MARGARET LAKE DIAMONDS INC.

Condensed Interim Financial Statements

For the six months ended November 30, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

MARGARET LAKE DIAMONDS INC.

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NOTICE TO READER

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 financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

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

January 28, 2019

MARGARET LAKE DIAMONDS INC.

Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	**November 30, 2018 (unaudited)**	May 31, 2018 (audited)
Assets			
Current assets			
Cash		**$ 516,977**	$ 475,968
Receivables	3	**4,256**	40,618
Subscriptions receivable	7(b)(ii)	**–**	123,800
Prepaid expenses		**16,319**	26,033
Exploration advances		**–**	136,605
		537,552	803,024
Exploration and evaluation assets	6	**3,609,409**	3,694,717
Reclamation bond	6	**48,000**	48,000
		$ 4,194,961	$ 4,545,741
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	4	**$ 2,476**	$ 220,080
Contribution from JV partner	6	**41,734**	60,947
Due to related parties	8	**–**	17,820
Flow-through premium liability	5	**3,826**	8,886
		48,036	307,733
Shareholders' equity			
Share capital	7	**5,799,879**	5,799,879
Reserve	7	**408,960**	391,909
Deficit		**(2,061,914)**	(1,953,780)
		4,146,925	4,238,008
		$ 4,194,961	$ 4,545,741

Nature of operations (Note 1)

The accompanying notes form an integral part of these condensed interim financial statements.

MARGARET LAKE DIAMONDS INC.

Condensed Interim Statement of Changes in Equity
(Expressed in Canadian Dollars - unaudited)

		Share Capital					
	Note	**Shares**	**Amount**	**Common Stock Subscribed**	**Reserves**	**Deficit**	**Total Equity**
Balance, May 31, 2017		42,457,280	$ 4,682,409	$ 155,000	$ 303,734	$ (1,855,778)	**$** 3,285,365
Private placement	7(b)(i)	3,650,000	365,000	(155,000)	–	–	210,000
Flow-through premium liability	5	–	(91,250)	–	–	–	(91,250)
Share issuance costs	7(b)(i)	210,000	(24,134)	–	2,000	–	(22,134)
Net income		–	–	–	–	13,728	13,728
Balance, November 30, 2017		46,317,280	4,932,025	–	305,734	(1,842,050)	3,395,709
Private placements	7(b)(ii)	3,654,999	438,600	–	–	–	438,600
Flow-through private placements	7(b)(ii)	4,714,308	612,860	–	–	–	612,860
Flow-through premium liability	5	–	(47,143)	–	–	–	(47,143)
Share issuance costs	7(b)(ii)	–	(136,463)	–	44,627	–	(91,836)
Stock-based compensation		–	–	–	41,548	–	41,548
Net loss		–	–	–	–	(111,730)	(111,730)
Balance, May 31, 2018		54,686,587	5,799,879	–	391,909	(1,953,780)	4,238,008
Stock-based compensation	7(c)	–	–	–	17,051	–	17,051
Net loss		–	–	–	–	(108,134)	(108,134)
Balance, November 30, 2018		**54,686,587**	**$ 5,799,879**	**$ –**	**$ 408,960**	**$ (2,061,914)**	**$ 4,146,925**

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

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MARGARET LAKE DIAMONDS INC.

Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars - unaudited)

	Note	Three months ended November 30, 2018	Three months ended November 30, 2017	Six months ended November 30, 2018	Six months ended November 30, 2017
Expenses:					
Consulting		$ **200**	$ –	$ **200**	$ 18,689
Marketing		**31,000**	4,000	**62,000**	16,000
Office and administration	7	**11,193**	10,121	**21,772**	20,893
Professional fees		**5,454**	5,701	**5,454**	7,667
Regulatory fees		**3,203**	3,189	**4,503**	4,589
Rent	7	**–**	3,000	**–**	6,000
Stock-based compensation		**4,659**	–	**17,051**	–
Transfer agent fees		**687**	1,868	**2,214**	2,840
Travel and promotion		**–**	844	**–**	844
Loss before taxes		**(56,396)**	(28,723)	**(113,194)**	(77,522)
Amortization of flow-through premium liability		**52**	–	**5,060**	91,250
Net and comprehensive income (loss)		**$ (56,344)**	$ (28,723)	**$ (108,134)**	$ 13,728
Loss per common share Basic and diluted		**$ (0.00)**	$ (0.00)	**$ 0.00**	$ (0.00)
Weighted average number of common shares outstanding		**54,686,587**	**46,317,280**	**54,686,587**	45,979,793

The accompanying notes form an integral part of these condensed interim financial statements.

MARGARET LAKE DIAMONDS INC.

Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars - unaudited)

	Note	For the six months ended November 30, 2018	2017
Cash provided by (used in):			
Operating activities:			
Net and comprehensive income (loss)		**$ (108,134)**	$ 13,728
Deferred tax recovery	5	**(5,060)**	(91,250)
Stock-based compensation	7	**17,051**	–
Changes in non-cash working capital item:			
Receivables		**30,872**	23,236
Prepaid expenses		**9,714**	36,706
Trade and other payables		**(59,803)**	(11,467)
Due to related parties	8	**(17,820)**	–
Net cash used in operating activities		**(133,180)**	(29,047)
Investing activities:			
Contribution from JV partner	6	**(19,213)**	(51,651)
Exploration advances		**136,605**	–
Mineral Incentive Program (“MIP”) grants	6	**181,414**	31,111
Exploration and evaluation assets		**(157,455)**	(273,036)
Net cash provided by (used in) investing activities		**141,351**	(293,576)
Financing activities:			
Common stock subscribed		–	210,000
Subscription receivable	7	**123,800**	–
Share issuance costs	4, 7	**(90,962)**	(22,134)
Net cash provided by financing activities		**32,838**	187,866
Change in cash		**41,009**	(134,757)
Cash, beginning		**475,968**	293,721
Cash, ending		**$ 516,977**	$ 158,964

Supplemental cash flow information

Other significant non-cash transactions during the six months ended November 30, 2018 included:

- accrued exploration expenditures of $1,181 (May 31, 2018 - $68,020) in trade and other payables (Note 4);
- MIP grant of $Nil (May 31, 2018 - $5,490) accrued in other receivables (Note 3);
- fair value of agent's warrants of $Nil (2017 - $2,000) recorded as share issuance costs (Note 7(b)(i)); and
- allocation of $Nil (2017 - $91,250) from capital stock to flow-through premium liability on the issuance of the flow-through shares (Note 5).

The accompanying notes form an integral part of these condensed interim financial statements.

1. Nature of operations

Margaret Lake Diamonds Inc. (the "Company") was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) on February 9, 2011. The Company is an exploration company focussing on diamond exploration. The Company's shares trade on the TSX Venture Exchange ("Exchange") and trading under the symbol "DIA".

The Company's principal address and head office is Suite 303-1080 Howe Street, Vancouver BC, V6Z 2T1. The registered and records office is Suite 400, 725 Granville Street, Vancouver, BC, V7Y 1G5.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is in the process of exploring its mineral resource properties and has not determined whether these properties contain mineral reserves, which are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts shown for exploration and evaluation assets are dependent on the ability of the Company to raise additional financing in order to complete the exploration of its properties, the discovery of economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's exploration and evaluation assets. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and evaluation will be affected principally by its ability to raise adequate amounts of capital through equity financing, debt financings, joint venturing of projects and other means. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The Company has an accumulated deficit of $2,061,914 (May 31, 2018 - $1,953,780) since its inception, including a loss of $108,134 for the six months ended November 30, 2018 (2017 – net income of $13,728 as a result of amortization of the flow-through liabilities). At November 30, 2018, the Company had a working capital of $489,516 (May 31, 2018 - $495,291).

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. Significant accounting policies and basis of preparation

Statement of compliance with International Financial Reporting Standards ("IFRS")

These condensed interim financial statements were authorized for issue on January 28, 2019 by the directors of the Company.

Statement of compliance

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company adopted accounting policies consistent with IFRS since incorporation on February 9, 2011.

2. Significant accounting policies and basis of presentation (cont'd)

Basis of presentation

The condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable and are presented in Canadian dollars unless otherwise noted.

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited financial statements for the year ended May 31, 2018.

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended May 31, 2018, except for the adoption of IFRS 9, Financial Instruments, and the adoption of IFRS 15, Revenue from Contracts with Customers, both of which were effective and have been applied from June 1, 2018.

These condensed interim financial statements does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the Company's audited annual financial statements for the year ended May 31, 2018.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which estimates are revised.

Significant accounts that require estimates relate to valuation allowances for deferred income taxes, valuation of stock-based compensation, shares issued for acquisition of mineral properties, shares issued as finder's fees and warrants issued in private placements.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty (Note 1);
- the classification and allocation of expenditures as exploration and evaluation expenditures or operating expenses;
- the classification of resource expenditures for the purpose of renunciation to flow-through share subscribers; difference in judgment between management and regulatory authorities can materially increase the Company's flow-through liabilities and outstanding commitments; and
- the accounting for the Company's participation in joint ventures, which depends on the degree of control and influence.

(Expressed in Canadian dollars - unaudited)

2. Significant accounting policies and basis of presentation (cont'd)

Interest in jointly controlled asset

The Company has interest in a joint venture, which is involved in mineral exploration of the Diagras Property (Note 5). No separate entity was created upon entering the Joint Venture Agreement. All decisions regarding exploration of the property will be made by a management committee consisting of two appointees by each of the Company and Arctic Star.

The Company has 60% of the voting power, while Arctic Star has 40% of the voting power. Based on that, there are no joint control arrangements. Accordingly, the Company has capitalized its 60% share in the expenditures made on the Diagras JV.

Recent accounting pronouncements

IFRS 9 "Financial Instruments"

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of June 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 is now the new standard which sets out the recognition and measurement requirements for financial instruments and some contracts to buy or sell non-financial items. The new standard provides a model for the classification and measurement of financial instruments, a single forward-looking "expected loss" impairment model, and a reformed approach for hedge accounting. As most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward into IFRS 9, the Company's accounting policy with respect to financial liabilities is unchanged. The Company has determined that the adoption of this standard has resulted in no material impact to its interim financial statements.

As at November 30, 2018, the Company's financial instruments were as follows. Unless otherwise disclosed their carrying values approximate their fair values due to the short term nature of these instruments.

	Loans & receivables at amortised costs	*Fair Value through Profit or Loss ("FVTPL")*	*Other financial liabilities at amortised costs*
Financial assets			
Cash	$ –	$ 516,977	$ –
Financial liabilities			
Trade payables	–	–	2,476
Contribution from the JV partner	–	–	41,734
	$ –	$ 516,977	$ 44,210

The Company has classified and measured its cash as FVTPL. Trade payable and due to related parties are classified as other liabilities, which are measured at amortized cost.

IFRS 15 "Revenue from Contracts with Customers"

On June 1, 2018, the Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 18 – Revenue ("IAS 18"). IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard was effective for annual periods beginning on or after January 1, 2018.

(Expressed in Canadian dollars - unaudited)

2. Significant accounting policies and basis of presentation (cont'd)

Recent accounting pronouncements *(cont'd)*

The Company is a junior mining exploration company and it currently does not generate any revenue from contracts with customers. Therefore, the adoption of this standard did not have any significant impact on the Company's interim financial statements.

IFRS 16, Leases

IFRS 16 is a new standard that contains a single lessee accounting model, eliminating the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements, effective for annual reporting periods beginning on or after January 1, 2019. The Company has not early adopted this standard and is assessing the impact that this standard will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Receivables

	November 30, 2018	May 31, 2018
Sales taxes recoverable	$ 4,256	$ 35,128
Other receivables (Note 6)	–	5,490
	$ 4,256	$ 40,618

Other receivable as at May 31, 2018 consisted of the balance of the grant receivable under the Mining Incentive Program ("MIP") of the Northwest Territories. The amount was received in June 2018.

4. Trade and other payables

	November 30, 2018	May 31, 2018
Accrued liabilities	$ –	$ 12,600
Exploration payables	1,181	68,020
Share issuance costs payable (Note 7 (b)(ii))	–	90,962
Other trade payables	1,295	48,498
	$ 2,476	$ 220,080

(Expressed in Canadian dollars - unaudited)

5. Flow-through liabilities

	November 30, 2018	May 31, 2018
Balance, beginning of the period	$ 8,886	$ –
Recorded	–	138,393
Amortized	(5,060)	(129,507)
Balance, end of the period	$ 3,826	$ 8,886

On June 13, 2017, the Company completed a unit private placement issuing 3,650,000 flow-through shares (Note 7(b)(i)) for gross proceeds of $365,000. The Company recorded a flow-through premium liability of $91,250 (2017 - $Nil) in connection with this flow-through private placement, which was calculated based on an estimated premium of approximately $0.025 per flow-through share issued in excess of the market value of the Company's shares at the closing.

During the year ended May 31, 2018, the Company incurred required eligible exploration expenditures of $365,000, which were renounced to the flow-through subscribers for calendar year 2017. As a result, the Company fully amortized the flow-through premium liability associated with the June 2017 flow-through private placement of $91,250 in the statement of comprehensive loss.

On May 31, 2018, the Company completed a unit private placement consisting of two tranches issuing 4,714,308 flow-through shares (Note 7(b)(ii)) for total gross proceeds of $612,860. The Company recorded a flow-through premium liability of $47,143 (2017 - $Nil) in connection with this flow-through private placement, which was calculated based on an estimated premium of approximately $0.01 per flow-through share issued in excess of the value of the non-flow through units issued concurrently.

The Company is required to incur Canadian exploration expenditures equal to the total amount of the gross proceeds raised of $612,860 no later than December 31, 2019 pursuant to the terms of subscription agreements. As of November 30, 2018, the Company incurred $563,125 (May 31, 2018 - $497,340) of the required eligible exploration expenditures and proportionally amortized $43,317 (May 31, 2018 - $38,257) of its flow-through liability associated with the May 2018 flow-through private placement in the statement of comprehensive loss.

6. Exploration and evaluation assets

Margaret Lake Property

Pursuant to an assignment agreement with Harsbo Minerals Ltd. dated March 14, 2014 and a subsequent mineral property transfer agreement with Margaret Lake Diamonds Ltd. ("MLDL") dated July 6, 2015, the Company owns a 100% undivided interest in 19 mineral claims located in the Northwest Territories, Canada, known as the Margaret Lake Diamond Property (the "Margaret Lake Property").

The Company completed the purchase by issuing 6,000,000 common shares at a fair value of $765,000 during the year ended May 31, 2017. The Company has no ongoing work obligations and no royalties payable other than an obligation to issue 1,000,000 common shares to MLDL when the Company completes a bulk sample that allows a statistically meaningful independent evaluation of the diamond population contained in a deposit on any part of the Margaret Lake Property.

6. Exploration and evaluation assets (cont'd)

During the six months ended November 30, 2018, the Company received an approval for the 2018-2019 MIP funding of $140,000 (2017 - $36,601) for the Margaret Lake Property project from the Government of the Northwest Territories. In August 2018, the Company received first payment in the amount of $119,000, which equals to 85% of the total funding, and recorded this amount against exploration expenditures incurred on the Margaret Lake Property. The final payment will be made after the Company submits 2018 projects reports.

During the year ended May 31, 2018, the Company posted a reclamation bond of $48,000 with the Government of the Northwest Territories in relation to the Land Use Permit for conducting 2018 Drill program on the Margaret Lake Property.

Kirk Lake

During the year ended May 31, 2015, the Company expanded its project to the north of the Margaret Lake Property by staking additional claims ("Kirk Lake").

Diagras Property

On November 7, 2016, the Company entered into an Option and Joint Venture Agreement ("JV Agreement") with Arctic Star Exploration Corp. ("Arctic Star") (TSX-V: ADD), under which it has acquired a 60% interest in 23 mineral claims located in in the Northwest Territories, Canada (the "Diagras Property").

The Company formed a joint venture with Arctic Star (the "Diagras JV") to jointly explore the Diagras Property on the 60-40 joint venture basis, with the Company acting as the operator.

The Company earned its 60% interest in the Diagras Property by making a bond payment of $186,990 to the Government of the Northwest Territories in lieu of required exploration expenditures and a non-refundable filing fee of $4,675. During the year ended May 31, 2018, the Company received a cash refund of the $183,514 from the Government of the Norwest Territories of the bond deposit. 40% of the refunded bond deposit, or $73,406, was allocated to Arctic Star and 60% of the refunded bond deposit, or $110,108 was credited against the Company's acquisition costs of the Diagras property.

During the six months ended November 30, 2018, the Diagras JV partners staked 8 new mineral claims adjoining the pre-existing Diagras Property. The new claims cover 3,896 hectares and, now, the Diagras property consists of 31 mineral claims covering 22,595 hectares.

During the six months ended November 30, 2018, the Diagras JV completed the geophysical and staking programs and incurred a total of $142,905 (2017 - $47,998) in exploration and development expenditures on the Diagras Property, of which $79,076 (2017 - $31,651) has been allocated to Arctic Star based on its proportionate interest in the Diagras JV.

During the six months ended November 30, 2018, the Company received an approval for the 2018-2019 MIP funding of $111,615 (2017 - $Nil), from the Government of the Northwest Territories that will cover certain eligible exploration costs incurred on the Diagras JV project. In August 2018, the Company received its first payment in the amount of $94,873 (2017 - $Nil) or 85% of the total funding. The final payment will be made after the Company submits its 2018 projects reports. $37,949 of the received funding has been allocated to Arctic Star based on its proportionate interest in the Diagras JV, and $56,924 was recorded against the Company's expenditures incurred on the Diagras Property.

(Expressed in Canadian dollars - unaudited)

6. Exploration and evaluation assets (cont'd)

As at November 30, 2018, the balance of the Arctic Star's unapplied contribution for this year's program was $41,734 (May 31, 2018 - $60,947). The balance is included as a current liability in the Company's statement of financial position as at November 30, 2018. The unapplied contributions will be applied against future exploration expenditures on the Diagras Property.

The following table summarizes the Company's exploration and evaluation asset expenditures:

Property:		**Margaret Lake**		**Kirk Lake**		**Diagras**		**Total**
Acquisition Costs:								
Balance, May 31, 2017	$	1,431,488	$	16,000	$	207,159	$	**1,654,647**
Refund of exploration deposit		–		–		(110,108)		(110,108)
Balance, May 31, 2018		1,431,488		16,000		97,051		**1,544,539**
Staking		–		–		25,470		25,470
Allocation to the JV partner		–		–		(10,188)		(10,188)
Balance, November 30, 2018	$	1,431,488	$	16,000	$	112,333	**$**	**1,559,821**
Deferred exploration costs:								
Balance, May 31, 2017	$	1,200,643	$	144,843	$	242,730	**$**	**1,588,216**
Additions:								
Community consultations		8,304		–		12,457		20,761
Drilling		455,164		–		–		455,164
Geology		23,875		–		52,327		76,202
Geophysics		–		–		108,917		108,917
Assessment reports filing fees		4,185		–		4,725		8,910
MIP grant received		(36,601)		–		–		(36,601)
Allocation to the JV partner		–		–		(71,391)		(71,391)
Balance, May 31, 2018		1,655,570		144,843		349,765		**2,150,178**
Additions:								
Geology		3,188		–		11,875		15,063
Geophysics		–		–		102,266		102,266
Assessment reports filing fees		1,685		–		3,294		4,979
MIP grants received		(119,000)		–		(56,924)		(175,924)
Allocation to the JV partner		–		–		(46,974)		(46,974)
Balance, November 30, 2018	$	1,541,443	$	144,843	$	363,302	**$**	**2,049,588**
Balance, May 31, 2018	**$**	**3,087,058**	**$**	**160,843**	**$**	**446,816**	**$**	**3,694,717**
Balance, November 30, 2018	**$**	**2,972,931**	**$**	**160,843**	**$**	**475,635**	**$**	**3,609,409**

7. Share capital

a. Authorized

Unlimited number of common shares without par value.

b. Issued and outstanding

There were no transactions affecting share capital during the six months ended November 30, 2018.

The Company fully collected the subscriptions receivable of $123,800 in connection to the private placements closed on May 31, 2018 (Note 7(b)(ii)).

During the year ended May 31, 2018:

(i) In June 2017, the Company completed a non-brokered flow-through private placement of 3,650,000 units at a price of $0.10 per unit for gross proceeds of $365,000. Each unit consisted of one flow-through common share and one-half non flow-through share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one common share at a price of $0.15 per share for a period of 12 months from closing. A flow-through premium liability of $91,250 was recorded in connection with this private placement based on an estimated premium of approximately $0.025 per flow-through share issued (Note 5).

The Company paid cash-based finders' fee of $12,600 and issued 210,000 units to certain finders in connection with the above private placement. Each finder's unit consisted of one non flow-through common share and one-half share purchase warrant of the Company. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of $0.15 per share for a period of 12 months from closing. The common shares issued to the finders were valued at $15,750 using the market price of $0.075 per share at closing. The finder's warrants were recorded at a fair value of $2,000. The Company also incurred regulatory filing fees of $2,830 and legal fees of $6,704 in connection with the private placement, which were included in share issuance costs.

(ii) In April and May 2018, the Company completed two tranches of its non-brokered flow-through private placement (the "FT Offering") issuing a total of 4,714,308 units (each a "FT Unit") at a price of $0.13 per FT Unit, for gross proceeds of $612,860 and a concurrent non flow-through private placement (the "NFT Offering") issuing 3,654,999 units (each a "NFT Unit") at a price of $0.12 per NFT Unit for gross proceeds of an additional $438,600. Each FT and NFT unit consisted of one common share and one transferable non flow-through share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one common share at a price of $0.20 per share for a three-year period from closing. $123,800 of gross proceeds was recorded in subscription receivable on the statement of financial position as of May 31, 2018 and paid subsequently.

In connection with the above private placements, the Company paid cash-based finders' fee of $59,061 and issued 589,596 finders' warrants. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of $0.20 per share for a three-year period from closing. The finder's warrants were recorded at a fair value of $44,627. The Company also incurred regulatory filing fees of $7,259, corporate finance fees of $3,000 and accrued legal fees of $22,516 in connection with these private placements. Share issuance costs of $90,962 (Note 4) was recorded in trade and other payables at May 31, 2018 and paid during the current quarter.

A flow-through premium liability of $47,143 was recorded in connection with the flow-through private placement based on an estimated premium of approximately $0.01 per flow-through share issued (Note 5).

(Expressed in Canadian dollars - unaudited)

7. Share capital (cont'd)

c. Stock options

The Company adopted an incentive stock option plan (the "Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares. The Company follows the policies of the Exchange where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options and have a maximum life of 10 years. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options.

A summary of the Company's stock option transactions is presented below:

	November 30, 2018		May 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	2,050,000	$ 0.14	1,625,000	$ 0.13
Granted	–	–	600,000	0.14
Cancelled	–	–	(175,000)	0.10
Outstanding, end of period	2,050,000	$ 0.14	2,050,000	$ 0.14

The share options outstanding and exercisable as at November 30, 2018:

Expiry Date	Exercise Price	Number of options outstanding	Options exercisable
April 22, 2019	$ 0.10	375,000	375,000
October 1, 2021	$ 0.15	1,075,000	1,075,000
May 11, 2023	$ 0.14	600,000	600,000
		2,050,000	2,050,000

The weighted average life of options outstanding is 2.86 years.

During the six months ended November 30, 2018, $17,051 (2017 - $Nil) in stock-based compensation expense was recorded for the stock options granted in fiscal 2018 and vested during the current period.

The fair value of the stock options granted was calculated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Six months ended November 30,	2018	2017
Risk free rate	2.16%	–
Dividend yield	–	–
Weighted average volatility	143%	–
Weighted average expected life	4.77 years	–
Weighted average fair value	$ 0.07	–

(Expressed in Canadian dollars - unaudited)

7. Share capital (cont'd)

d. Warrants

The number of share purchase warrants outstanding is summarized as follows:

	November 30, 2018			May 31, 2018		
	Number of Warrants		Weighted average exercise price	Number of Warrants		Weighted average exercise price
Outstanding, beginning of period	15,099,903	$	0.22	8,954,600	$	0.27
Issued:						
Private placement (Note 7(b)(i)(ii))	–		–	10,194,307		0.19
Finders' warrants (Note 7(b)(i)(ii))	–		–	694,596		0.19
Expired/ forfeited	(6,141,000)		0.25	(4,743,600)		0.25
Outstanding, end of period	8,958,903	$	0.20	15,099,903	$	0.22

The share purchase warrants outstanding and exercisable as at November 30, 2018:

Expiry Date	Exercise Price		Number of Warrants Outstanding	Number of Warrants Exercisable
April 16, 2021	$	0.20	4,390,665	4,390,665
May 31, 2021	$	0.20	4,568,238	4,568,238
			8,958,903	15,099,903

The weighted average life of warrants outstanding is 2.44 years.

e. Reserve

Reserve consist of options and warrants reserve items recognized as stock-based compensation and share based payments until such time that the options and warrants are exercised, at which time the corresponding amount will be reallocated to share capital.

8. Related party transactions

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

During the six months ended November 30, 2018, the Company paid $14,175 to Lithosphere Services Inc., a company controlled by the VP of Exploration of the Company, for services provided in fiscal 2018. The amount was included in due to related parties balance as at May 31, 2018.

During the six months ended November 30, 2018, the Company paid $3,645 to the former CEO and President of the Company for reimbursement of travel and regulatory expenses incurred in fiscal 2018. The amount was included in due to related parties balance as at May 31, 2018.

During the six months ended November 30, 2018, the Company recognised $15,118 as stock-based compensation expense for the options granted in fiscal 2018 to certain directors of the Company that are vested during the current period.

During the six months ended November 30, 2017, the Company's former director and the CEO subscribed for 1,000,000 units at a price of $0.10 per unit under the private placement completed in June 2017 (Note 7).

The Company is continuing to jointly explore the Diagras Property with Arctic Star, a company with a common director and officer, on a 60-40 joint venture basis (Note 6).

9. Financial instruments

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk refers to the counterparty will default on its contractual obligation resulting in financial loss to the Company. The Company's primary exposure to credit risk is on its cash deposit that are held by a Canadian bank. While there is concentration of risk holding all funds with one institution, this risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at November 30, 2018, the Company has cash deposits of $516,977 (May 31, 2018 - $475,968). Management assesses credit risk of cash and receivables as low.

The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist of sales taxes recoverable.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates only in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

9. Financial instruments (cont'd)

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rate. The income earned on the bank account is subject to the movements in interest rates. The fair value of cash deposits is relatively unaffected by changes in short term interest rates. A 1% change in interest rates will not have a material effect to the Company.

Liquidity and funding risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

The Company management ensures that there is sufficient capital in order to meet annual business requirement, taking into account administrative costs, property commitments and exploration budgets. As at November 30, 2018, the Company had cash of $516,977 (May 31, 2018 -$475,968), and current liabilities of $48,036 (May 31, 2018 - $307,733).

The flow-through premium liability of $3,826 (Note 5) does not represent cash liability to the Company and will be amortized once the Company incurs qualifying exploration expenditures.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions in the future. Under current market conditions, both liquidity and funding risk are assessed as high.

10. 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 its operations. Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of working capital and shareholder's equity.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. There were no changes in the Company's approach to capital management during the six months ended November 30, 2018. The Company is not subject to any externally imposed capital requirements.