



MAMMOTH RESOURCES CORP.

Consolidated Financial Statements of
Mammoth Resources Corp.

For the years ended
January 31, 2018 and 2017
(Expressed in Canadian Dollars)

Management's Responsibility for Financial Statements

The accompanying financial statements of Mammoth Resources Corp. (the "Company" or "Mammoth") are the responsibility of management and the Board of Directors.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders. The financial statements have been audited by Davidson & Company LLP. Their report outlines the scope of their examination and opinion on the financial statements.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

DATED this 31st day of May 2018.

MAMMOTH RESOURCES CORP.

Per: (signed) "Tom Atkins"
Name: Tom Atkins
Title: President & Chief Executive Officer

Per: (signed) "Errol Farr"
Name: Errol Farr
Title: Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Mammoth Resources Corp.

We have audited the accompanying consolidated financial statements of Mammoth Resources Corp., which comprise the consolidated statements of financial position as at January 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity 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 Mammoth Resources Corp. 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.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Mammoth Resources Corp.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

May 31, 2018

Mammoth Resources Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	January 31 2018 \$	January 31 2017 \$
ASSETS		
Current		
Cash	265,554	2,041
Government taxes recoverable (note 4)	28,706	455
Prepaid expenses	16,972	13,663
	311,232	16,159
Non-current		
Government taxes recoverable (note 4)	78,966	44,280
Exploration and evaluation assets (notes 5 and 8)	1,926,418	1,306,944
	2,316,616	1,367,383
LIABILITIES		
Current		
Trade payables and accrued liabilities (note 8)	403,078	372,918
Due to related parties (note 8)	61,915	159,479
Interest payable (note 8)	9,608	-
Loan from related party (note 8)	118,368	-
	592,969	532,397
Deferred income tax liability (note 13)	50,000	50,000
	642,969	582,397
SHAREHOLDERS' EQUITY		
Share capital, warrants and share-based payment reserves (note 6)	4,192,330	3,494,934
Accumulated deficit	(2,518,683)	(2,709,948)
	1,673,647	784,986
	2,316,616	1,367,383

*The accompanying notes are an integral part of these consolidated financial statements.
Nature of operations and going concern (notes 1 and 2)*

Approved on behalf of the board on May 31, 2018

(signed) "Tom Atkins"
Director

(signed) "Paul O'Brien"
Director

Mammoth Resources Corp.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	For the years ended	
	January 31 2018	January 31 2017
	\$	\$
Expenses		
General and administrative (note 9)	131,666	41,049
Management fees (note 8)	53,343	-
Professional fees	25,030	23,250
Mineral property expenses	-	63,371
Share based compensation (notes 6 and 8)	207,537	-
Interest expense (note 8)	9,608	-
Gain on settlement of amounts due to related parties (note 6)	(38,889)	-
Foreign exchange	6,477	2,798
Total operating expenses	(394,772)	(130,468)
Net loss and comprehensive loss for the year	(394,772)	(130,468)
Loss per share - basic and diluted (note 7)	0.02	0.01
Weighted average number of common shares outstanding – basic and diluted	20,687,038	13,685,194

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

Mammoth Resources Corp.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	For the years ended	
	January 31	January 31
	2018	2017
	\$	\$
Operating activities		
Loss for the year	(394,772)	(130,468)
Share based compensation	207,537	-
Gain on settlement of amounts due to related parties	(38,889)	-
Interest expense	9,608	-
Net change in non-cash working capital balances:		
Government taxes recoverable	(54,531)	(15,112)
Prepaid expenses	(3,309)	(7,776)
Trade payables and accrued liabilities	160,054	43,686
Due to related parties	(2,996)	(754)
Net cash used in operating activities	(117,298)	(110,424)
Investing activity		
Exploration and evaluation assets	(664,220)	(136,524)
Net cash used in investing activity	(664,220)	(136,524)
Financing activities		
Issuance of common shares	946,000	257,500
Share issuance costs	(19,337)	(11,024)
Loan from related party	118,368	-
Net cash provided by financing activities	1,045,031	246,476
Net change in cash	263,513	(472)
Cash, beginning of the year	2,041	2,513
Cash, end of the year	265,554	2,041
Supplemental cash-flow information:		
Depreciation capitalized in exploration and evaluation assets	-	9,629
Shares issued in lieu of settlement of payables	149,233	5,000
Mineral property expenditures included in payables	211,055	255,801
Expiry of stock options	586,037	-

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

Mammoth Resources Corp.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share capital		Warrants	Share-based compensation reserves	Sub-total	Accumulated deficit	Total
	#	\$					
Balance, January 31, 2016	11,678,755	2,556,010	48,995	594,830	3,199,835	(2,579,480)	620,355
Common shares issued for property acquisition	395,298	43,623	-	-	43,623	-	43,623
Common shares issued for cash	4,031,250	262,500	-	-	262,500	-	262,500
Common shares issues for finder's fee	28,500	3,420	-	-	3,420	-	3,420
Share issuance costs	-	(14,444)	-	-	(14,444)	-	(14,444)
Net loss for the year	-	-	-	-	-	(130,468)	(130,468)
Balance, January 31, 2017	16,133,793	2,851,109	48,995	594,830	3,494,934	(2,709,948)	784,986
Common shares issued for cash	10,825,000	946,000	-	-	946,000	-	946,000
Share issuance costs	-	(43,882)	24,545	-	(19,337)	-	(19,337)
Common shares issued for debt settlement	1,865,412	149,233	-	-	149,233	-	149,233
Expiry of warrants	-	39,500	(39,500)	-	-	-	-
Expiry of broker warrants	-	1,176	(1,176)	-	-	-	-
Share based compensation	-	-	-	207,537	207,537	-	207,537
Expiry of stock options	-	-	-	(586,037)	(586,037)	586,037	-
Net loss for the year	-	-	-	-	-	(394,772)	(394,772)
Balance, January 31, 2018	28,824,205	3,943,136	32,864	216,330	4,192,330	(2,518,683)	1,673,647

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

Mammoth Resources Corp.
Notes to the Consolidated Financial Statements

January 31, 2018

(Expressed in Canadian dollars)

1. Nature of operations

Mammoth Resources Corp. (“Mammoth” or the “Company”) was incorporated on January 7, 2011 under the *Canada Business Corporations Act*, and is involved in the acquisition, exploration and evaluation of mining properties in Mexico. Its stock is listed on the TSX Venture Exchange under the symbol MTH. The head office of the Company is located at 410-150 York Street, Toronto, Ontario, Canada M5H 3S5. The registered and records office of the Company is located at Suite 2600, Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, Canada V6E 3X1.

Mammoth is an exploration stage company and currently has interests in mineral exploration properties in Mexico. Substantially all of the Company's efforts are devoted to financing and developing these properties and/or acquiring new ones. There has been no determination whether the Company's interests in mineral exploration properties contain mineral reserves, which are economically recoverable.

2. Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than in the normal course of business and at amounts that may differ from those shown in these financial statements.

For the year ended January 31, 2018, the Company incurred a net loss of \$394,772 (2017 – \$130,468), and used cash from operations of \$117,298 (2017 - used cash from operations of \$110,424). As at January 31, 2018, the Company had an accumulated deficit of \$2,518,683 (2017 - \$2,709,948) and a working capital deficit of \$281,737 (2017 – \$516,238). The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves and the achievement of profitable operations. The Company also is dependent upon its ability to continue to raise adequate financing and there can be no assurances that the Company will be successful. These circumstances comprise a material uncertainty which may lend significant doubt as to the ability of the Company to continue as a going concern. Changes in future conditions could require material write-downs of the carrying values. The Company is actively targeting sources of additional financing which may assure continuation of the Company's operations and exploration programs.

3. Basis of preparation and significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance 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”) effective for the reporting period ended January 31, 2018.

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

Mammoth Resources Corp.
Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

Name of subsidiary	Principal activity	Place of Incorporation	Ownership Interest January 31 2018	Ownership Interest January 31 2017
Mammoth Resources Canada Corp.	Holding company	Canada	100%	100%
Mammoth Resources International Corp.	Holding company	Canada	100%	100%
Recursos Mineros Mamut S.A. de C.V.	Mineral exploration	Mexico	100%	100%

All inter-company balances and transactions, income and expenses have been eliminated upon consolidation.

Exploration and evaluation assets

Costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets following an impairment review and amortized using the unit of production method. If it is determined that capitalized acquisition and exploration costs are not recoverable, or the project is abandoned, these costs are charged to operations in the current period. The Company's management reviews the carrying amounts of assets for impairment on a regular basis, at least annually. Government assistance is applied against deferred exploration expenses.

Where the Company enters into arrangements with a third party to option a working interest in a mineral property held by the Company, in exchange for cash and/or share consideration and/or certain exploration expenditures on the property, the exploration incurred by the third party is not recognized as part of the Company's interest and any cash/share consideration received is offset against the carrying value of the property and property option income is recognized if and when an excess arises.

Impairment of non-financial assets

The Company reviews its exploration and evaluation assets on an annual basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration and evaluation assets is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write down.

Impairment exists when the carrying amount of the asset, or group of assets, exceeds its recoverable amount. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the statement of loss and comprehensive loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Provision for closure and reclamation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its mineral properties and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The

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capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision required for closure and reclamation as at January 31, 2018 and 2017.

Basic and diluted loss per share

Basic income or loss per share is calculated using the weighted average number of shares outstanding during the period. In order to determine diluted loss per share, any proceeds from the exercise of dilutive stock options or warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The dilutive effect of convertible securities is reflected in diluted loss per share assuming such conversion occurred at the beginning of the period. The diluted loss per share calculation excludes any potential conversion of stock options or warrants that would decrease loss per share.

Income taxes

Income tax on profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at year end.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Share-based payment transactions

The fair value of stock options granted to employees is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each statement of financial position date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of share-based payments to non-employees and other share-based payments are based on the fair value of the goods or services received. However, if the fair value of goods and services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services. The value of expired share-based payment transactions are transferred into accumulated deficit at expiry.

Fair value of the warrants issued with common shares

Proceeds from unit placements are allocated between shares and warrants issued using the residual value method to determine the fair value of warrants issued. The proceeds are first attributed to the shares according to the fair market value at the time of issuance and any residual amount is allocated to the warrants. The value of expired warrants are transferred into share capital at expiry.

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Fair value of the warrants issued to brokers

The Company uses the fair value method based on the Black-Scholes pricing model to determine the fair value of the warrants issued to brokers and to record a debit in share issue costs with a corresponding credit to warrants. The value of expired warrants are transferred into share issuance costs at expiry.

Share issuance costs

Share issuance costs incurred on the issue of the Company's shares are charged directly to share capital.

Foreign exchange

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and each of its subsidiaries is the Canadian dollar.

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, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate 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 profit or loss.

Financial instruments

Financial assets

Financial assets are classified into one of four categories:

- Fair value through profit or loss ("FVTPL");
- Held-to-Maturity ("HTM");
- Loans and receivables; and
- Available-for-sale ("AFS").

Financial assets at fair value through profit or loss ("FVTPL")

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

Held to maturity ("HTM")

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 asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of the estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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Available-for-sale (“AFS”)

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

The Company classifies its cash as FVTPL.

Financial liabilities

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities

Fair value through profit or loss

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

Other financial liabilities

This category includes trade and other payables, all of which are recognized at amortized cost.

Trade payables, due to related parties, loan from related party and interest payable are classified as other financial liabilities, which are measured at amortized cost.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

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

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets. 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.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the 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:

- Level 1 valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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- Level 3 valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is based on Level 1 of the fair value hierarchy. The carrying value of accounts payable, due to related parties, loan from related party and interest payable approximate their fair values due to the short-term nature of these financial instruments.

Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. 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 period 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.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

1. whether or not an impairment has occurred in its exploration and evaluation assets.
2. inputs used in the valuation model to determine the fair value of stock options and broker warrants.

Critical accounting judgments

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

1. going concern of operations;
2. the accounting policy for exploration and evaluation assets;
3. determining the provisions for income taxes and the recognition of deferred income taxes; and
4. the determination of categories of financial assets and financial liabilities.

Changes in accounting policies

Accounting standards issued but not yet applied

IFRS 9, Financial Instruments, is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The change in accounting standard is not expected to have a significant impact on the Company's consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers, 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 is effective for annual periods beginning on or after January 1, 2018, with

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early adoption permitted. The change in accounting standard is unlikely to have a significant impact on the Company's consolidated financial statements.

IFRS 16, Leases, is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as required by IAS 17 and instead introduces a single lessee accounting model. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption if IFRS 15, Revenue Contracts with Customers, has also been applied. The Company has not yet made an assessment of the impact of the amendment.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. Government taxes recoverable

The Company's receivables arise from two main sources: harmonized sales tax ("GST"/"HST") receivable due from Canadian government taxation authorities and value added tax ("VAT") due from Mexican government taxation authorities. The receivables balance is broken down as follows:

	January 31 2018	January 31 2017
	\$	\$
GST/HST Recoverable	28,706	455
Mexican Sales Tax (VAT)	78,966	44,280
	107,672	44,735

The Company exercises judgment in presenting the Mexican Sales Tax (VAT) recoverable as current or non-current. It is management's judgment that the VAT recoverable is a non-current asset as the timing of the receipt cannot be determined.

5. Exploration and evaluation assets

The Company has incurred the following acquisition costs and deferred exploration costs on its exploration and evaluation assets:

For the year ended January 31, 2018	Tenoriba Project
	\$
Acquisition costs, January 31, 2017	104,753
Additions	11,024
Acquisition costs, January 31, 2018	115,777
Deferred exploration costs, January 31, 2017	1,202,191
Additions for the year ended January 31, 2018	
Drilling	325,330
Geological consulting	81,948
Professional fees	552
Property taxes	159,735
Travel and accommodation	40,885
	608,450
Deferred exploration costs, January 31, 2018	1,810,641
Total exploration and evaluation assets, January 31, 2018	1,926,418

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For the year ended January 31, 2017	Tenoriba Project \$
Acquisition costs, January 31, 2016	50,480
Additions	54,273
Acquisition costs, January 31, 2017	104,753
Deferred exploration costs, January 31, 2016	960,094
Additions for the year ended January 31, 2017	
Geological consulting	135,866
Property taxes	92,678
Professional fees	1,498
Depreciation	9,629
Travel and accommodation	2,426
	242,097
Deferred exploration costs, January 31, 2017	1,202,191
Total exploration and evaluation assets, January 31, 2017	1,306,944

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets, and, to the best of its knowledge, title to all of its properties, except as described below, are properly registered and in good standing. However, there can be no guarantee of title and the exploration and evaluation assets may otherwise be subject to prior claims, agreements, or transfers and rights of ownership may be affected by undetected defects. The properties in which the Company has earned or committed to earn an interest are located in Mexico.

Tenoriba Project

On July 3, 2012, the Company signed a definitive agreement with two private Mexican citizens to option the Tenoriba gold and silver project located in southwestern Chihuahua State, Mexico (the "Agreement"). The Tenoriba project is comprised of three concessions, Mapy 1, Mapy 2 (collectively the "Mapy Concessions") and Fernanda.

The terms of the original Agreement permit the Company to acquire a 100% interest in the Tenoriba project by issuing a total of 225,000 common shares and making total cash payments of US\$160,000 to the vendors over the four year option period and spending US\$1 million in exploration expenditures on or before June 30, 2016. The Agreement also allows for a 2% NSR royalty payable to the vendors upon commercial production. The royalty can be purchased by the Company at any time within a three month period from commencement of commercial production for US\$1,500,000.

On March 12, 2015, the Agreement was amended (the "Amended Agreement") and on September 28, 2016, the Agreement was further amended (the "Second Amended Agreement") to provide for the following payments:

'Fernanda' Concession Option Details

Pursuant to the Agreement, the Company has issued 50,000 common shares and made cash payments of US\$35,000 as follows:

1. 12,500 common shares and USD\$5,000 on or before December 30, 2012 (issued and paid);
2. 12,500 common shares and USD\$5,000 on or before June 30, 2013 (issued and paid);
3. 12,500 common shares and USD\$12,500 on or before December 30, 2013 (issued and paid); and

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4. 12,500 common shares and USD\$12,500 on or before June 30, 2014 (issued and paid).

Pursuant to the Amended Agreement, the Company would issue 91,394 common shares and make cash payments of US\$62,500 as follows:

1. 35,144 common shares on or before December 30, 2015 (issued);
2. 12,500 common shares (issued) and US\$12,500 on or before June 30, 2016;
3. 12,500 common shares (issued) and US\$12,500 on or before December 30, 2016;
4. 15,625 common shares (issued) and US\$18,750 on or before June 30, 2017; and
5. 15,625 common shares (issued) and US\$18,750 on or before December 30, 2017.

Pursuant to the Second Amended Agreement, which supersedes the cash payments outlined in the Amended Agreement, the Company will make cash payments of US\$64,000 and if the aggregate market value of the Company's common shares exceeds \$5 million over a 30 day period or a change of control in the Company occurred, the payments will be accelerated as follows:

Date of payment	Amount US\$	Accelerated amount US\$
December 30, 2016 (paid)	5,500	11,000
June 30, 2017 (paid)	5,500	11,000
December 30, 2017	10,000	20,000
June 30, 2018	10,000	22,000
December 31, 2018	10,000	-
June 30, 2019	10,000	-
December 31, 2019	13,000	-
	64,000	64,000

The Company will earn a 100% interest in the Fernanda concession upon the completion of the obligations above.

'Mapy' Concessions Option Details

Pursuant to the Agreement, the Company issued 37,500 common shares as follows:

1. 18,750 common shares on or before December 30, 2013 (issued); and
2. 18,750 common shares on or before June 30, 2014 (issued).

Pursuant to the Amended Agreement, the Company would issue 116,394 common shares and make cash payments of US\$62,500 as follows:

1. 35,144 common shares on or before December 30, 2015 (issued);
2. 18,750 common shares (issued) and USD\$12,500 on or before June 30, 2016;
3. 18,750 common shares (issued) and USD\$12,500 on or before December 30, 2016;
4. 21,875 common shares (issued) and USD\$18,750 on or before June 30, 2017; and
5. 21,875 common shares (9,285 shares issued) and USD\$18,750 on or before December 30, 2017.

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Pursuant to the Second Amended Agreement, which supersedes the cash payments outlined in the Amended Agreement, the Company will make cash payments of US\$20,838 and if the aggregate market value of the Company's common shares exceeds \$5 million over a 30 day period or a change of control in the Company occurred, the payments will be accelerated as follows:

Date of payment	Amount US\$	Accelerated amount US\$
December 31, 2016 (paid)	2,000	4,838
June 30, 2017 (paid)	2,000	4,000
December 30, 2017	3,838	6,000
June 30, 2018	3,000	6,000
December 31, 2018	3,000	-
June 30, 2019	3,000	-
December 31, 2019	4,000	-
	20,838	20,838

In addition, the Company issued 175,090 common shares to the vendors as part of the Second Amended Agreement, which earned the Company a 66 2/3% interest in the Mapy Concessions, which is subject to the transfer of title. The balance of the interest (33 1/3%) will be earned upon completion of the obligations above.

6. Shareholders' equity

Share capital

The authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares are fully paid.

Year ended January 31, 2018

- On March 20, 2017, the Company completed a non-brokered private placement of 2,825,000 units at \$0.08 per unit for gross proceeds of \$226,000. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.12 per share until September 20, 2018. Finders fees in the amount of \$3,600 were paid and 45,000 broker warrants were issued under the same terms as the share purchase warrant.
- On June 21, 2017, the Company settled an aggregate amount of payables to related parties in the amount of \$188,122 by issuing 1,865,412 common shares of the Company valued at \$149,233, which resulted in a gain on settlement of amounts due to related parties totalling \$38,889.
- On December 14, 2017, the Company completed a non-brokered private placement of 8,000,000 units at \$0.09 per unit for gross proceeds of \$720,000. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.13 until June 14, 2019. Finders fees in the amount of \$15,737 were paid and 205,285 broker warrants were issued under the same terms as the share purchase warrant.

Year ended January 31, 2017

- On July 14, 2016, the Company completed a non-brokered private placement of 1,500,000 units at \$0.04 per unit for gross proceeds of \$60,000. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.20 per share until July 14, 2018. The Company paid filing fees of \$3,690 pursuant to the transaction.
- On July 14, 2016, the Company issued 195,288 common shares related to the acquisition of the Tenoriba property. A filing fee of \$3,203 was paid pursuant to the transaction.
- On September 9, 2016, the Company completed a non-brokered private placement of 2,531,250 units at \$0.08 per unit for gross proceeds of \$202,500. Each unit is comprised of one common share and one

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common share purchase warrant exercisable at \$0.20 per share until September 9, 2018. The Company paid filing fees of \$1,851, paid a finder's fee of \$2,280 and issued 28,500 common shares of the Company valued at \$3,420 in relation to the placement of certain units.

Stock options

The Company's stock option plan (the "Plan") is a 10% rolling Plan, whereby the maximum number of common shares that may be reserved for issuance under it shall not exceed 10% of the then outstanding common shares at the time of grant. The terms upon which any options are issued under the Plan are subject to vesting provisions determined by the board of directors. The term of any options granted may not exceed 10 years and their exercise price and vesting conditions will be determined by the board of directors pursuant to the policies of the TSX Venture Exchange.

A summary of the Company's stock options at January 31, 2018 is presented below:

	Number of options	Weighted average exercise price \$
Options outstanding and exercisable at January 31, 2016	381,000	0.31
Cancelled	(239,750)	0.30
Expired	(75,000)	0.40
Options outstanding and exercisable at January 31, 2017	66,250	0.26
Granted	2,288,917	0.09
Expired	(12,500)	0.40
Options outstanding and exercisable at January 31, 2018	2,342,667	0.10

The following table sets out the details of the stock options outstanding and exercisable:

Date of grant	Remaining life (years)	Number of options	Exercise price
September 19, 2013	0.63	28,750	0.24
April 9, 2014	1.19	25,000	0.20
March 28, 2017	4.17	1,096,000	0.08
May 25, 2017	4.33	350,000	0.08
October 6, 2017	4.70	60,000	0.05
December 29, 2017	4.93	782,917	0.12
		2,342,667	

The following table sets out the details of the valuation of share based compensation totaling \$207,537 or \$0.09 per option that were granted during the year:

Date of grant	Number	Risk free interest rate (%)	Expected dividend yield	Expected volatility (%)	Expected life
March 28, 2017	1,096,000	1.00	Nil	189	5 years
May 25, 2017	350,000	0.88	Nil	189	5 years
October 6, 2017	60,000	1.71	Nil	192	5 years
December 29, 2017	782,917	1.77	Nil	188	5 years

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Warrants and brokers warrants

The following table summarizes information on outstanding warrants and brokers warrants as at January 31, 2018:

	Number of warrants	Weighted average exercise price \$
Outstanding, January 31, 2016	4,409,286	0.31
Granted	4,031,250	0.20
Expired	(2,374,286)	0.40
Outstanding, January 31, 2017	6,066,250	0.20
Granted	11,075,285	0.13
Expired	(2,035,000)	0.20
Outstanding, January 31, 2018	15,106,535	0.15

The composition of the outstanding warrants as at January 31, 2018 consists of the following:

	Expiry range	Number of warrants	Price range \$
Warrants	July 14, 2018	1,500,000	0.20
Warrants	September 9, 2018	2,531,250	0.20
Warrants	September 20, 2018	2,825,000	0.12
Broker warrants	September 20, 2018	45,000	0.12
Warrants	June 14, 2019	8,000,000	0.13
Broker warrants	June 14, 2019	205,285	0.13
		15,106,535	

The following table sets out the details of the valuation of compensation warrants totaling \$24,545 or \$0.11 per warrant that were granted during the year:

Date of grant	Number	Risk free interest rate %	Expected dividend yield	Expected volatility %	Expected life
March 20, 2017	45,000	0.86	Nil	160	1.5 years
December 14, 2017	205,285	0.86	Nil	200	1.5 years

7. Loss Per Share

The calculation of basic loss per share for the year ended January 31, 2018 was based on the loss attributable to common shareholders of \$394,772 (2017 - \$130,468) and a weighted average number of common shares outstanding of 20,687,038 (2017 - 13,685,194).

8. Related party transactions and key management compensation

The Company defines its key management as directors, Chief Executive Officer and Chief Financial Officer. For the year ended January 31, 2018, key management compensation was \$294,934 (2017 - \$11,000) including share-based payments of \$181,141 (2017 - \$nil).

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The following table summarizes information on related party transactions:

	Year ended January 31	
	2018	2017
	\$	\$
Geological consulting fees recorded in exploration and evaluation assets	59,750	-
Management fees	53,343	11,000
Share-based compensation	181,841	-

As at January 31, 2018, amounts due to related parties were \$61,915 (2017 - \$159,479) in connection with various services provided to the Company, including professional, management and geological consulting fees.

As at January 31, 2018, loan payable to the CEO amounted to \$118,368. The loan bears interest at 13%, is unsecured and due on demand. As at January 31, 2018, accrued interest on the loan amounted to \$9,608.

On May 1, 2017, the Company entered into revised consulting agreements with the CEO, CFO and VP Exploration for the provision of consulting services subject to the financing proceeds as follows:

	CEO	CFO	VP Exploration
Financing with net proceeds:			
Between \$0 to \$500,000	\$66,000	\$20,000	\$42,000
Between \$500,000 to \$1,000,000	\$90,000	\$30,000	\$72,000
Greater than \$1,000,000	\$170,000	\$50,000	\$126,000

In addition to base fees noted above, the officers are eligible for a discretionary bonus up to 100% of base fees as recommended by the Compensation Committee and approval by the Board of Directors.

The agreements are effective until April 30, 2019 and are subject to renewal upon approval by the Compensation Committee. The Company must provide six to twelve month's written notice for termination but reserves the right to waive such notice upon paying the fees which would have accrued during the six-month period. Should the Company be subject to a change of control and the agreements terminated, the agreements will terminate immediately, and the Company will be required to pay the base fees and discretionary bonus equal to 12 months, 24 months and 36 months for the CFO, VP Exploration and CEO, respectively, at the rates equivalent to financing with net proceeds of greater than \$1,000,000.

9. General and administrative expenses

The following table illustrates spending activity related to general and administrative expenses for the years ended January 31, 2018 and 2017:

	Years ended January 31	
	2018	2017
	\$	\$
Shareholder and investor relations	87,425	9,904
Office costs	7,837	7,619
Communications	-	3,145
Regulatory and filing fees	23,077	8,141
Insurance	5,814	6,778
Travel	7,513	5,461
	131,666	41,049

10. Financial instrument risk management

Credit risk

The Company's credit risk is primarily attributable to its cash and government taxes recoverable. The risk exposure is limited to their carrying values at the statement of financial position date. Cash is held as cash deposits with counterparties that carry investment grade ratings as assessed by external rating agencies. The Company does not invest in asset-backed deposits or investments.

Interest rate risk

The Company is not exposed to significant interest rate risk since it has no interest-bearing debt except loan from related party, which bears a fixed rate of interest. Cash is held in accounts of financial institutions that do not bear significant interest.

Liquidity risk

The Company's objective is to ensure that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, against cash. As of January 31, 2018, the Company had cash of \$265,554 to settle current liabilities of \$592,969. As the Company does not have operating cash flow, the Company has and will continue to rely primarily on equity financing to meet its capital requirements.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Currency risk

The Company operates in Canada and Mexico, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will consequently have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, currency risk or credit risk.

11. Capital risk management

The Company's objective when managing capital is to raise sufficient funds to execute its exploration plan and to meet its ongoing administrative costs. At January 31, 2018, the Company's capital consists of items in shareholders' equity, in the amount of \$1,673,647 (2017 - \$784,986).

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

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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 does not have any externally imposed capital requirements or covenants.

12. Segmented information

The Company has one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets in Mexico. All of the Company's exploration and evaluation assets are located in Mexico.

13. Income taxes

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

	Year ended January 31	
	2018	2017
	\$	\$
Loss for the year	(394,772)	(130,468)
Expected income tax expense (recovery)	(107,000)	(34,000)
Effect of reduction in statutory and foreign tax rates and other	(12,000)	(32,000)
Permanent differences	59,000	(3,000)
Share issue costs	(5,000)	(3,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	-	14,000
Change in unrecognized deductible temporary differences and other	65,000	58,000
Total income tax expense (recovery)	-	-

The Company's deferred income tax liability relates to the Mexican mining royalty at the rate of 7.5%, which was enacted in Mexico from January 1, 2014 on a prospective basis and applies to earnings before the deduction of interest, taxes, depreciation and amortization as follows:

	Year ended January 31	
	2018	2017
	\$	\$
Deferred tax liabilities:		
Exploration and evaluation assets	50,000	50,000

The significant components of the Company's temporary differences and unused tax losses are as follows:

	2018	Expiry date	Year ended January 31	
	\$	range	2017	Expiry date
			\$	range
Exploration and evaluation assets	42,000	No expiry date	-	No expiry date
Share issue costs	23,000	2034 - 2038	13,000	2034 - 2037
Non-capital losses	1,796,000	2031 - 2038	1,664,000	2031 - 2037
Equipment	42,000	No expiry date	39,000	No expiry date
	1,903,000		1,716,000	