PAN GLOBAL RESOURCES INC

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

January 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pan Global Resources Inc.

We have audited the accompanying consolidated financial statements of Pan Global Resources Inc., which comprise the consolidated statements of financial position as at January 31, 2018 and 2017 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficiency), 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, these consolidated financial statements present fairly, in all material respects, the financial position of Pan Global Resources Inc. as at January 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

May 31, 2018

PAN GLOBAL RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

		January 31, 2018		January 31, 2017
ASSETS				
Current assets				
Cash (Note 3)	$	1,800,082	$	32,087
Receivables (Note 4)		12,752		4,844
Advance to operator, net (Note 5)		84,588		-
Total current assets		1,897,422		36,931
Non-current assets				
Exploration and evaluation assets (Note 5)		50,000		-
Total non-current assets		50,000		-
TOTAL ASSETS	$	1,947,422	$	36,931
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 6)	$	158,340	$	234,825
Total liabilities		158,340		234,825
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital (Note 7)		13,983,346		11,086,112
Subscriptions received in advance		-		18,000
Reserves (Note 7)		2,662,598		2,028,178
Deficit		(14,856,862)		(13,330,184)
Total shareholders' equity (deficiency)		1,789,082		(197,894)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	$	1,947,422	$	36,931

Nature of operations and going concern (Note 1)
Event after the reporting date (Note 13)

These consolidated financial statements are authorized for issuance by the Board of Directors on May 28, 2018.

Approved on behalf of the Board of Directors

"Timothy Moody" Director *"Robert Baxter"* Director

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

PAN GLOBAL RESOURCES INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian dollars)

	Years ended January 31, 2018	2017
Exploration expenditures (Note 5)	$ 608,531	$ 18,118
General and administrative expenses		
Accounting, tax, and audit (Note 8)	54,943	24,000
Consulting and management fees (Note 8)	114,472	-
Investor relations	52,484	-
Office and rent	1,737	470
Professional fees (Note 8)	43,397	55,268
Regulatory and transfer agent	19,298	15,900
Share-based compensation (Notes 7, 8)	611,220	-
Travel and related	2,142	-
	899,693	95,638
Loss from operations	(1,508,224)	(113,756)
Foreign exchange loss	(18,454)	-
Gain from forgiveness of accounts payable and accrued liabilities (Note 6)	-	545,790
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ (1,526,678)	$ 432,034
Earnings (loss) per common share - basic and diluted	$ (0.02)	$ 0.01
Weighted average number of common shares outstanding - basic and diluted	69,817,628	40,999,074

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

PAN GLOBAL RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Years ended January 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year	$ (1,526,678)	$ 432,034
Items not affecting cash:		
Share-based compensation	611,220	-
Gain from forgiveness of accounts payable and accrued liabilities	-	(545,790)
Changes in non-cash working capital items:		
Receivables	(7,908)	16,017
Advance to operator, net	(84,588)	-
Accounts payable and accrued liabilities	(76,485)	97,878
Net cash (used in) provided by operating activities	(1,084,439)	139
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(50,000)	-
Net cash used in investing activities	(50,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placement financing	1,043,500	-
Share issue costs	(68,066)	-
Subscriptions received on private placement financing	-	18,000
Exercise of share purchase warrants	1,927,000	-
Net cash provided by financing activities	2,902,434	18,000
Increase in cash during the year	1,767,995	18,139
Cash, beginning of year	32,087	13,948
Cash, end of year	$ 1,800,082	$ 32,087

Supplemental disclosure with respect to cash flows (Note 9)

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

PAN GLOBAL RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Number of common shares	Share capital	Subscriptions received in advance	Reserves	Deficit	Total
Balance at January 31, 2016	42,636,515	$ 11,601,425	$ -	$ 1,512,865	$ (13,762,218)	$ (647,928)
Funds received on private placement financing	-	-	18,000	-	-	18,000
Shares cancelled per agreement (Note 7)	(4,781,328)	(515,313)	-	515,313	-	-
Income for the year	-	-	-	-	432,034	432,034
Balance at January 31, 2017	37,855,187	$ 11,086,112	$ 18,000	$ 2,028,178	$ (13,330,184)	$ (197,894)

	Number of common shares	Share capital	Subscriptions received in advance	Reserves	Deficit	Total
Balance at January 31, 2017	37,855,187	$ 11,086,112	$ 18,000	$ 2,028,178	$ (13,330,184)	$ (197,894)
Shares issed on private placement	21,230,000	849,200	(18,000)	212,300	-	1,043,500
Share issused as finders' units	1,000,200	50,010	-	-	-	50,010
Share issue costs	-	(118,076)	-	-	-	(118,076)
Exercise of share purchase warrants	19,270,000	2,116,100	-	(189,100)	-	1,927,000
Share-based compensation	-	-	-	611,220	-	611,220
Loss for the year	-	-	-	-	(1,526,678)	(1,526,678)
Balance at January 31, 2018	79,355,387	$ 13,983,346	$ -	$ 2,662,598	$ (14,856,862)	$ 1,789,082

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Pan Global Resources Inc. (hereafter referred to as the "Company") was incorporated under the laws of the Province of British Columbia and was established as a legal entity on February 1, 2006. On December 21, 2009, the Company changed its name from Mosam Capital Corp. to Pan Global Resources Inc.

The Company's principal business activities are the acquisition of rights to explore for minerals and the exploration of acquired rights. The Company is primarily focused on the early stage exploration through to development of resources of copper and other metals in Spain. The Company has a Purchase Option Agreement (the "Agreement") for the acquisition of a private Spanish company, Minera Aguila S.L.U. ("MASL") and has signed a Letter of Intent with EVALAM2003 S.L. to acquire the Escacena Investigation Permit. MASL has been granted two mineral exploration licenses and has applied for the issuance of an additional seven mineral exploration licenses in the Provinces of Cordoba and Ciudad Reak, Kingdom of Spain, collectively referred to as the "Aguilas Project". The Escacena property is approximately 2,061 hectares. The Company is continuing to review a number of other opportunities.

The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the trading symbol "PGZ". The Company's principal office is located at 700 - 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5.

These consolidated financial statements are prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and develop profitable operations. These consolidated financial statements do not include any adjustments to amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. At January 31, 2018, the Company has not achieved profitable operations and has accumulated losses since inception. The Company will need to raise additional funds to further its exploration and development programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation and Measurement

These consolidated financial statements have been prepared 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"). These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Principles of Consolidation

These consolidated financial statements include the accounts of the parent company and its subsidiaries after eliminating intercompany balances and transactions. Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. The Company's principal wholly-owned operating subsidiary is Minera Escacena, S.L.U.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign Currency

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of each of the entities in the group. The functional currency was determined based on an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statement of income (loss) and comprehensive income (loss).

Financial Instruments

Financial Assets

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

Fair value through profit or loss ("FVTPL") - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of income (loss) and comprehensive income (loss).

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial Instruments (cont'd…)

Impairment of Financial Assets

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in comprehensive income or loss are reclassified to profit or loss in the period. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or,
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Financial Liabilities

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

FVTPL - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of income (loss) and comprehensive income (loss).

Other financial liabilities - This category comprises non-derivative liabilities, which are recognized at amortized cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and Evaluation Assets

Acquisition costs for mineral properties, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral properties pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, exploration and development expenditures on the property will be capitalized. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

A mineral property acquired under an option agreement where payments are made at the sole discretion of the Company, is capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral property until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee and, accordingly, are accounted for when receipt is reasonably assured.

Impairment of Long-lived Assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset, or a cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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.

Decommissioning and Restoration Provision

Restoration, rehabilitation and environmental obligations are recognized for the expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A restoration, rehabilitation or environmental obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding cost recognized by increasing the carrying amount of the related long-lived asset. The restoration, rehabilitation or environmental cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. As at January 31, 2018 and 2017, the Company has no known restoration, rehabilitation or environmental obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share Capital and Share Purchase Warrants

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Warrants with the right to acquire common shares in the Company are typically issued through the Company's equity financing activities. Where warrants are issued on a stand-alone basis, their fair values are measured on their issuance date using the Black-Scholes option pricing model and are recorded as both an increase to equity reserves and as a share issue cost. When warrants are attached to common shares issued by the Company as part of a share unit, the proceeds from the unit sale are bifurcated first to the common shares at their fair market value on the date of issuance. Any excess in the purchase price of the unit as a whole and the fair market value of the common shares issued on the date of issuance is attributed to the value of warrants. This fair value is recorded as an increase to equity reserves. When share purchase warrants are exercised, the cash proceeds along with the amount previously recorded in equity reserves are recorded as share capital.

Loss per Share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to equity holders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted earnings per share is calculated by adjusting the earnings attributable to equity holders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In periods where a loss is reported, diluted loss per share is the same as basic loss per share as the effects of potentially dilutive common shares would be anti-dilutive.

Share-based Compensation

The Company grants stock options to directors, officers, employees and consultants to acquire common shares of the Company. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period using the graded vesting method. Consideration paid for the shares on the exercise of stock options is credited to share capital. Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statement of income (loss) and comprehensive income (loss). Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Company's Chief Executive Officer.

Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements in conformance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Valuation of Share-based Compensation

Share-based compensation is determined using the Black-Scholes option pricing model based on the estimated fair values of all share-based awards at the date of grant and is expensed to the consolidated statement of income (loss) and comprehensive income (loss) over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Critical Accounting Estimates and Judgments (cont'd…)

Deferred Taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

Recoverability of Exploration and Evaluation Assets

The Company undertakes a review of the carrying values of its exploration and evaluation assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, commodity prices, foreign exchange rates, future operating and capital costs. An impairment loss is recognized when the carrying value of those assets is not recoverable.

Accounting Pronouncements Not Yet Effective

The following standards and pronouncements have been issued by the IASB and have not yet been adopted by the Company.

IFRS 9 Financial Instruments ("IFRS 9") addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 Financial Instruments: Recognition and Measurement requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. IFRS 9 is effective for periods beginning on or after January 1, 2018. The Company has analyzed the impact of adoption of this standard and does not anticipate that there will be any material impact on the consolidated financial statements.

IFRS 16 Leases was issued in January 2016 (effective January 1, 2019) and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

(Expressed in Canadian dollars)

3. CASH

The Company's cash consists of the following:

	January 31, 2018	January 31, 2017
Cash in bank	$ 1,800,082	$ 14,087
Cash held in trust	-	18,000
	$ 1,800,082	$ 32,087

Cash held in bank is primarily a deposit with a Canadian chartered bank.

4. RECEIVABLES

The Company's receivables arise from GST due from the Canadian taxation authority.

5. EXPLORATION AND EVALUATION ASSETS

Aguilas Project, Spain

In November 2016, the Company entered into a share option agreement with a related party (Note 8) for an option to acquire a 100% interest of a Spanish exploration company, MASL, who has been granted two mineral exploration licenses, and applied for the issuance of an additional seven mineral exploration licenses in the Provinces of Cordoba and Ciudad Reak, Kingdom of Spain, collectively referred to as the "Aguilas Project".

The Company has agreed to the aggregate consideration of 4,700,000 common shares of the Company, cash payments of $450,000, and exploration expenditure commitments as follows:

	Cash payments	Common shares	Exploration expenditures [2]
6-month anniversay of final TSX-V approval [1]	$ 50,000	2,200,000	$ -
18-month anniversay of final TSX-V approval	150,000	2,500,000	-
36-month anniversay of final TSX-V approval	250,000	-	-
36-month anniversay of agreement closing date	-	-	1,000,000
	$ 450,000	4,700,000	$ 1,000,000

[1] Subject to confirmation of issuance of the exploration licenses (paid and issued subsequently, Note 13)
[2] No less than $250,000 shall be completed notwithstanding any decision by the Company not to proceed with further exploration.

Furthermore, the Company may pay $100,000 (or 1,000,000 common shares the Company, at the election of the optionor) if the Company acquires additional exploration rights in the area of 10 kilometers surrounding the boundaries of the three exploration licenses. In November 2017, the Company paid $50,000 to the optionor to remove this term of the Agreement.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Aguilas Project, Spain (cont'd…)

For the duration of the Agreement, MASL shall act as the operator of the exploration program and the related exploration expenditures shall be funded by the Company. As at January 31, 2018, the Company had a net advance of $84,588 (January 31, 2017 - $Nil), representing unspent funds held by MASL.

Exploration Expenditures

During the year ended January 31, 2018, the Company incurred exploration expenditures as follows:

		Aguilas Project
License fees	$	54,007
Professional fees		64,126
Technical consulting		114,472
Technical services		344,998
Travel		30,928
	$	608,531

The Company previously held mineral interests located in the Republic of Serbia. During the year ended January 31, 2017, the Company incurred $18,118 of exploration expenditures and returned these Serbian licenses as the Company is not proceeding with any further exploration on the area.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities consist of the following:

		January 31, 2018		January 31, 2017
Accounts payable	$	120,340	$	53,825
Accrued liabilities		38,000		181,000
	$	158,340	$	234,825

In order to assist the Company with moving forward, the former President and CEO of the Company agreed to forgive accounts payable and accrued liabilities owed to him for management fees in the amount of $374,994 during the year ended January 31, 2017.

7. SHARE CAPITAL

Authorized Share Capital

Authorized share capital consists of:

- unlimited number of common shares without par value
- unlimited class “A” common shares with a par value of $1
- unlimited class “B” common shares with a par value of $5

Common Shares

In August 2017, the Company completed the acceleration of the 21,230,000 share purchase warrants issued in March 2017, where 19,270,000 were exercised at a price of $0.10 per warrant, for gross proceeds of $1,927,000, and 2,320,000 warrants were cancelled.

In March 2017, the Company completed a non-brokered private placement and issued 21,230,000 units at a price of $0.05 per unit for gross proceeds of $1,061,500. Each unit consists of one common share and one share purchase warrant entitling the holder of each full warrant to purchase one common share of the Company at a price of $0.10. The warrants expire on March 6, 2020, subject to accelerated expiry. In connection with the private placement, the Company issued 1,000,200 units to finders. These finders’ units have the same terms as the private placement units, except the attached share purchase warrants are not subject to accelerated expiry. The common shares, share purchase warrants, and common shares issued upon exercise of share purchase warrants are subject to a four-month hold period. The Company issued 1,000,200 finders’ units (valued at $50,010) and paid $68,066 as share issue costs. In accordance with the Company’s accounting policy, $212,300 of the gross proceeds were allocated to its reserves.

In September 2016, the Company returned 4,781,328 common shares to its treasury pursuant to an agreement with Mr. Petr Palkovsky, a former director and COO of the Company. Mr. Palkovsky agreed to surrender 4,781,328 common shares of the Company for cancellation, which were issued to a company controlled by Mr. Palkovsky as partial consideration for Serbian and Bosnian exploration properties acquired by the Company from Mr. Palkovsky. The Company is not proceeding with any further exploration of the Serbian and Bosnian properties.

Stock Options

The Company has adopted a stock option plan (the “Plan”) pursuant to the policies of the TSX-V that has been approved by the Company’s shareholders. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company at any time. Under the Plan, the exercise price of each option equals the market price of the Company’s stock as calculated on the date of grant. The options can be granted for a maximum term of ten years. The Company’s Board of Directors has the ability to set the vesting terms for any stock options granted.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd…)

Stock Options (cont'd…)

The continuity of stock options for the years ended January 31, 2018 and 2017 are as follows:

Expiry date	Exercise price	Balance January 31, 2017	Granted	Exercised	Expired	Balance January 31, 2018
Mar 28, 2017	$ 0.65	1,660,000	-	-	(1,660,000)	-
Mar 28, 2017	$ 0.70	150,000	-	-	(150,000)	-
Sep 12, 2017	$ 0.38	100,000	-	-	(100,000)	-
Mar 20, 2027	$ 0.10	-	200,000	-	-	200,000
Apr 18, 2027	$ 0.10	-	2,425,000	-	-	2,425,000
Dec 01, 2027	$ 0.20	-	2,775,000	-	-	2,775,000
Total		1,910,000	5,400,000	-	(1,910,000)	5,400,000
Weighted average exercise price		$ 0.64	$ 0.15	$ -	$ 0.64	$ 0.15
Total exercisable		1,910,000				5,400,000
Weighted average exercise price		$ 0.64				$ 0.15

Expiry date	Exercise price	Balance January 31, 2016	Granted	Exercised	Expired	Balance January 31, 2017
Nov 30, 2016	$ 0.20	87,000	-	-	(87,000)	-
Apr 15, 2016	$ 1.03	525,000	-	-	(525,000)	-
Mar 28, 2017	$ 0.65	1,660,000	-	-	-	1,660,000
Mar 28, 2017	$ 0.70	150,000	-	-	-	150,000
Sep 12, 2017	$ 0.38	100,000	-	-	-	100,000
Total and exercisable		2,522,000	-	-	(612,000)	1,910,000
Weighted average exercise price		$ 0.71	$ -	$ -	$ 0.91	$ 0.64

As at January 31, 2018, the weighted average remaining life of the stock options outstanding is 9.53 (2017 - 0.18) years with vesting periods up to nine months.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd…)

Share Purchase Warrants

The continuity of share purchase warrants for the year ended January 31, 2018 is as follows:

Expiry date	Exercise price	Balance January 31, 2017	Issued	Exercised	Expired/ cancelled	Balance January 31, 2018
Mar 06, 2020[1]	$ 0.10	-	21,230,000	(18,910,000)	(2,320,000)	-
Mar 06, 2020	$ 0.10	-	1,000,200	(360,000)	-	640,200
Total		-	22,230,200	(19,270,000)	(2,320,000)	640,200
Weighted average exercise price		$ -	$ 0.10	$ 0.10	$ 0.10	$ 0.10

[1] Expiry accelerated, when the volume weighted average trading price of the Company's common shares on the TSX-V was greater than $0.13 for 20 consecutive trading days.

As at January 31, 2018, the weighted average remaining life of the stock options outstanding is 2.10 years. For the year ended January 31, 2017, there were no changes to share purchase warrants outstanding.

Share-based Compensation

In December 2017, the Company granted 2,775,000 stock options to directors, officers, and employees of the Company with an exercise price of $0.20 per option with an expiry date of December 1, 2027.

In April 2017, the Company granted 2,425,000 stock options to directors, officers, and employees of the Company with an exercise price of $0.10 per option with an expiry date of April 18, 2027.

In March 2017, the Company granted 200,000 stock options to a consultant of the Company with an exercise price of $0.10 per option with an expiry date of March 20, 2027 and a vesting term of nine months.

The Company determined the fair value of the options granted to be $611,220 or $0.11 per option. The fair value of the stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

For the year ended	**January 31, 2018**	**January 31, 2017**
Risk free interest rate	1.71%	n/a
Expected dividend yield	0%	n/a
Expected stock price volatility	100%	n/a
Expected life in years	10	n/a
Forfeiture rate	0%	n/a

In accordance with the vesting terms of stock options granted, the Company recorded a charge to share-based compensation expense of $611,220 (2017 - $Nil) with the offsetting credit to reserves.

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to directors and key management personnel including the Company's President & Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and Corporate Secretary were as follows:

For the year ended January 31, 2018		Fees or salaries		Share-based compensation		Total
President & CEO	$	188,667	$	96,206	$	284,873
Corporate Secretary		43,397		19,093		62,490
CFO		18,000		19,093		37,093
Directors		-		397,257		397,257
	$	250,064	$	531,649	$	781,713

For the year ended January 31, 2017		Fees or salaries		Share-based compensation		Total
Corporate Secretary	$	55,000	$	-	$	55,000
CFO		4,500		-		4,500
	$	59,500	$	-	$	59,500

As at January 31, 2018, included in accounts payable and accrued liabilities is $106,333 (2017 - $164,000) owing to the related parties as follows: $94,333 (2017 - $Nil) to the CEO, $Nil (2017 - $100,000) to the Corporate Secretary and $12,000 (2017 - $64,000) to the CFO of the Company.

In November 2016, the Company entered into a share option agreement with the President and CEO of the Company to acquire a 100% interest of MASL, who holds two mineral exploration licenses and has applied for additional mineral exploration licenses in the Kingdom of Spain. The Company has agreed to pay the aggregate consideration of $450,000 and 4,700,000 common shares of the Company over the term of the agreement (Note 5). The terms are in the normal course of business, which are negotiated in good faith by both parties and fall within normal market ranges.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended January 31, 2018, the Company:

a) reallocated $18,000 (2017 - $Nil) from subscription received in advance to share capital on the closing of its private placement;
b) reallocated $212,300 (2017 - $Nil) of gross proceeds to reserves on the closing of its private placement; and
c) reallocated $189,100 (2017 - $Nil) from reserves for the exercise of share purchase warrants.

(Expressed in Canadian dollars)

10. SEGMENTED INFORMATION

The Company operates in one reportable operating segment: the exploration and development of mineral properties. Summarized financial information for the geographic segments the Company operates in are as follows:

As at January 31, 2018	Canada	Spain	Total
Exploration and evaluation assets	$ -	$ 50,000	$ 50,000
	$ -	$ 50,000	$ 50,000

As at January 31, 2017, substantially all of the Company's assets and expenditures are located and incurred in Canada.

11. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT

Financial Instruments

The Company classified its financial instruments as follows:

As at January 31, 2018	Financial instruments at FVTPL	Other financial liabilities
Cash	$ 1,800,082	$ -
Accounts payable and accrued liabilities	-	158,340
	$ 1,800,082	$ 158,340

Fair Value

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

11. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd…)

As at January 31, 2018, the Company's financial instruments measured at fair value are as follows:

Financial instruments	Level 1	Level 2	Level 3
Cash	$ 1,800,082	$ -	$ -

The carrying value of accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Risk and Capital Management

The Company's capital includes share capital and the cumulative deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations. There was no change in the Company's approach to managing capital during the year ended January 31, 2018. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. This note presents information about the Company's exposure to each of these risks, the Company's objectives and processes for measuring and managing risk, and the Company's management of capital.

Credit Risk

Credit risk arises from cash and deposits with banks, as well as credit exposure on outstanding receivables and committed transactions. There is no significant concentration of credit risk. The Company's cash deposits are primarily held with a Canadian chartered bank. The Company has minimal accounts receivable exposure as it relates to amounts due from the Government of Canada pursuant to goods and services tax credits.

Interest Rate Risk

As the Company does not have significant interest-bearing assets, the Company's income and operating cash flows are not significantly affected by changes in market interest rates.

Currency Risk

The Company has identified its functional currency as the Canadian dollar. Certain of the Company's exploration expenditures have been denominated in Euros and United States dollars ("USD"). The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and those currencies. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations. Management believes the foreign exchange risk related to currency conversions is minimal.

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd…)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on the issuance of shares and warrants to fund exploration programs and will require doing so again in the future.

12. INCOME TAXES

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

For the years ended	January 31, 2018	January 31, 2017
Income (loss) for the year	$ (1,526,678)	$ 432,034
Expected income tax expense (recovery)	(398,000)	112,000
Change in statutory, foreign tax, foreign exchange rates and other	(71,000)	13,000
Permanent difference	241,000	(44,000)
Share issue costs	(18,000)	-
Adjustment to prior years' provision versus statutory tax returns and expiry of non-capital losses	(66,000)	-
Change in unrecognized deductible temporary differences	312,000	(81,000)
Total income tax expense (recovery)	$ -	$ -

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	January 31, 2018	January 31, 2017
Deferred tax assets		
Exploration and evaluation assets	$ 82,000	$ 949,000
Share issue costs	15,000	1,000
Allowable capital losses	1,056,000	-
Non-capital losses available	912,000	804,000
	2,065,000	1,754,000
Unrecognized deferred tax assets	(2,065,000)	(1,754,000)
Deferred tax assets	$ -	$ -

(Expressed in Canadian dollars)

12. INCOME TAXES (cont'd…)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	January 31, 2018	Expiry date range	January 31, 2017	Expiry date range
Temporary differences				
Exploration and evaluation assets	$ 609,000	No expiry date	$ 7,301,000	No expiry date
Share issue costs	54,000	2039 to 2042	3,000	2038
Allowable capital losses	3,913,000	No expiry date	-	No expiry date
Non-capital losses available	3,379,000	2027 to 2038	3,093,000	2027 to 2037

Tax attributes are subject to review, and potential adjustment, by tax authorities.

13. EVENT AFTER THE REPORTING DATE

Subsequent to January 31, 2018, the Company exercised its option to acquire an undivided 70% equity interest in Minera Aguila, S.L. The Company paid the vendor, CEO Tim Moody, the sum of $50,000 and issued 2,200,000 common shares to exercise the option. The Company also incurred exploration expenditures in excess of $250,000 on the license areas, and reimbursed the vendor all costs incurred and paid by the vendor to acquire the mineral rights.