

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis should be read in conjunction with our consolidated financial statements for the two years ended May 31, 2017 and 2016, and the related notes thereto, which have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under the section heading "Item 1A. Risk Factors" above and elsewhere in this annual report on Form 10-K. See section heading "Forward-Looking Statements" above.*

### **Current Business Activities**

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#### **General**

##### *North Bullfrog Project Exploration*

The 2016-17 drilling campaign focused on extending the YellowJacket vein system north of Sierra Blanca, and exploration of the Western Zone (northwest of Sierra Blanca-YellowJacket) and the Liberator Zone (east of YellowJacket). This program utilized a single RC drilling rig and completed approximately 17,536 metres of RC drilling. In 2016-2017 positive results from targets around the Sierra Blanca/YellowJacket deposit were further tested to assess the potential to add significant tonnage of mill grade material to the deposit. The success of this follow-up program has led to plans for a resource development drilling program for the fall of 2017.

Baseline characterization work continued in the fiscal year ended May 31, 2017, with annual water quality sampling in September 2016. The site meteorological station continued to operate with quarterly reports submitted to NDEP. Wildlife and botanical surveys required by the site operating permits were performed as required.

##### *Financing*

On July 18, 2016, the Company announced the closing of a \$2,601,000 non-brokered private placement at \$1.02 per share. Under the terms of the agreement, the Company issued 2,550,000 Common Shares. The Participant in the private placement was Osisko Mining Inc.

#### **2017 Outlook**

During 2017-2018, the Company will focus on exploration and resource verification drilling at the Mother Lode Property and infill drilling at Sierra Blanca, Western Zone and Liberator. An update of the mineral resource at Sierra Blanca – YellowJacket will be performed and an updated Preliminary Economic Assessment will be developed. The Company also plans to continue the collection of baseline environmental data in its water quality sampling, waste geochemistry and meteorological programs, and to expand those databases to include data for the Mother Lode Property. See Part I, Item 2, Properties in this Annual Report for a more complete description of planned activities at the Properties and projected budgets for work programs.

### **Results of Operations**

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#### **Year ended May 31, 2017 Compared to Year ended May 31, 2016**

For the year ended May 31, 2017 the Company had a net loss of \$6,727,722 compared to a net loss of \$7,434,215 in the prior year. Included in net loss was \$581,379 (2016 - \$825,921) in stock-based compensation charges which was a result of stock options granted during the year and previously granted stock options which vested during the year. Stock-based compensation in the current year comprised of stock options granted on September 8, 2014, September 9, 2015, November 13, 2015 and June 22, 2016 and September 15, 2016 which vested during the year. The prior year had stock-based compensation arising from stock options granted on August 16, 2013, September 8, 2014, January 23, 2015, May 1, 2015, September 9, 2015 and November 13, 2015 with vesting during the prior year. The decrease in loss of \$706,493 in the current year was due to a combination of factors discussed below.

The primary factor for the decrease in the net loss was the wages and benefits of \$1,256,749 incurred in the current year compared to \$1,744,818 in the prior year. The decrease in wages and benefits was mainly due to decreased stock-based compensation charges of \$165,771 during the current year compared to \$279,106 in the prior year and a decrease of \$374,734

in wages and benefits in the current year mainly as a result of adjustment in wages of several senior executive officers and the severance pay to the former President in the prior year.

Exploration expenditures increased to \$3,145,589 (2016 - \$2,856,345) mainly due to increased stock-based compensation charges of \$33,433 during the current year compared to \$18,468 in the prior year and an increase of \$274,279 incurred in the exploration in the current year compared with prior year as the Company focused all its exploration efforts on the NBP.

Consulting fees decreased to \$635,152 (2016 - \$712,943) mainly due to decreased stock-based compensation charges of \$301,884 during the current year compared to \$415,360 in the prior year. This was offset by an increase in consulting fees of \$35,685 during the current year compared with the prior year mainly due to the engagement of an external consultant for financial advisory services in the current year in hopes of increasing public exposure for the Company.

Insurance expenses increased to \$156,940 (2016 - 122,691) mainly due to increased insurance premiums as a result of increased Director and Officer Liability coverage during the current year.

Investor relations expenses increased to \$768,098 (2016 - \$738,931) due to an increase of \$51,962 in investor relations-related travel and advertising and marketing during the current year as part of the Company's efforts to secure additional financing. This was offset by a decrease in stock-based compensation charges of \$73,514 during the current year compared to \$96,309 in the prior year.

Professional fees decreased to \$286,556 (2016 - \$320,979) due to decreased stock-based compensation charges of \$6,777 during the current year compared to \$16,678 in the prior year and a decrease of \$24,522 in legal and accounting fees in the current year compared to the prior year as a result of decrease in audit fees due to a general decrease in activities in the current year compared to the prior year.

Regulatory expenses decreased to \$77,155 (2016 - \$92,941) mainly due to more expenses incurred in the prior year as a result of the Company changing its Principal American Liaison in the current year resulting in a decrease in regulatory expenses.

Travel expenses increased to \$154,391 (2016 - \$123,621) mainly due to more conferences attended during the current year as part of the Company's efforts to secure additional financing.

Other expense categories that reflected only moderate change year over year were administration expenses of \$649 (2016 - \$7,988), depreciation expenses of \$22,176 (2016 - \$27,100), office expenses of \$118,161 (2016 - \$138,882) and rent expenses of \$109,201 (2016 - \$117,471).

Other items amounted to an income of \$3,095 compared to a loss of \$429,505 in the prior year. There was a gain on sale of the Company's interest in the West Pogo property of \$25,728 and a gain on sale of the Company's interest in the LMS property of \$66,669 in the prior year and a write-off of the Company's interest in the Chisna property of \$677,695 in the prior year. There was a decrease in foreign exchange to a loss of \$23,406 (2016 - gain of \$139,394), which is the result of factors outside of the Company's control and an increase in interest income of \$26,501 (2016 - \$16,399) as a result of less investment in cashable GIC's during the prior year.

### **Three months ended May 31, 2017 Compared to Three months ended May 31, 2016**

For the three months ended May 31, 2017, the Company had a net loss of \$1,898,295 compared to a net loss of \$1,453,085 in the comparative period of the prior year. Included in net loss was \$127,591 (2016 - \$186,571) in stock-based compensation charges which is a result of stock options granted during the period and previously granted stock options which vested during the period. Stock-based compensation in the current period comprised of stock options granted on September 9, 2015, November 13, 2015, June 22, 2016 and September 15, 2016 which vested during the period. The prior period comparative had stock-based compensation arising from stock options granted on September 8, 2014, May 1, 2015, September 9, 2015 and November 13, 2015 with vesting during the comparative period of the prior year. The increase in loss of \$445,210 in the three month period of the current year was due to a combination of factors discussed below.

Exploration expenditures of \$1,038,353 incurred in the current period compared to \$556,186 in the comparative period of the prior year. The exploration activities of the Company increased mainly due to more active in exploration in the current period compared with the comparative period of the prior year and an increase in stock-based compensation charges of \$10,067 in the current period compared to \$4,659 in the prior period.

Consulting fees increased to \$178,621 (2016 - \$176,832) mainly due to decreased stock-based compensation charges of \$68,603 during the current period compared to \$97,832 in the prior period. This was offset by an increase in consulting fees

of \$31,108 in the current period compared with the comparative period of the prior year mainly due to the engagement of an external consultant for financial advisory services in the current period in hopes of increasing public exposure for the Company.

Insurance expenses increased to \$51,027 (2016 - \$29,584) mainly due to increased insurance premiums as the Company increased its Directors and Officers Liability coverage during the current period compared with the comparative period of the prior year.

Investor relations expenses increased to \$203,743 (2016 - \$170,742) due to decreased stock-based compensation charges of \$18,083 during the current period compared to \$20,688 in the prior period offset by an increase of \$35,606 in investor relations-related travel, and advertising and marketing during the current period compared with the comparative period of the prior year due to the Company's efforts to secure additional financing.

Professional fees increased to \$80,200 (2016 - \$66,423) due to decreased stock-based compensation charges of \$1,665 during the current period compared to \$2,876 in the prior period offset by an increase of \$14,988 in legal and accounting fees in the current period compared to comparative period of the prior year as a result of the Company's plan to acquire the Mother Lode Property from Goldcorp USA, Inc. which closed on June 9, 2017.

Wages and benefits decreased to \$211,067 (2016 - \$323,124) mainly due to a decrease in stock-based compensation charges of \$29,173 in the current period compared to \$60,516 in the prior period and a decrease of \$80,714 in wages and benefits in the current period mainly as a result of the departure of the former President in the comparative period of the prior year.

Other expense categories that reflected only moderate change period over period were administration expenses of \$104 (2016 - \$1,531), depreciation expenses of \$5,632 (2016 - \$7,471), office expenses of \$28,230 (2016 - \$35,035), regulatory expenses of \$9,346 (2016 - \$11,055), rent expenses of \$28,892 (2016 - \$30,911) and travel expenses of \$46,976 (2016 - \$44,076).

Other items amounted to a loss of \$16,104 compared to a loss of \$115 in the prior period. There was an increase in foreign exchange to a loss of \$18,546 (2016 - loss of \$4,829), which was the result of factors outside of the Company's control and a decrease in interest income of \$2,442 (2016 - \$4,714) as a result of less investment in cashable GIC's during the current period.

## **Liquidity and Capital Resources**

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been financed by the sale of its equity securities by way of public offerings, private placements and the exercise of incentive stock options and share purchase warrants. The Company believes that it will be able to secure additional private placements and public financings in the future, although it cannot predict the size or pricing of any such financings. In addition, the Company can raise funds through the sale of interests in its mineral properties, although current market conditions have substantially reduced the number of potential buyers/acquirers of any such interest(s). This situation is unlikely to change until such time as the Company can develop a bankable feasibility study on one of its projects. When acquiring an interest in mineral properties through purchase or option, the Company will sometimes issue Common Shares to the vendor or optionee of the property as partial or full consideration for the property interest in order to conserve its cash.

The consolidated financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and/or obtaining additional financing.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future within one year from the date the consolidated financial statements are issued. There is substantial doubt upon the Company's ability to continue as going concern, as explained below and in the financial statements.

The Company has sustained significant losses from operations has negative cash flows, and has an ongoing requirement for capital investment to explore its mineral properties. Based on its current plans, budgeted expenditures, and cash requirements, the Company does not have sufficient cash to finance its current plans for the 12 months from the date the consolidated financial statement are issued and will be required to raise additional funds through public or private equity financings, significantly reduce exploration expenditures and administrative expenses, or consider other options such as sales of its mineral properties, in order to continue in business.

The Company reported cash and cash equivalents of \$1,300,553 as at May 31, 2017 compared to \$4,783,519 as at May 31, 2016. The change in cash position was the net result of \$6,111,574 used for operating activities, \$66,876 used for capitalized acquisition costs, \$7,739 used on property and equipment, and \$2,683,446 received from the private placements

of Common Shares in July of 2016 (net of share issue costs), issuance of shares for the NBP in November 2016 and exercise of stock options during the year ended May 31, 2017.

As at May 31, 2017, the Company had working capital of \$1,270,168 compared to working capital of \$4,742,321 as at May 31, 2016. On July 15, 2016, the Company closed a non-brokered private placement equity financing and issued 2,550,000 Common Shares at a price of \$1.02 per share for gross proceeds of \$2,601,000. The Company expects that it will operate at a loss for the foreseeable future and believes the Company will need to scale back anticipated activities and costs or raise additional financing to fund operations through the calendar year ending December 31, 2017. The Company's current anticipated operating expenses are \$2,252,000 until December 31, 2017 and \$3,264,000 until May 31, 2018. The Company's anticipated monthly burn rate averages approximately \$322,000 for June to December 2017, where approximately \$270,000 is for administrative purposes and approximately \$52,000 is for planned exploration expenditures related to the completion of the ongoing Phase II exploration program at the NBP. From June 2017 to May 2018, the Company's anticipated monthly burn rate averages approximately \$272,000, of which \$235,000 is for administrative purposes and approximately \$7,000 is for planned exploration expenditures related to the ongoing Phase II exploration program at the NBP. In any event, the Company will be required to raise additional funds, again through public or private equity financings, prior to the end of September 2017 in order to continue in business. Should such financing not be available in that time-frame, the Company will be required to reduce its activities and will not be able to carry out all of its presently planned exploration and development activities at the NBP and the Mother Lode Property on its currently anticipated scheduling.

Despite the Company's success to date in raising significant equity financing to fund its operations, there is significant uncertainty that the Company will be able to secure any additional financing in the current or future equity markets. See "Risk Factors – We will require additional financing to fund exploration and, if warranted, development and production". Failure to obtain additional financing could have a material adverse effect on our financial condition and results of operation and could cast uncertainty on our ability to continue as a going concern. The quantity of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes. Due to this uncertainty, if the Company is unable to secure additional financing, it may be required to reduce all discretionary activities at the NBP and the Mother Lode Property to preserve its working capital to fund anticipated non-discretionary expenditures beyond the 2017 fiscal year.

The Company has no exposure to any asset-backed commercial paper. Other than cash held by its subsidiaries for their immediate operating needs in Alaska and Nevada, all of the Company's cash reserves are on deposit with a major Canadian chartered bank. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions. However, in order to achieve greater security for the preservation of its capital, the Company has, of necessity, been required to accept lower rates of interest, which has also lowered its potential interest income.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Environmental Regulations**

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

### **Critical Accounting Policies**

#### ***Basis of presentation***

These consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with generally accepted accounting principles in the United States ("US GAAP").

#### ***Basis of consolidation***

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (collectively, the "Group"), Corvus USA (a Nevada corporation), Corvus Nevada (a Nevada corporation), Raven Gold (an

Alaska corporation) and SoN (a Nevada limited liability company). All intercompany transactions and balances were eliminated upon consolidation.

### ***Significant judgments, estimates and assumptions***

The preparation of these financial statements in accordance with US GAAP 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 year. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future periods if the revision affects both current and future years. 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.

#### ***Significant estimates***

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, 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 carrying value and the recoverability of the capitalized acquisition costs, the assumptions used to determine the fair value of stock-based compensation, and the estimated amounts of reclamation and environmental obligations.

#### ***Significant judgments***

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The Company made the following critical accounting judgments:

- The determination of deferred tax assets and liabilities.
- The analysis of resource calculations, drill results, laboratory work, etc., which can impact the Company's assessment of impairments, and provisions, if any, for environmental rehabilitation and restorations.
- The determination of functional currency, using the currency of the primary economic environment in which each of the parent company and its subsidiaries operates.
- The assessment of the Company's ability to continue as a going concern.

#### ***Cash and cash equivalents***

Cash equivalents include highly liquid investments in term deposits that are readily convertible to known amounts of cash with original maturities of three months or less, and term deposits with original term of maturities greater than three months but are cashable after 30 days with no penalties, and are subject to an insignificant risk of change in value.

#### ***Foreign currency translation***

The presentation currency of the Company is the Canadian dollar.

The functional currency of each of the parent company and its subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The functional currency of Corvus USA, Corvus Nevada, Raven Gold and SoN is US dollars, and for the Company the functional currency is Canadian dollars.

#### ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the Statement of Operations and Comprehensive Income (Loss) in the year in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the Statement of Operations and Comprehensive Income (Loss) to the extent that gains and losses arising on those non-

monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

### *Parent and Subsidiary Companies*

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at monthly average exchange rates during the year.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's exchange difference on translating foreign operations in the Statement of Operations and Comprehensive Income (Loss) and are reported as a separate component of shareholders' equity titled "Cumulative Translation Differences". These differences are recognized in profit or loss in the year in which the operation is disposed of.

### ***Property and equipment***

#### *Recognition and measurement*

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

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

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

#### *Subsequent costs*

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

#### *Major maintenance and repairs*

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

#### *Gains and losses*

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

#### *Depreciation*

Depreciation is recognized in profit or loss on a declining-balance basis at the following annual rates:

Computer equipment	-	30% declining balance
Vehicles	-	30% declining balance
Tent	-	20% declining balance

Additions during the year are depreciated at one-half the annual rates.

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

### ***Mineral exploration and evaluation expenditures***

The Company's mineral projects are currently in the exploration and evaluation phase. All direct costs related to the acquisition of mineral property interests are capitalized. Mineral property exploration costs are expensed as incurred. At such time that the Company determines that a mineral property can be economically developed, subsequent mineral property expenses will be capitalized during the development of such property.

### ***Impairment of long-lived assets***

The Company assesses long-lived assets for impairment or when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Impairment analysis includes assessment of the following circumstances: a significant decrease in the market price of a long-lived asset or asset group; a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or asset group, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or asset group; a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group; a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50%.

### ***Asset retirement obligations***

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or contractually required to remediate at the time environmental disturbance occurs. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports and accreted to full value over time through periodic charges to profit or loss. As at May 31, 2017, the Company recorded a provision of \$340,176 (USD 252,000) (2016 - \$293,578 (USD 224,000)) for environmental rehabilitation.

### ***Income taxes***

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future 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 enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion or the entire deferred tax asset will not be realized.

### ***Share capital***

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

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

### ***Valuation of equity units issued in private placements***

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. Upon exercise of the warrants, the related fair value is reallocated to share capital.

### ***Earnings (loss) per share***

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. For the year ended May 31, 2017, 8,846,900 outstanding stock options (2016 – 7,981,000) were not included in the calculation of diluted earnings (loss) per share as their inclusion was anti-dilutive.

### ***Stock-based compensation***

The Company follows the provisions of Financial Accounting Standards Board Accounting Standards Codification Section 718 “Compensation - Stock Compensation”, which establishes accounting for equity based compensation awards to be accounted for using the fair value method. The Company uses the Black-Scholes option pricing model to determine the grant date fair value of the awards. Compensation expense is measured at the grant date and recognized over the requisite service period, on a straight line basis, which is generally the vesting period. Upon exercise of stock options, the related fair value is reallocated to share capital.

### ***Non-monetary transactions***

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

### ***Joint venture accounting***

Where the Company’s exploration and development activities are conducted with others, the accounts reflect only the Company’s proportionate interest in such activities. The Company currently is not a party to any joint venture arrangements.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not Applicable



## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.



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### **Report of Independent Registered Public Accounting Firm**

#### **To the Shareholders of Corvus Gold Inc.**

We have audited the accompanying consolidated balance sheets of Corvus Gold Inc. (the "Company") as of May 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Corvus Gold Inc. as at May 31, 2017 and 2016 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Crowe MacKay LLP

**Chartered Professional Accountants  
Vancouver, Canada**

June 29, 2017

**CORVUS GOLD INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in Canadian dollars)

	<b>May 31, 2017</b>	<b>May 31, 2016</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,300,553	\$ 4,783,519
Accounts receivable	13,524	28,810
Prepaid expenses	249,176	166,853
<b>Total current assets</b>	<b>1,563,253</b>	<b>4,979,182</b>
<b>Property and equipment</b> (note 4)	<b>69,529</b>	<b>82,051</b>
<b>Capitalized acquisition costs</b> (note 5)	<b>4,527,740</b>	<b>4,261,680</b>
<b>Total assets</b>	<b>\$ 6,160,522</b>	<b>\$ 9,322,913</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	\$ 293,085	\$ 236,861
<b>Total current liabilities</b>	<b>293,085</b>	<b>236,861</b>
<b>Asset retirement obligations</b> (note 5)	<b>340,176</b>	<b>293,578</b>
<b>Total liabilities</b>	<b>633,261</b>	<b>530,439</b>
<b>Shareholders' equity</b>		
Share capital (note 6)	72,670,170	69,890,670
Contributed surplus (note 6)	12,480,784	11,977,459
Accumulated other comprehensive income - cumulative translation differences	1,348,070	1,168,386
Deficit accumulated during the exploration stage	(80,971,763)	(74,244,041)
<b>Total shareholders' equity</b>	<b>5,527,261</b>	<b>8,792,474</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 6,160,522</b>	<b>\$ 9,322,913</b>

**Nature and continuance of operations** (note 1)

**Approved on behalf of the Directors:**

“*Jeffrey Pontius*” \_\_\_\_\_ Director

“*Anton Drescher*” \_\_\_\_\_ Director

These accompanying notes form an integral part of these consolidated financial statements

**CORVUS GOLD INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**For the Years Ended May 31, 2017 and 2016**  
(Expressed in Canadian dollars)

	<b>May 31, 2017</b>	<b>May 31, 2016</b>
<b>Operating expenses</b>		
Administration	\$ 649	\$ 7,988
Consulting fees (notes 6 and 7)	635,152	712,943
Depreciation (note 4)	22,176	27,100
Exploration expenditures (notes 5 and 6)	3,145,589	2,856,345
Insurance	156,940	122,691
Investor relations (notes 6 and 7)	768,098	738,931
Office and miscellaneous	118,161	138,882
Professional fees (note 6)	286,556	320,979
Regulatory	77,155	92,941
Rent	109,201	117,471
Travel	154,391	123,621
Wages and benefits (notes 6 and 7)	1,256,749	1,744,818
<b>Total operating expenses</b>	<b>(6,730,817)</b>	<b>(7,004,710)</b>
<b>Other income (expense)</b>		
Interest income	26,501	16,399
Gain on sale of capitalized acquisition costs (notes 5b) and 5c))	-	92,397
Write-off of capitalized acquisition costs (note 5a))	-	(677,695)
Foreign exchange gain (loss)	(23,406)	139,394
<b>Total other income (expense)</b>	<b>3,095</b>	<b>(429,505)</b>
<b>Net loss for the year</b>	<b>(6,727,722)</b>	<b>(7,434,215)</b>
<b>Other comprehensive income</b>		
Exchange difference on translating foreign operations	179,684	315,037
<b>Comprehensive loss for the year</b>	<b>\$ (6,548,038)</b>	<b>\$ (7,119,178)</b>
<b>Basic and diluted net loss per share</b>	<b>\$ (0.07)</b>	<b>\$ (0.09)</b>
<b>Weighted average number of shares outstanding</b>	<b>92,045,609</b>	<b>84,468,690</b>

These accompanying notes form an integral part of these consolidated financial statements

**CORVUS GOLD INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended May 31, 2017 and 2016**  
(Expressed in Canadian dollars)

	<b>May 31, 2017</b>	<b>May 31, 2016</b>
<b>Operating activities</b>		
Net loss for the year	\$ (6,727,722)	\$ (7,434,215)
Add items not affecting cash:		
Depreciation	22,176	27,100
Stock-based compensation (note 6)	581,379	825,921
Write-off of capitalized acquisition costs (note 5a))	-	677,695
Gain on sale of capitalized acquisition costs (notes 5b) and 5c))	-	(92,397)
Foreign exchange (gain) loss	23,406	(139,394)
Changes in non-cash items:		
Accounts receivable	15,286	(2,795)
Prepaid expenses	(82,323)	81,826
Accounts payable and accrued liabilities	56,224	(182,367)
<b>Cash used in operating activities</b>	<b>(6,111,574)</b>	<b>(6,238,626)</b>
<b>Financing activities</b>		
Cash received from issuance of shares	2,701,000	5,552,667
Share issuance costs	(17,554)	(25,884)
Repayment of promissory note	-	(298,488)
<b>Cash provided by financing activities</b>	<b>2,683,446</b>	<b>5,228,295</b>
<b>Investing activities</b>		
Expenditures on property and equipment	(7,739)	(7,153)
Cash received from sale of capitalized acquisition costs (notes 5b) and 5c))	-	499,313
Capitalized acquisition costs	(66,876)	(32,594)
<b>Cash provided by investing activities</b>	<b>(74,615)</b>	<b>459,566</b>
<b>Effect of foreign exchange on cash</b>	<b>19,777</b>	<b>174,322</b>
<b>Decrease in cash and cash equivalents</b>	<b>(3,482,966)</b>	<b>(376,443)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>4,783,519</b>	<b>5,159,962</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 1,300,553</b>	<b>\$ 4,783,519</b>

**Supplemental cash flow information (note 10)**

These accompanying notes form an integral part of these consolidated financial statements

**CORVUS GOLD INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(Expressed in Canadian dollars)

	Number of shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Income – Cumulative Translation Differences	Deficit	Total
<b>Balance, May 31, 2015</b>	<b>80,168,928</b>	<b>\$ 64,256,889</b>	<b>\$ 11,247,286</b>	<b>\$ 853,349</b>	<b>\$ (66,809,826)</b>	<b>\$ 9,547,698</b>
Net loss for the year	-	-	-	-	(7,434,215)	(7,434,215)
Shares issued for cash						
Private placement	9,155,320	5,430,000	-	-	-	5,430,000
Exercise of stock options	245,334	122,667	-	-	-	122,667
Share issued for capitalized acquisition costs	25,000	11,250	-	-	-	11,250
Other comprehensive income						
Exchange difference on translating foreign operations	-	-	-	315,037	-	315,037
Share issuance costs	-	(25,884)	-	-	-	(25,884)
Reclassification of contributed surplus on exercise of stock options	-	95,748	(95,748)	-	-	-
Stock-based compensation	-	-	825,921	-	-	825,921
<b>Balance, May 31, 2016</b>	<b>89,594,582</b>	<b>69,890,670</b>	<b>11,977,459</b>	<b>1,168,386</b>	<b>(74,244,041)</b>	<b>8,792,474</b>
Net loss for the year	-	-	-	-	(6,727,722)	(6,727,722)
Shares issued for cash						
Private placement	2,550,000	2,601,000	-	-	-	2,601,000
Exercise of stock options	200,000	100,000	-	-	-	100,000
Share issued for capitalized acquisition costs	25,000	18,000	-	-	-	18,000
Other comprehensive income						
Exchange difference on translating foreign operations	-	-	-	179,684	-	179,684
Share issuance costs	-	(17,554)	-	-	-	(17,554)
Reclassification of contributed surplus on exercise of stock options	-	78,054	(78,054)	-	-	-
Stock-based compensation	-	-	581,379	-	-	581,379
<b>Balance, May 31, 2017</b>	<b>92,369,582</b>	<b>\$ 72,670,170</b>	<b>\$ 12,480,784</b>	<b>\$ 1,348,070</b>	<b>\$ (80,971,763)</b>	<b>\$ 5,527,261</b>

These accompanying notes form an integral part of these consolidated financial statements

## 1. NATURE AND CONTINUANCE OF OPERATIONS

On August 25, 2010, International Tower Hill Mines Ltd. (“ITH”) completed a Plan of Arrangement (the “Arrangement”) whereby its existing Alaska mineral properties (other than the Livengood project) and related assets and the North Bullfrog mineral property and related assets in Nevada (collectively, the “Nevada and Other Alaska Business”) were indirectly spun out into a new public company, being Corvus Gold Inc. (“Corvus” or the “Company”). As part of the Arrangement, ITH transferred its wholly-owned subsidiary Corvus Nevada (which held the North Bullfrog property), to Corvus and a wholly-owned Alaskan subsidiary of ITH, Talon Gold Alaska, Inc. sold to Raven Gold, the Terra, Chisna, LMS and West Pogo properties. As a consequence of the completion of the Arrangement, the Terra, Chisna, LMS, West Pogo and North Bullfrog properties were transferred to Corvus.

The Company was incorporated on April 13, 2010 under the Business Corporations Act (British Columbia). These consolidated financial statements reflect the cumulative operating results of the predecessor, as related to the mineral properties that were transferred to the Company from June 1, 2006.

The Company is engaged in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At May 31, 2017, the Company had interests in a property in Nevada, U.S.A.

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

These consolidated financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and/or obtaining additional financing.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future within one year from the date the consolidated financial statements are issued. There is substantial doubt upon the Company’s ability to continue as going concern, as explained in the following paragraphs.

The Company has sustained significant losses from operations, has negative cash flows, and has an ongoing requirement for capital investment to explore its mineral properties. As at May 31, 2017, the Company had working capital of \$1,270,168 compared to working capital of \$4,742,321 as at May 31, 2016. Based on its current plans, budgeted expenditures, and cash requirements, the Company does not have sufficient cash to finance its current plans for the 12 months from the date the consolidated financial statements are issued and will be required to raise additional funds through public or private equity financings, significantly reduce exploration expenditures and administrative expenses, or consider other options such as sales of its mineral properties, in order to continue in business.

The Company expects that it will need to raise substantial additional capital to accomplish its business plan over the next several years. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all. Should such financing not be available in that time-frame, the Company will be required to reduce its activities and will not be able to carry out all of its presently planned exploration and development activities on its currently anticipated scheduling.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### **Basis of presentation**

These consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with generally accepted accounting principles in the United States (“US GAAP”).

### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (collectively, the “Group”), Corvus Gold (USA) Inc. (“Corvus USA”) (a Nevada corporation), Corvus Gold Nevada Inc. (“Corvus Nevada”) (a Nevada corporation), Raven Gold Alaska Inc. (“Raven Gold”) (an Alaska corporation) and SoN Land and Water LLC (“SoN”) (a Nevada limited liability company). All intercompany transactions and balances were eliminated upon consolidation.

### **Significant judgments, estimates and assumptions**

The preparation of these financial statements in accordance with US GAAP 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 year. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future periods if the revision affects both current and future years. 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.

#### *Significant estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, 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 carrying value and the recoverability of the capitalized acquisition costs, the assumptions used to determine the fair value of stock-based compensation, and the estimated amounts of reclamation and environmental obligations.

#### *Significant judgments*

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The Company made the following critical accounting judgments:

- The determination of deferred tax assets and liabilities.
- The analysis of resource calculations, drill results, laboratory work, etc., which can impact the Company’s assessment of impairments, and provisions, if any, for environmental rehabilitation and restorations.
- The determination of functional currency, using the currency of the primary economic environment in which each of the parent company and its subsidiaries operates.
- The assessment of the Company’s ability to continue as a going concern.

### **Cash and cash equivalents**

Cash equivalents include highly liquid investments in term deposits that are readily convertible to known amounts of cash with original maturities of three months or less, and term deposits with original term of maturities greater than three months but are cashable after 30 days with no penalties, and are subject to an insignificant risk of change in value.

### **Foreign currency translation**

The presentation currency of the Company is the Canadian dollar.

The functional currency of each of the parent company and its subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The functional currency of Corvus USA, Corvus Nevada, Raven Gold and SoN is US dollars, and for the Company the functional currency is Canadian dollars.

### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the Statement of Operations and Comprehensive Income (Loss) in the year in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the Statement of Operations and Comprehensive Income (Loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

### *Parent and Subsidiary Companies*

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at monthly average exchange rates during the year.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's exchange difference on translating foreign operations in the Statement of Operations and Comprehensive Income (Loss) and are reported as a separate component of shareholders' equity titled "Cumulative Translation Differences". These differences are recognized in profit or loss in the year in which the operation is disposed of.

### **Property and equipment**

#### a) Recognition and measurement

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

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

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

#### b) Subsequent costs

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

#### c) Major maintenance and repairs

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

#### d) Gains and losses

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



e) Depreciation

Depreciation is recognized in profit or loss on a declining-balance basis at the following annual rates:

Computer equipment	-	30% declining balance
Vehicles	-	30% declining balance
Tent	-	20% declining balance

Additions during the year are depreciated at one-half the annual rates.

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

### **Mineral properties and exploration and evaluation expenditures**

The Company's mineral projects are currently in the exploration and evaluation phase. All direct costs related to the acquisition of mineral property interests are capitalized. Mineral property exploration costs are expensed as incurred. At such time that the Company determines that a mineral property can be economically developed, subsequent mineral property expenses will be capitalized during the development of such property.

### **Impairment of long-lived assets**

The Company assesses long-lived assets for impairment or when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Impairment analysis includes assessment of the following circumstances: a significant decrease in the market price of a long-lived asset or asset group; a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or asset group, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or asset group; a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group; a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50%.

### **Asset retirement obligations**

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or contractually required to remediate at the time environmental disturbance occurs. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports and accreted to full value over time through periodic charges to profit or loss. As at May 31, 2017, the Company recorded a provision of \$340,176 (USD 252,000) (2016 - \$293,578 (USD 224,000)) for environmental rehabilitation.

### **Income taxes**

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future 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 enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion or the entire deferred tax asset will not be realized.

### **Share capital**

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

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

## **Valuation of equity units issued in private placements**

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. Upon exercise of the warrants, the related fair value is reallocated to share capital.

## **Earnings (loss) per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. For the year ended May 31, 2017, 8,846,900 outstanding stock options (2016 – 7,981,000) were not included in the calculation of diluted earnings (loss) per share as their inclusion was anti-dilutive.

## **Stock-based compensation**

The Company follows the provisions of Financial Accounting Standards Board Accounting Standards Codification Section 718 “Compensation - Stock Compensation”, which establishes accounting for equity based compensation awards to be accounted for using the fair value method. The Company uses the Black-Scholes option pricing model to determine the grant date fair value of the awards. Compensation expense is measured at the grant date and recognized over the requisite service period, on a straight line basis, which is generally the vesting period. Upon exercise of stock options, the related fair value is reallocated to share capital.

## **Non-monetary transactions**

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

## **Joint venture accounting**

Where the Company’s exploration and development activities are conducted with others, the accounts reflect only the Company’s proportionate interest in such activities. The Company currently is not a party to any joint venture arrangements.

### **3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments recorded at fair value 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
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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. The following table presents the financial instruments recorded at fair value, classified using the fair value hierarchy described above:

<b>May 31, 2017</b>	<b>Level 1</b>
Cash and cash equivalents	\$ 1,300,553

  

<b>May 31, 2016</b>	<b>Level 1</b>
Cash and cash equivalents	\$ 4,783,519

**4. PROPERTY AND EQUIPMENT**

	<b>Computer Equipment</b>	<b>Vehicles</b>	<b>Tent</b>	<b>Total</b>
<b>Cost</b>				
<b>Balance, May 31, 2015</b>	\$ 58,946	\$ 84,843	\$ 62,185	\$ 205,974
Additions	7,153	-	-	7,153
Currency translation adjustments	2,786	4,591	3,365	10,742
<b>Balance, May 31, 2016</b>	68,885	89,434	65,550	223,869
Additions	7,739	-	-	7,739
Currency translation adjustments	1,717	2,660	1,950	6,327
<b>Balance, May 31, 2017</b>	\$ 78,341	\$ 92,094	\$ 67,500	\$ 237,935
<b>Depreciation</b>				
<b>Balance, May 31, 2015</b>	\$ 32,635	\$ 59,223	\$ 17,413	\$ 109,271
Depreciation for the year	9,409	8,171	9,520	27,100
Currency translation adjustments	1,451	3,135	861	5,447
<b>Balance, May 31, 2016</b>	43,495	70,529	27,794	141,818
Depreciation for the year	8,831	5,723	7,622	22,176
Currency translation adjustments	1,218	2,214	980	4,412
<b>Balance, May 31, 2017</b>	\$ 53,544	\$ 78,466	\$ 36,396	\$ 168,406
<b>Carrying amounts</b>				
<b>Balance, May 31, 2016</b>	\$ 25,390	\$ 18,905	\$ 37,756	\$ 82,051
<b>Balance, May 31, 2017</b>	\$ 24,797	\$ 13,628	\$ 31,104	\$ 69,529

## 5. MINERAL PROPERTIES

The Company had the following activity related to capitalized acquisition costs:

	Chisna (note 5a))	North Bullfrog (note 5d))	LMS (note 5c))	Total
<b>Balance, May 31, 2015</b>	<b>\$ 631,205</b>	<b>\$ 3,861,412</b>	<b>\$ 374,017</b>	<b>\$ 4,866,634</b>
Acquisition costs				
Cash payments (note 5d)(ii)(1)	-	32,594	-	32,594
Shares issued (note 5d)(ii)(1)	-	11,250	-	11,250
Asset retirement obligations	-	153,825	-	153,825
Currency translation adjustments	46,490	202,599	27,546	276,635
Reclassified to asset held-for-sale	-	-	(401,563)	(401,563)
Write-off of capitalized acquisition costs	(677,695)	-	-	(677,695)
<b>Balance, May 31, 2016</b>	<b>-</b>	<b>4,261,680</b>	<b>-</b>	<b>4,261,680</b>
Acquisition costs				
Cash payments (note 5d)(ii)(1)	-	66,876	-	66,876
Shares issued (note 5d)(ii)(1)	-	18,000	-	18,000
Asset retirement obligations	-	37,865	-	37,865
Currency translation adjustments	-	143,319	-	143,319
<b>Balance, May 31, 2017</b>	<b>\$ -</b>	<b>\$ 4,527,740</b>	<b>\$ -</b>	<b>\$ 4,527,740</b>

The following table presents costs incurred for exploration and evaluation activities for the year ended May 31, 2017:

	North Bullfrog (note 5d))	Total
Exploration costs:		
Assay	\$ 732,434	\$ 732,434
Drilling	1,032,602	1,032,602
Equipment rental	75,554	75,554
Field costs	143,329	143,329
Geological/ Geophysical	328,379	328,379
Land maintenance & tenure	390,343	390,343
Permits	28,019	28,019
Studies	341,218	341,218
Travel	73,711	73,711
<b>Total expenditures for the year</b>	<b>\$ 3,145,589</b>	<b>\$ 3,145,589</b>

The following table presents costs incurred for exploration and evaluation activities for the year ended May 31, 2016:

	West Pogo (note 5b))	Chisna (note 5a))	North Bullfrog (note 5d))	LMS (note 5c))	Total
Exploration costs:					
Assay	\$ -	\$ -	\$ 757,432	\$ -	\$ 757,432
Drilling	-	-	929,841	-	929,841
Equipment rental	-	-	51,347	-	51,347
Field costs	181	247	134,382	561	135,371
Geological/ Geophysical	-	6,210	328,740	1,904	336,854
Land maintenance & tenure	-	13,534	373,795	32,900	420,229
Permits	-	-	632	-	632
Studies	-	-	322,972	-	322,972
Transportation	-	-	-	1,999	1,999
Travel	-	913	66,858	-	67,771
	181	20,904	2,965,999	37,364	3,024,448
Cost recovery	(23,802)	(39,463)	-	(104,838)	(168,103)
<b>Total expenditures (recovery) for the year</b>	<b>\$ (23,621)</b>	<b>\$ (18,559)</b>	<b>\$ 2,965,999</b>	<b>\$ (67,474)</b>	<b>\$ 2,856,345</b>

**a) Chisna Property, Alaska**

The Chisna property is located in the eastern Alaska Range, Alaska, and is comprised of unpatented mineral claims was owned 100% by the Company and fee simple lands leased from Ahtna Incorporated (“Ahtna”).

On November 2, 2009, ITH and Talon Gold entered into an agreement (as amended) with Ocean Park Ventures Corp. (“OPV”). Pursuant to the agreement, an Alaskan subsidiary of OPV and Raven Gold formed a joint venture for the purpose of exploring and developing the Chisna property.

On November 7, 2012, OPV withdrew from the joint venture and thereby returned 100% of the Chisna property to the Company.

On March 24, 2010, Raven Gold entered into a Mineral Exploration Agreement with Option to Lease with Ahtna, an Alaska Native Regional Corporation, concerning approximately 26,516 hectares of fee simple lands in the Athell Area of Alaska surrounding or adjacent to some of the blocks of mineral claims owned by Raven Gold.

During the year ended May 31, 2015, the Company gave notification and terminated the Ahtna lease.

During the year ended May 31, 2016, the Company wrote off the Chisna property as the Company, at the time, had reduced the Chisna property to 36 core claims. On April 5, 2016, Raven Gold completed a transaction with Millrock Resources Inc. on the Chisna property. The ownership of the property was sold for USD 25,000, which was recognized as a cost recovery, and a retained net smelter return (“NSR”) royalty of 1% on precious metals and 1% on base metals.

**b) West Pogo Property, Alaska**

The West Pogo property is located approximately 50 kilometres north of Delta Junction, Alaska, and consists of unpatented mineral claims was owned 100% by the Company.

During the year ended May 31, 2014, the Company wrote off the West Pogo property, as there had been a delay in exploration work on the property for an extended period of time.

During the year ended May 31, 2016, Raven Gold completed a transaction with Millrock Resources Inc. (“Millrock”) on the West Pogo and Goodpaster database projects in Alaska. The ownership position was sold for \$25,728 (USD 20,000) and the Goodpaster database project was sold for \$136,058 (USD 100,000) and reflected as cost recovery for the West Pogo and LMS project. For the West Pogo project, the Company retained net smelter return (“NSR”) royalties of 3% on precious metals and 1% on base metals with 1% of the precious metal royalty buy down for USD 2 million and a further 1% for an additional USD 5 million. For the Goodpaster database, the Company retained NSR royalty of 1% on all new claims acquired within the

defined Area of Interest which totals some 1,500 square kilometres covering the largest gold producing District in Alaska. One half of the royalty can be purchased for USD 2 million.

**c) LMS Property, Alaska**

The LMS property consists of unpatented mineral claims was owned 100% by the Company. During the year ended May 31, 2016, the Company sold the LMS property for consideration of \$473,585 (USD 350,000) and was granted a retained NSR royalty of 3% on precious metals and 1% on base metals with a 1% on buy down of the precious metal royalty for USD\$4,000,000.

**d) North Bullfrog Project, Nevada**

The Company's North Bullfrog project consists of certain leased patented lode mining claims and federal unpatented mining claims owned 100% by the Company.

**(i) Interests acquired from Redstar Gold Corp.**

On October 9, 2009, a US subsidiary of ITH at the time (Corvus Nevada) completed the acquisition of all of the interests of Redstar Gold Corp. ("Redstar") and Redstar Gold U.S.A. Inc. ("Redstar US") in the North Bullfrog project, which consisted of the following leases:

- (1) Pursuant to a mining lease and option to purchase agreement made effective October 27, 2008 between Redstar and an arm's length limited liability company, Redstar has leased (and has the option to purchase) 12 patented mining claims referred to as the "Connection" property. The ten-year, renewable mining lease requires advance minimum royalty payments (recoupable from production royalties, but not applicable to the purchase price if the option to purchase is exercised) of USD 10,800 (paid) on signing and annual payments for the first three anniversaries of USD 10,800 (paid) and USD 16,200 for every year thereafter (paid to October 27, 2016). Redstar has an option to purchase the property (subject to the NSR royalty below) for USD 1,000,000 at any time during the life of the lease. Production is subject to a 4% NSR royalty, which may be purchased by the lessee for USD 1,250,000 per 1% (USD 5,000,000 for the entire royalty).
- (2) Pursuant to a mining lease made and entered into as of May 8, 2006 between Redstar and two arm's length individuals, Redstar has leased 3 patented mining claims which form part of the North Bullfrog project holdings. The lease is for an initial term of 10 years, and for so long thereafter as mining activities continue on the claims or contiguous claims held by the lessee. The lessee is required to pay advance minimum royalty payments (recoupable from production royalties) of USD 4,000 on execution, USD 3,500 on each of May 8, 2007, 2008 and 2009 (paid), USD 4,500 on May 8, 2010 and each anniversary thereafter, adjusted for inflation (paid to May 8, 2017). The lessor is entitled to receive a 2% NSR royalty on all production, which may be purchased by the lessee for USD 1,000,000 per 1% (USD 2,000,000 for the entire royalty).
- (3) Pursuant to a mining lease made and entered into as of May 8, 2006 between Redstar and an arm's length private Nevada corporation, Redstar has leased 2 patented mining claims which form part of the North Bullfrog project holdings. The lease is for an initial term of 10 years, and for so long thereafter as mining activities continue on the claims or contiguous claims held by the lessee. The lessee is required to pay advance minimum royalty payments (recoupable from production royalties) of USD 2,000 on execution, USD 2,000 on each of May 8, 2007, 2008 and 2009 (paid), USD 3,000 on May 8, 2010 and each anniversary thereafter, adjusted for inflation (paid to May 8, 2017). The lessor is entitled to receive a 3% NSR royalty on all production, which may be purchased by the lessee for USD 850,000 per 1% (USD 2,550,000 for the entire royalty). On May 29, 2014, the parties signed a First Amendment Agreement whereby the Lease is amended to provide that in addition to the Advance Minimum Royalty payments payable in respect of the Original Claims, the lessee will now pay to the lessor Advance Minimum Royalty payments in respect of the Yellow Rose Claims of USD 2,400 on execution, USD 2,400 on each of May 29, 2015, 2016 and 2017 (paid to May 29, 2017), USD 3,600 on May 29, 2018 and each anniversary thereafter. The Lessor is entitled to receive a 3% NSR royalty on all production from the Yellow Rose claims, which may be purchased by the lessee for USD 770,000 per 1% (USD 2,310,000 for the entire royalty).

- (4) Pursuant to a mining lease made and entered into as of May 16, 2006 between Redstar and an

arm's length individual, Redstar has leased 12 patented mineral claims which form part of the North Bullfrog project holdings. The lease is for an initial term of 10 years, and for so long thereafter as mining activities continue on the claims or contiguous claims held by the lessee. The lessee is required to pay advance minimum royalty payments (recoupable from production royalties) of USD 20,500 on execution and USD 20,000 on each anniversary thereafter (paid to May 16, 2017). The lessor is entitled to receive a 4% NSR royalty on all production, which may be purchased by the lessee for USD 1,000,000 per 1% (USD 4,000,000 for the entire royalty).

- (5) Pursuant to a mining lease made and entered into as of May 22, 2006 between Redstar and two arm's length individuals, Redstar has leased 3 patented mineral claims which form part of the North Bullfrog project holdings. The lease is for an initial term of 10 years, and for so long thereafter as mining activities continue on the claims or contiguous claims held by the lessee. The lessee is required to pay advance minimum royalty payments (recoupable from production royalties) of USD 8,000 on execution, USD 4,800 on each of May 22, 2007, 2008 and 2009 (paid), USD 7,200 on May 22, 2010 and each anniversary thereafter, adjusted for inflation (paid to May 22, 2017). The lessor is entitled to receive a 2% NSR royalty on all production, which may be purchased by the lessee for USD 1,000,000 per 1% (USD 2,000,000 for the entire royalty).
- (6) Pursuant to a mining lease made and entered into as of June 16, 2006 between Redstar and an arm's length individual, Redstar has leased one patented mineral claims which form part of the North Bullfrog project holdings. The lease is for an initial term of 10 years, and for so long thereafter as mining activities continue on the claims or contiguous claims held by the lessee. The lessee is required to pay advance minimum royalty payments (recoupable from production royalties) of USD 2,000 on execution, USD 2,000 on each of June 16, 2007, 2008 and 2009 (paid), USD 3,000 on June 16, 2010 and each anniversary thereafter, adjusted for inflation (paid to June 16, 2017). The lessor is entitled to receive a 2% NSR royalty on all production, which may be purchased by the lessee for USD 1,000,000 per 1% (USD 2,000,000 for the entire royalty).

As a consequence of the acquisition of Redstar and Redstar US's interest in the foregoing leases, Corvus Nevada is now the lessee under all of such leases.

(ii) **Interests acquired directly by Corvus Nevada**

- (1) Pursuant to a mining lease and option to purchase agreement made effective December 1, 2007 between Corvus Nevada and a group of arm's length limited partnerships, Corvus Nevada has leased (and has the option to purchase) patented mining claims referred to as the "Mayflower" claims which form part of the North Bullfrog project. The terms of the lease/option are as follows:
  - *Terms:* Initial term of five years, commencing December 1, 2007, with the option to extend the lease for an additional five years. The lease will continue for as long thereafter as the property is in commercial production or, alternatively, for an additional three years if Corvus Nevada makes advance minimum royalty payments of USD 100,000 per year (which are recoupable against actual production royalties).
  - *Lease Payments:* USD 5,000 (paid) and 25,000 common shares of ITH (delivered) following regulatory acceptance of the transaction; and an additional USD 5,000 and 20,000 common shares on each of the first through fourth lease anniversaries (paid and issued). Pursuant to an agreement with the lessors, in lieu of the 20,000 ITH shares due December 1, 2010, Corvus Nevada paid USD 108,750 on November 10, 2010 and delivered 46,250 common shares of the Company on December 2, 2010. If Corvus Nevada elects to extend the lease for a second five-year term, it will pay USD 10,000 and deliver 50,000 common shares of ITH upon election being made, and an additional 50,000 common shares of ITH on each of the fifth through ninth anniversaries (USD 10,000 paid on October 31, 2012 and 50,000 common shares of ITH delivered on October 25, 2012 paid with cash of \$126,924; USD 10,000 paid on November 13, 2013 and 50,000 common shares of ITH delivered on November 25, 2013 paid with cash of \$35,871; USD 10,000 paid on November 17, 2014 and 50,000 common shares of ITH delivered on November 7, 2014 paid with cash of \$21,200; USD 10,000 paid on November 23, 2015 and 50,000 common shares of ITH delivered on November 5, 2015 paid with cash of \$19,237; and USD 10,000 paid on November 17, 2016 and 50,000 common shares of ITH, purchased for \$53,447 in the market by the Company, were delivered on November 10, 2016).





## **Environmental Expenditures**

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

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

The Company has estimated the fair value of the liability for asset retirement that arose as a result of exploration activities to be \$340,176 (USD 252,000) (May 31, 2016 - \$293,578 (USD 224,000)). The fair value of the liability was determined to be equal to the estimated remediation costs. Due to the early stages of the project, and that extractive activities have not yet begun, the Company is unable to predict with any precision the timing of the cash flow related to the reclamation activities.

## **6. SHARE CAPITAL**

### **Authorized**

Unlimited common shares without par value.

### **Share issuances**

During the year ended May 31, 2017:

- a) On November 18, 2016, the Company issued 25,000 Common Shares in connection with the lease on the Mayflower property (note 5d)(ii)(1), with a fair value of \$18,000.
- b) On July 15, 2016, the Company closed a non-brokered private placement equity financing and issued 2,550,000 Common Shares at a price of \$1.02 per share for gross proceeds of \$2,601,000. In connection with the financing, the Company paid an additional \$17,554 in share issuance costs.
- c) An aggregate of 200,000 Common Shares were issued on exercise of 200,000 stock options for gross proceeds of \$100,000.

During the year ended May 31, 2016:

- a) On September 1, 2015, the Company closed a non-brokered private placement equity financing and issued 4,255,320 Common Shares at a price of \$0.47 per share for gross proceeds of \$2,000,000. In connection with the financing, the Company paid an additional \$8,380 in share issuance costs.
- b) On November 18, 2015, the Company issued 25,000 Common Shares in connection with the lease on the Mayflower property (note 5d)(ii)(1), with a fair value of \$11,250. In connection with the issuance, the Company paid an additional \$5,021 in share issuance costs.
- c) On March 11, 2016, the Company closed a non-brokered private placement equity financing and issued 4,900,000 Common Shares at a price of \$0.70 per share for gross proceeds of \$3,430,000. In connection with the financing, the Company paid an additional \$12,483 in share issuance costs.
- d) An aggregate of 245,334 Common Shares were issued on exercise of 245,334 stock options for gross proceeds of \$122,667.

### **Stock options**

Stock options awarded to employees and non-employees by the Company are measured and recognized in the Consolidated Statement of Operations and Comprehensive Loss over the vesting period.

The Company has adopted an incentive stock option plan, first adopted in 2010 and then amended in 2013 (the "Amended 2010 Plan"). The essential elements of the Amended 2010 Plan provide that the aggregate number of

common shares of the Company's share capital that may be made issuable pursuant to options granted under the Amended 2010 Plan (together with any other shares which may be issued under other share compensation plans of the Company) may not exceed 10% of the number of issued shares of the Company at the time of the granting of the options. Options granted under the Amended 2010 Plan will have a maximum term of ten years. The exercise price of options granted under the Amended 2010 Plan will not be less than the greater of the market price of the common shares (as defined by TSX, currently defined as the 5 day volume weighted average price for the 5 trading days immediately preceding the date of grant) or the closing market price of the Company's common shares for the trading day immediately preceding the date of grant), or such other price as may be agreed to by the Company and accepted by the TSX. Options granted under the Amended 2010 Plan vest immediately, unless otherwise determined by the directors at the date of grant.

A summary of the status of the stock option plan as of May 31, 2017, and 2016, and changes during the years are presented below:

	2017		2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the year	7,981,000	\$ 0.85	7,396,334	\$ 0.94
Granted	1,135,000	1.02	1,650,000	0.48
Exercised	(200,000)	(0.50)	(245,334)	(0.50)
Forfeited	(69,100)	(0.93)	(820,000)	(0.94)
Balance, end of the year	8,846,900	\$ 0.87	7,981,000	\$ 0.85

The weighted average remaining contractual life of options outstanding at May 31, 2017 was 1.85 years (2016 – 2.42 years).

Stock options outstanding are as follows:

Expiry Date	2017			2016		
	Exercise Price	Number of Options	Exercisable at Year-End	Exercise Price	Number of Options	Exercisable at Year-End
September 19, 2016	\$ -	-	-	\$ 0.50	219,100	219,100
November 17, 2016*	\$ 0.67	210,000	210,000	\$ 0.67	210,000	210,000
January 23, 2017	\$ -	-	-	\$ 1.10	50,000	50,000
May 1, 2017*	\$ 0.73	50,000	50,000	\$ 0.73	50,000	50,000
May 29, 2017*	\$ 0.92	300,000	300,000	\$ 0.92	300,000	300,000
September 19, 2017	\$ 0.96	2,016,900	2,016,900	\$ 0.96	2,016,900	2,016,900
October 29, 2017	\$ 0.96	100,000	100,000	\$ 0.96	100,000	100,000
August 16, 2018	\$ 0.76	2,120,000	2,120,000	\$ 0.76	2,120,000	2,120,000
September 8, 2019	\$ 1.40	1,265,000	1,265,000	\$ 1.40	1,265,000	842,490
September 9, 2020	\$ 0.46	640,000	426,240	\$ 0.46	640,000	213,120
November 13, 2020	\$ 0.49	1,010,000	672,660	\$ 0.49	1,010,000	336,330
June 22, 2018	\$ 1.02	50,000	33,300	\$ -	-	-
September 15, 2021	\$ 0.91	1,085,000	361,305	\$ -	-	-
		8,846,900	7,555,405		7,981,000	6,457,940

\*The Company's share trading policy (the "Policy") requires that all restricted persons and others who are subject to the Policy refrain from conducting any transactions involving the purchase or sale of the Company's securities, during the period in any quarter commencing 30 days prior to the scheduled issuance of the next quarter or year-end public disclosure of the financial results as well as when there is material data on hand. In accordance with the terms of the Amended 2010 Plan, if stock options are set to expire during a restricted period and are not exercised prior to any such restriction, they will not expire but instead will be available for exercise for 10 days after such restrictions are lifted.

The Company uses the fair value method for determining stock-based compensation for all options granted during the years. The fair value of options granted was \$691,819 (2016 - \$420,866), determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

<b>For the year ended May 31,</b>	<b>2017</b>	<b>2016</b>
Risk-free interest rate	0.71%	0.88%
Expected life of options	4.87 years	5 years
Annualized volatility	85.96%	72.33%
Dividend yield	0%	0%
Exercise price	\$0.91	\$0.48
Fair value per share	\$0.61	\$0.26

Annualized volatility was determined by reference to historic volatility of the Company.

Stock-based compensation has been allocated to the same expenses as cash compensation paid to the same employees or consultants, as follows:

<b>For the year ended May 31,</b>	<b>2017</b>	<b>2016</b>
Consulting fees	\$ 301,884	\$ 415,360
Exploration expenditures – Geological/geophysical	33,433	18,468
Investor relations	73,514	96,309
Professional fees	6,777	16,678
Wages and benefits	165,771	279,106
	\$ 581,379	\$ 825,921

## 7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

<b>For the year ended May 31,</b>	<b>2017</b>	<b>2016</b>
Consulting fees to CFO	\$ 110,000	\$ 105,333
Wages and benefits to CEO and COO	790,187	806,046
Wages and benefits to former President	-	234,997
Directors fees (included in consulting fees)	151,250	151,250
Fees to Vice President of Corporate Communications (included in investor relations)	137,500	190,000
Stock-based compensation to related parties	476,664	653,520
	\$ 1,665,601	\$ 2,141,146

As at May 31, 2017, included in accounts payable and accrued liabilities was \$18,271 (2016 – \$7,628) in expenses owing to companies related to officers and officers of the Company.

These amounts were unsecured, non-interest bearing and had no fixed terms or terms of repayment. Accordingly, fair value could not be readily determined.

The Company has also entered into change of control agreements with officers of the Company. In the case of termination, the officers are entitled to an amount equal to a multiple (ranging from two times to three times) of the sum of the annual base salary then payable to the officer, the aggregate amount of bonus(es) (if any) paid to the officer within the calendar year immediately preceding the Effective Date of Termination, and an amount equal to the vacation pay which would otherwise be payable for the one year period next following the Effective Date of Termination.

## 8. GEOGRAPHIC SEGMENTED INFORMATION

The Company operates in one industry segment, the mineral resources industry, and in two geographical segments, Canada and the United States. All current exploration activities are conducted in the United States and Canada. The significant asset categories identifiable with these geographical areas are as follows:

	Canada	United States	Total
<b>May 31, 2017</b>			
Capitalized acquisition costs	\$ -	\$ 4,527,740	\$ 4,527,740
Property and equipment	\$ 8,367	\$ 61,162	\$ 69,529
<b>May 31, 2016</b>			
Capitalized acquisition costs	\$ -	\$ 4,261,680	\$ 4,261,680
Property and equipment	\$ 8,068	\$ 73,983	\$ 82,051
<b>For the year ended May 31,</b>		<b>2017</b>	<b>2016</b>
Net loss for the year – Canada	\$	(2,138,433)	\$ (2,118,555)
Net loss for the year – United States		(4,589,289)	(5,315,660)
Net loss for the year	\$	(6,727,722)	\$ (7,434,215)

## 9. SUBSIDIARIES

Significant subsidiaries for the years ended May 31, 2017 and 2016 are:

	Country of Incorporation	Principal Activity	The Company's effective interest for 2017	The Company's effective interest for 2016
Corvus Gold (USA) Inc.	USA	Holding company	100%	100%
Raven Gold Alaska Inc.	USA	Exploration company	100%	100%
Corvus Gold Nevada Inc.	USA	Exploration company	100%	100%
SoN Land & Water LLC	USA	Exploration company	100%	100%

## 10. SUPPLEMENTAL CASH FLOW INFORMATION

	2017	2016
<b>For the year ended May 31,</b>		
<b>Supplemental cash flow information</b>		
Interest paid	\$ -	\$ 5,113
Income taxes paid (received)	\$ -	\$ -
<b>Non-cash financing and investing transactions</b>		
Shares issued to acquire mineral properties	\$ 18,000	\$ 11,250
Change in asset retirement obligations included in capitalized acquisition costs	\$ 37,865	\$ 153,825
Reclassification of contributed surplus on exercise of stock options	\$ 78,054	\$ 95,748

## 11. INCOME TAXES

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

	2017	2016
Loss before income taxes	\$ (6,727,722)	\$ (7,434,215)
Statutory Canadian corporate tax rate	26.00%	26.00%
Income tax recovery at statutory rates	\$ (1,749,208)	\$ (1,932,896)
Stock-based compensation	151,159	214,739
Effect of tax rate change	-	-
Difference in tax rates in other jurisdictions	(374,370)	(422,602)
Tax benefits not realized	1,972,419	2,140,759
Income tax recovery	\$ -	\$ -

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	2017	2016
Deferred income tax assets (liabilities)		
Mineral properties	\$ 17,495,000	\$ 15,907,000
Property and equipment	38,000	30,000
Share issuance costs	32,000	45,000
Non-capital losses available for future periods	7,476,000	6,451,000
	25,041,000	22,433,000
Valuation allowance	(25,041,000)	(22,433,000)
Net deferred tax assets	\$ -	\$ -

At May 31, 2017, the Company has available non-capital tax losses for Canadian income tax purposes of approximately \$9,428,000 and net operating loss for US tax purposes of approximately \$14,778,000 available for carry-forward to reduce future years' taxable income, if not utilized, expiring as follows:

	Canada	United States
2029	\$ -	\$ 1,291,000
2030	-	1,000
2031	379,000	192,000
2032	1,089,000	1,643,000
2033	1,443,000	2,168,000
2034	1,733,000	4,224,000
2035	1,806,000	1,963,000
2036	1,354,000	1,936,000
2037	1,624,000	1,360,000
	\$ 9,428,000	\$ 14,778,000

In addition, the Company has available mineral resource expenses that are related to the Company's exploration activities in the United States of approximately \$55,428,000 and in Canada of approximately \$333,000, which may be deductible for tax purposes. Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts due to the uncertainty of future taxable income.

## 12. SUBSEQUENT EVENT

- a) On June 9, 2017, the Company acquired the Mother Lode Property in Nevada from Goldcorp USA, Inc. In connection with the acquisition, the Company issued 1,000,000 Common Shares at a price of \$0.81 per share to Goldcorp USA, Inc. The Mother Lode Property is subject to an NSR in favour of Goldcorp USA, Inc. The NSR pays 1% from production at the Mother Lode Property when the price of gold is less than USD \$1,400 per ounce and an additional 1% NSR for a total of 2% NSR when gold price is greater than or equal to USD \$1,400 per ounce.