PER SHARE

Basic and diluted loss per share

	2017	2016
Net loss	$ (5,726,232)	$ (1,963,099)
Weighted average number of common – basic and diluted	147,003,489	141,320,429
Basic and diluted loss per share	$ (0.04)	$ (0.01)

14. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes is as follows for the years ended May 31:

	2017	2016
Loss before income taxes	$ (5,726,232)	$ (1,963,099)
Statutory Canadian corporate tax rate	26.00%	26.00%
Income tax recovery at statutory rates	(1,488,820)	(510,405)
Foreign exchange impact on tax assets and liabilities	(259,355)	56,299
Non-deductible items	26,214	129,890
Difference in tax rates in other jurisdictions	(201,970)	(12,335)
Tax benefits not realized	1,923,931	336,551
Deferred income tax recovery	$ -	$ -

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate sufficient taxable income to utilize its deferred tax assets. The balance of tax assets resulting from the Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	2017	2016
Carrying value less than income tax basis of interest in exploration and evaluation assets	$ 15,689,293	$ 10,104,831
Carrying value less than income tax basis of investment held-for-trading	139,475	139,475
Carrying value less than income tax basis of property and equipment	201,798	82,690
Share issuance costs	52,887	109,101
Non-capital losses carried forward	9,419,680	8,563,667
	$ 25,503,133	$ 18,999,764

14. INCOME TAXES (cont'd)

At May 31, 2017, the Company has available non-capital tax losses for Canadian income tax purposes of approximately $7,663,000 and non-capital losses for Peruvian tax purposes of approximately $1,450,000 available for carry-forward to reduce future years' taxable income. If not utilized, they will expire as follows:

	Canada	Peru	Total
2026	$ 414,000	$ -	$ 414,000
2027	543,000	-	543,000
2028	556,000	-	556,000
2029	544,000	-	544,000
2030	416,000	-	416,000
2031	583,000	-	583,000
2032	678,000	-	678,000
2033	742,000	-	742,000
2034	1,032,000	-	1,032,000
2035	795,000	-	795,000
2036	672,000	-	672,000
2037	733,000	-	733,000
Indefinite	-	1,450,000	1,450,000
	$ 7,708,000	$ 1,450,000	$ 9,158,000

15. SUPPLEMENTAL CASH FLOW INFORMATION

	2017	2016
Supplemental cash flow information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

16. SUBSEQUENT EVENTS

Subsequent to May 31, 2017:

a) On July 23, 2017, 20,000,000 warrants exercisable at a price of $0.10 per warrant expired unexercised.

b) The Company has commenced arbitration proceedings in Peru, and has filed a suit in the British Columbia Supreme Court, to enforce its legal rights (note 4).