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, 2019 and 2018, 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

General

NBP and MLP Project Exploration

Drilling continued at the MLP during June 1, 2018 through April 8, 2019, with 48 holes completed for 19,241 m drilled. The drilling rig was then moved to the NBP for the remainder of the fiscal year on May 31, 2019, and a total of 9 holes for 2,625 m drilled.

Baseline characterization work continued in the fiscal year ended May 31, 2019, with water quality sampling in September and December 2018 and in January and June 2019. 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, including Invasive Weed surveys and Wildlife surveys for baseline characterization at the MLP. Water sampling was begun at MLP at the water production well sites.

Further metallurgical testing of Mother Lode sulfide and oxide mineralization was initiated in April 2019 at Research Development Inc., SGS Canada and McClelland Laboratories.

Financing

On June 7, 2018, the Company closed a non-brokered private placement equity financing and issued 1,730,770 common shares at a price of $2.60 per share for gross proceeds of $4,500,002. The Company paid an additional $14,605 in share issuance costs.

In November 2018, the Company issued 4,036,900 common shares on the exercise of 4,036,900 stock options at an exercise price of $0.86 per stock option for net proceeds of $3,453,924.

On December 20, 2018, the Company closed a non-brokered private placement equity financing and issued 800,000 common shares at a price of $2.60 per common share for gross proceeds of $2,080,000. In connection with the financing, the Company paid an additional $10,242 in share issuance costs.

In April 2019, the Company issued 615,000 common shares on the exercise of 615,000 stock options at an exercise price of $1.40 per stock option for net proceeds of $861,000.

On June 5, 2019, the Company issued 500,000 common shares at a price of $1.80 per common share to EMX Royalty Corporation for gross proceeds of $900,000. The Company also completed the sale of the royalties where four non- core Alaskan royalty interest owned by Corvus was sold to EMX Royalty Corporation for a purchase price of $350,000.

2019 Outlook

During 2019-2020, drilling at the NBP will continue with drill testing of targets at Japeroid and north YellowJacket. Up to 8,500 m are planned for NBP. The drill rig is projected to move back to MLP in October 2019, to drill up to 5,200 m, including some pre-collared holes for up to 1,500 m of follow up coring.

The MLP water well PW-2 will be re-completed in late 2019.

Baseline characterization data will continue to be collected at NBP and MLP, including water quality samples, Invasive weed surveys and meterological data.

Results of Operations

Year ended May 31, 2019 Compared to Year ended May 31, 2018

For the year ended May 31, 2019, the Company had a net loss of $10,858,005 compared to a net loss of $9,298,163 in the prior year. Included in net loss was $1,633,957 (2018 - $673,233) 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 15, 2016 and July 31, 2017 which vested during the year and stock options granted on November 19, 2018 and April 9, 2019. The prior year had stock-based compensation arising from stock options granted on September 9, 2015, November 13, 2015, June 22, 2016, September 15, 2016 and July 31, 2017 with vesting during the prior year. The increase in loss of $1,559,842 in the current year was due to a combination of factors discussed below.

The primary factor for the increase in net loss was the exploration expenditures of $5,636,641 incurred in the current year compared to $5,333,180 in the prior year. The exploration activities of the Company increased mainly due to an increase of $218,607 incurred in the exploration in the current year compared with the prior year as the Company secured additional financing throughout the year and focused its exploration efforts on the NBP-MLP and partly due to increased stock-based compensation charges of $140,318 during the current year compared to $55,464 in the prior year. Management expects increases in exploration costs over prior year are likely to continue in the immediate future year as the Company secured further financing in April and June 2019.

Consulting expenses increased to $1,054,967 (2018 - $625,677) mainly due to an increase in stock-based compensation charges of $728,748 during the current period compared to $306,510 in the comparative period of the prior year.

Insurance expenses increased to $213,548 (2018 - $201,415) 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 $1,308,792 (2018 - $909,798) mainly due to an increase in advertising and marketing during the current period as part of the Company's efforts to secure additional financing and financial advisory fees incurred. There is an increase in stock-based compensation charges of $218,853 during the current period compared to $92,351 in the comparative period of the prior year.

Office expenses decreased to $119,687 (2018 - $132,168) and rent expenses decreased to $74,529 (2018 - $99,440) mainly due to the Company moving its Denver office location in the comparative period of the prior year.

Professional fees increased to $376,322 (2018 - $261,428) due to the professional fees incurred for updating the tax model for the Technical Report and the adjustment of prior years' audit overaccrual. The increase is also due to an increase in stock-based compensation charges of $12,051 during the current period compared to $7,332 in the comparative period of the prior year.

Regulatory expenses increased to $162,313 (2018 - $96,982) mainly due to an increase in share prices which resulted in an increase to the reporting issuer participation fee which is calculated based on share prices.

Travel expenses increased to $275,602 (2018 - $213,335) mainly due to more property tours conducted during the current period as part of the Company's effort in securing additional financing throughout the year.

Wages and benefits increased to $1,782,198 (2018 - $1,302,813) mainly due to an increase in stock-based compensation charges of $533,987 during the current period compared to $211,576 in the comparative period of the prior year and an increase of $156,974 in wages and benefits in the current period mainly as a result of increase in wages and bonuses to the CEO and COO of the Company and as a result increase in corresponding employee expenses.

Other expense categories that reflected only moderate change year over year were administration expenses of $430 (2018 - $422), and depreciation expenses of $15,069 (2018 - $18,020).

Other items amounted to an income of $162,093 compared to a loss of $103,485 in the prior year. There was an increase in foreign exchange gain of $85,258 (2018 – loss of $123,758), which is the result of factors outside of the Company's control and an increase in interest income of $76,835 (2018 - $20,273) as a result of less investment in cashable GIC's during the prior year.

Three months ended May 31, 2019 Compared to Three months ended May 31, 2018

For the three months ended May 31, 2019, the Company had a net loss of $2,862,083 compared to a net loss of $2,184,520 in the comparative period of the prior year. Included in net loss was $671,809 (2018 - $164,368) 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 July 31, 2017, November 19 2018 and April 9, 2019 which vested during the period. The prior period comparative had stock-based compensation arising from stock options granted on September 15, 2016 and July 31, 2017 which vested during the comparative period of the prior year. The increase in loss of $677,563 in the three month period of the current year was due to a combination of factors discussed below.

The primary factor for the increase in the net loss was the exploration expenditures of $1,418,450 incurred in the current period compared to $1,257,796 in the comparative period of the prior year. The exploration activities of the Company increased mainly due to an increase of $119,724 incurred in the exploration in the current period compared with the comparative period of the prior year as the Company secured more funding via exercise of stock options in April 2019 and focused its exploration efforts on the NBP-MLP and partly due to increased stock-based compensation charges of $55,228 during the current period compared to $14,298 in the comparative period of the prior year. Management expects increases in exploration costs over prior periods are likely to continue in the immediate future periods as the Company secured further financing in June 2019.

Consulting fees increased to $391,083 (2018 - $156,695) mainly due to an increase in stock-based compensation charges of $305,614 during the current period compared to $75,445 in the comparative period of the prior year.

Investor relations expenses increased to $305,952 (2018 - $293,503) mainly due to an increase in stock-based compensation charges of $88,177 during the current period compared to $22,534 in the comparative period of the prior year. The increase was offset by a decrease in investor relations-related travels due to timing of marketing trips.

Professional fees increased to $108,921 (2018 - $66,993) mainly due to an increase in the audit accrual and legal fees, and an increase in stock-based compensation charges of $4,518 during the current period compared to $1,821 in the comparative period of the prior year.

Regulatory expenses increased to $59,932 (2018 - $10,671) mainly due to an increase in the base and variable fee paid to the TSX in the current period.

Travel expenses increased to $87,263 (2018 - $49,375) mainly due to more property tours conducted during the current period as the Company's efforts to secure additional financing.

Wages and benefits increased to $446,545 (2018 - $269,744) mainly due to an increase in stock-based compensation charges of $218,272 during the current period compared to $50,270 in the comparative period of the prior year.

Other expense categories that reflected only moderate change period over period were administration expenses of $107 (2018 - $106), depreciation expenses of $3,807 (2018 - $4,543), insurance expenses of $55,757 (2018 - $54,136), office expenses of $33,753 (2018 - $23,731) and rent expenses of $19,008 (2018 – $19,956).

Other items amounted to an income of $68,495 compared to an income of $22,729 in the prior period. There was an increase in foreign exchange to a gain of $46,601 (2018 – $15,023), which was the result of factors outside of the Company's control and an increase in interest income of $21,894 (2018 - $7,706) as a result of more 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 has sufficient cash to finance its current plans for the 18 months from the date the consolidated financial statement are issued.

The Company reported cash and cash equivalents of $4,145,085 as at May 31, 2019 compared to $2,610,541 as at May 31, 2018. The change in cash position was the net result of $9,401,728 used for operating activities, $47,318 used for capitalized acquisition costs, $1,769 used on property and equipment, and $10,863,867 received from the private placements of common shares in June 2018 and December 2018 (net of share issue costs), and exercise of stock options during the year ended May 31, 2019.

As at May 31, 2019, the Company had working capital of $4,204,082 compared to working capital of $2,562,047 as at May 31, 2018. On June 7, 2018, the Company closed a non-brokered private placement equity financing and issued 1,730,770 common shares at a price of $2.60 per share for gross proceeds of $4,500,002. During the second quarter of the year, an aggregate of 4,036,900 common shares were issued on the exercise of 4,036,900 stock options at an exercise price of $0.86 per stock option for net proceeds of $3,453,924. On December 20, 2018, the Company closed a private placement equity financing and issued 800,000 common shares at a price of $2.60 per common share for gross proceeds of $2,080,000. During the fourth quarter of the year, an aggregate of 615,000 common shares were issued on the exercise of 615,000 stock options at an exercise price of $1.40 per stock option for net proceeds of $861,000. On June 5, 2019, the Company closed a non-brokered private placement equity financing and issued 500,000 common shares at a price of $1.80 per share for gross proceeds of $900,000 and sold its non-core Alaska royalty interest for a purchase price of $350,000.

The Company expects that it will operate at a loss for the foreseeable future and believes the current cash and cash equivalents will be sufficient for it to maintain its currently held properties, and fund its currently anticipated general and administrative costs until February 2020. Following February 2020, the Company will need to scale back anticipated activities and costs or raise additional financing to fund operations through the year ending May 31, 2020. The Company's current anticipated operating expenses are $5,240,000 until February 29, 2020 and $6,030,000 until May 31, 2020. The Company's anticipated monthly burn rate averages approximately $582,000 for June 2019 to February 2020, where approximately $359,000 is budgeted for administrative purposes and approximately $223,000 is for planned exploration expenditures and holding costs for the NBP and the MLP. From June 2019 to May 2020, the Company's anticipated monthly burn rate averages approximately $503,000, of which $328,000 is budgeted for administrative purposes and approximately $175,000 is for planned exploration expenditures and holding costs for the NBP and the MLP. In any event, the Company will be required to raise additional funds, again through public or private equity financings, prior to the end of February 2020 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, if warranted, development activities at the NBP and the MLP 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 2021 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), SoN (a Nevada limited liability company) and Mother Lode Mining Company LLC (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, SoN, and Mother Lode Mining Company LLC 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 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 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 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, 2019, the Company recorded a provision of $419,286 (USD 309,000) (2018 - $366,641 (USD 283,000)) 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, 2019, 10,000,000 outstanding stock options (2018 – 9,861,900) 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.

Recently Issued Accounting Standards Updates

Accounting Standards Update No. 2018-13 Fair Value Measurement (Topic 820). In August 2018, the FASB issued amendments to achieve common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All entities are required to adopt the new standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For calendar year-end public companies, this means an adoption date of January 1, 2020. Early adoption is permitted. The adoption of the guidance has no material impact on the Company's consolidated financial statements and disclosures.

Accounting Standards Update No. 2018-07 Compensation – Stock Compensation (Topic 718). In June 2018, the FASB issued amendments to improve nonemployee share-based payment accounting. The amendments expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost. Public business entities are required to adopt the new standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For calendar year-end public companies, this means an adoption date of January 1, 2019. Early adoption is permitted. The adoption of the guidance has no material impact on the Company's consolidated financial statements and disclosures.

Accounting Standards Update No. 2018-02 Income Statement – Reporting Comprehensive Income (Topic 220). In February 2018, the FASB issued amendments to reclassify certain tax effects from accumulated other comprehensive income. The amendments allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The amendments in this Update also require certain disclosure about stranded tax effects. All entities are required to adopt the new standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For calendar year-end public companies, this means an adoption date of January 1, 2019. Early adoption is permitted. The adoption of the guidance has no material impact on the Company's consolidated financial statements and disclosures.

Accounting Standards Update No. 2016-02 Leases (Topic 842). In February 2016, the FASB issued amendments on accounting of leases. These are elements of the new standard that could impact almost all entities to some extent, although lessees will likely see the most significant changes. Lessees will need to recognize virtually all of their leases on the balance sheet, by recording a right-of-use asset and a lease liability. Public business entities are required to adopt the new leasing standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For calendar year-end public companies, this means an adoption date of January 1, 2019. Early adoption is permitted. The adoption of the guidance will have an immaterial impact on the Company's consolidated financial statements and disclosures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable