DISCOVERY METALS CORP.
(formerly Ayubowan Capital Ltd.)

Consolidated Financial Statements
(Expressed in Canadian Dollars)

As at and for the years ended August 31, 2017 and 2016

December 12, 2017

Independent Auditor's Report

To the Shareholders of
Discovery Metals Corp.

We have audited the accompanying consolidated financial statements of Discovery Metals Corp. and its subsidiaries, which comprise the consolidated statement of financial position as at August 31, 2017 and the consolidated statement of (loss) income and comprehensive (loss) income, consolidated statement of cash flows and consolidated statement of changes in shareholder's equity for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Discovery Metals Corp. and its subsidiaries as at August 31, 2017 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of Discovery Metals Corp. as at and for the year ended August 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on December 23, 2016.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Discovery Metals Corp. (formerly Ayubowan Capital Ltd.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes		2017		As at August 31, 2016
ASSETS					
Current					
Cash and cash equivalents		**$**	**14,643,353**	$	1,059,933
Accounts receivable and deposits			**104,383**		-
			14,747,736		1,059,933
Non-current					
Mineral properties	6		**1,164,406**		-
TOTAL ASSETS		**$**	**15,912,142**	$	1,059,933
LIABILITIES					
Current					
Accounts payable and accrued liabilities		**$**	**802,667**	$	15,434
TOTAL LIABILITIES			**802,667**		15,434
SHAREHOLDERS' EQUITY					
Share capital	7(a)		**23,539,388**		15,881,039
Contributed surplus			**3,257,380**		1,272,509
Warrants	7(d)		**8,010,367**		-
Retained earnings			**(19,697,660)**		(16,109,049)
TOTAL EQUITY			**15,109,475**		1,044,499
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**15,912,142**	$	1,059,933

Commitments and contractual obligations (Notes 6 and 15)
Subsequent events (Note 16)

Approved on Behalf of the Board on December 12, 2017:

“Jeff Parr”
Jeff Parr – Director

“Murray John”
Murray John – Director

The accompanying notes are an integral part of these Consolidated Financial Statements.

DISCOVERY METALS CORP. (formerly Ayubowan Capital Ltd.)
Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
For the years ended August 31, 2017 and 2016
(Expressed in Canadian dollars)

		Years Ended August 31,	
	Notes	**2017**	**2016**
Expenses (Recovery)			
General office and other expenses	10	**$ 199,819**	$ 8,681
Interest to related parties	5	**-**	93,916
Interest		**(1,980)**	382,255
Professional fees	10	**456,636**	60,784
Exploration and project evaluation expenses	9	**949,265**	-
Share-based compensation	7(c)	**1,984,871**	-
Forgiveness of debt	8	**-**	(5,234,945)
		$ 3,588,611	$ (4,689,309)
Net (loss) income and comprehensive (loss) income		**$ (3,588,611)**	$ 4,689,309
Weighted average number of shares outstanding - basic and diluted		**35,367,831**	2,292,949

The accompanying notes are an integral part of these Consolidated Financial Statements.

DISCOVERY METALS CORP. (formerly Ayubowan Capital Ltd.)
Consolidated Statements of Cash Flows
For the years ended August 31, 2017 and 2016
(Expressed in Canadian dollars)

		Years Ended August 31,	
	Notes	**2017**	**2016**
Operating Activities			
Net (loss) income for the year		**$ (3,588,611)**	$ 4,689,309
Items not affecting cash:			
Share-based compensation	7(c)	**1,984,871**	-
Forgiveness of debt	8	**-**	(5,234,945)
Accrued interest on debt		**-**	476,171
Expenses paid by related party		**-**	20,576
Changes in non-cash operating working capital:			
Accounts receivable and deposits		**(104,383)**	-
Accounts payable and accrued liabilities		**644,937**	8,434
Cash used in operating activities		**$ (1,063,186)**	$ (40,455)
Investing Activities			
Acquisition of mineral properties	6	**(667,359)**	-
Cash used in investing activities		**$ (667,359)**	$ -
Financing Activities			
Issue of shares, net of costs		**7,303,598**	1,500,000
Issue of warrants		**8,010,367**	-
Payment on debt	8	**-**	(399,999)
Cash provided by financing activities		**$ 15,313,965**	$ 1,100,001
Increase in cash		**13,583,420**	1,059,546
Cash and cash equivalents, beginning of year		**1,059,933**	387
Cash and cash equivalents, end of year		**$ 14,643,353**	$ 1,059,933
Supplemental Cash Flow Inflow Information:			
Income tax expense paid		**$ -**	$ -
Interest paid		**$ -**	$ -

The accompanying notes are an integral part of these Consolidated Financial Statements.

DISCOVERY METALS CORP. (formerly Ayubowan Capital Ltd.)
Consolidated Statements of Changes in Shareholders' Equity
For the years ended August 31, 2017 and 2016
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Warrants	Equity portion of Convertible Debt	Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity (Deficiency)
Balance, August 31, 2015	1,169,998	$ 14,306,039	$ -	$ 301,230	$ 971,279	$ (20,798,358)	$ (5,219,810)
Shares issued for debt at $0.05 (Note 7(b))	1,500,000	75,000	-	-	-	-	75,000
Shares issued under non-brokered private placement at $0.05 (Note 7(b))	30,000,000	1,500,000	-	-	-	-	1,500,000
Debt settlement (Note 8)	-	-	-	(301,230)	301,230	-	-
Net income for the year	-	-	-	-	-	4,689,309	4,689,309
Balance, August 31, 2016	32,669,998	$ 15,881,039	$ -	$ -	$ 1,272,509	$ (16,109,049)	$ 1,044,499
Shares issued under non-brokered private placement at $0.50 (Note 7(b))	31,237,000	15,618,500	-	-	-	-	15,618,500
Shares issued as finders' fees under private placement at $0.50 (Note 7(b))	427,500	213,750	-	-	-	-	213,750
Finders' fees for private placement Note 7(b))	-	(518,284)	-	-	-	-	(518,284)
Shares issued on acquisition of mineral properties (Note 7(b))	709,500	354,750	-	-	-	-	354,750
Warrants issued under non-brokered private placement (Note 7(d))	-	(8,010,367)	8,010,367	-	-	-	-
Share-based compensation (Note 7(c))	-	-	-	-	1,984,871		1,984,871
Net loss for the year	-	-	-	-	-	(3,588,611)	(3,588,611)
Balance, August 31, 2017	**65,043,998**	**$ 23,539,388**	**$ 8,010,367**	**$ -**	**$ 3,257,380**	**$ (19,697,660)**	**$ 15,109,475**

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Discovery Metals Corp. (formerly Ayubowan Capital Ltd.) ("Discovery Metals" or the "Company") is a mineral exploration company whose main objective is to identify and successfully define and develop mineral deposits, primarily in Mexico.

The Company was incorporated on October 10, 1986 under the laws of British Columbia and is listed on the TSX Venture Exchange (the "Exchange") under the symbol "DSV". The Company's head office is located at Suite 701, 55 University Avenue, Toronto, Ontario, M5J 2H7.

Discovery Metals' former business was through its wholly owned operating company, Abode Mortgage Corporation ("AMC"), an underwriting entity focused primarily on the origination and servicing of mortgages from various distribution channels. AMC permanently closed its mortgage operation on March 4, 2010, after which Discovery Metals has had no operations until the completion of the change of business (the "Transaction") described herein (note 7).

On March 21, 2017 the Company incorporated a 100% wholly owned subsidiary in Mexico, Discovery Metals, S.A. de C.V. ("Discovery Mexico").

On May 1, 2017, the Company announced it had entered into a mineral exploration and option agreement on the Puerto Rico Property in Coahuila, Mexico. The Puerto Rico Property is the Company's qualifying property under the Exchange's policies. Over the next several months the Company signed option agreements on six other properties in Coahuila, Mexico.

On June 13, 2017, the Company's name was changed from Ayubowan Capital Ltd. to Discovery Metals Corp.

On July 17 and July 19, 2017, the Company completed the first and second tranches respectively, of a non-brokered private placement (the "Offering"). Aggregate gross proceeds from both tranches of the Offering were $15,618,500. The proceeds of the Offering were held in escrow, pending the Company receiving all applicable regulatory approvals and completing its proposed Transaction.

On August 17, 2017, the Company completed the Transaction and began trading on the Exchange as a junior exploration company.

2. BASIS OF PRESENTATION

These consolidated financial statements ("2017 Consolidated Financial Statements"), have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting. The 2017 Consolidated Financial Statements were approved by the Company's Board of Directors on December 12, 2017.

Certain of the comparative figures for August 31, 2016 have been reclassified to conform with the current year's presentation.

These 2017 Consolidated Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at August 31, 2017, the Company had working capital of $13,945,069 (August 31, 2016 – $1,044,499), shareholders' equity of $15,109,475 (August 31, 2016 – $1,044,499) and an accumulated deficit of $19,697,660 (August 31, 2016 – $16,109,049).

The Company has not yet determined whether the properties on which it has options contain mineral reserves that are economically recoverable. The continued operations of the Company are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company in the preparation of its consolidated financial statements are set out below.

Basis of Measurement

The 2017 Consolidated Financial Statements have been prepared on a historical cost basis.

Principles of Consolidation

The 2017 Consolidated Financial Statements are presented in Canadian dollars unless otherwise noted. The 2017 Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries.

Subsidiaries are entities over which the Parent has the power to, directly or indirectly, govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible, are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

All inter-company balances, transactions, income and expenses and profits or losses, including unrealized profits from inter-company transactions, have been eliminated on consolidation.

Foreign currency translation

The Company presents its financial statements in Canadian dollars which is the functional currency of Parent. The functional currency for the entities through which the Company conducts its operations is determined depending upon the primary economic environment in which they operate. The functional currency of the Canadian subsidiary is Canadian dollars and the functional currency for the Mexican subsidiary is Mexican pesos.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

On consolidation, the financial statements of entities that have a functional currency different from the Canadian dollar are translated as follows:

- income and expense are translated from the functional currency into Canadian dollars at average rates of exchange;
- balance sheet items are translated into Canadian dollars at period end exchange rates; and
- the effects of translating the Company's financial results are recognized in accumulated other comprehensive income in the Consolidated Statement of Changes in Equity.

When a foreign operation is disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of twelve months or less. The Company invests excess cash in high yield savings accounts maintained in high credit quality institutions.

Financial instrument measurement and valuation

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 Inputs that are not based on observable market data.

The measurement of the Company's financial instruments is disclosed in Note 13 to these financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty. As at August 31, 2017 the Company had no financial instruments classified as Level 2 or 3.

Comprehensive income (loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). The Company does not have any other comprehensive income (loss) components and as such, comprehensive income (loss) is equal to net income (loss).

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Financial assets

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

a) ***Fair value through profit or loss*** ("FVTPL") - This category comprises derivatives, or assets acquired or incurred principally for selling or repurchasing it in the near term. They are carried on the statements of financial position at fair value with changes in fair value recognized in profit or loss.

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

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

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

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

Financial liabilities

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

a) ***Fair value through profit or loss*** – This category comprises derivatives, or liabilities acquired or incurred principally for selling or repurchasing it in the near term. They are carried on the statements of financial position at fair value with changes in fair value recognized in profit or loss.

b) ***Other financial liabilities*** - This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has classified its cash as loans and receivables. The Company's accounts payable and accrued liabilities and amounts payable to related parties are classified as other financial liabilities.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present liability for statutory, contractual, or legal obligations that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. The Company does not have any provisions for the years presented.

Impairment of Non-Financial Assets

Non-financial assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss, if any, is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount of an asset is the greater of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows ("cash generating units" or "CGUs"). If their carrying value is assessed not to be recoverable, an impairment loss is recognized. An assessment is made, at each reporting date, as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount and, if appropriate, reverses all or part of the impairment. If the impairment is reversed, the carrying amount of the asset is increased to the newly estimated recoverable amount. This increased carrying amount may not exceed the carrying amount that would have resulted after taking into account depreciation if no impairment loss had been recognized in the prior periods. The amount of any impairment reversal is recorded immediately in the consolidated statement of net income or loss.

Mineral Properties

The Company capitalizes cash or share-based payments for the acquisition of mineral properties (Note 6). Exploration and development costs are capitalized if a pre-feasibility study demonstrates that future economic benefits are probable. Upon disposal or abandonment, the carrying amount of mineral properties are derecognized and any associated gains or losses are recognized in profit and loss.

Exploration and evaluation expenditures

The Company expenses all exploration and evaluation expenditures until a pre-feasibility study has been completed, after which, future development costs are capitalized if the pre-feasibility study demonstrates that future economic benefits are probable.

Share-based payments

The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The Company annually revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to reserve.

In situations where equity instruments are issued to non-employees and some or all the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

Earnings per share

Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted earnings represent the profit for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares that could result from the exercise of stock options, warrants and other similar instruments where the inclusion of these items would not be anti-dilutive. When a loss per share calculation based on the fully diluted number of shares would be less than the loss per share calculated on the basic number of shares, diluted losses per share is anti-dilutive and accordingly, the diluted loss per share would be the same as the basic loss per share.

Use of estimates and judgments

The preparation of the financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

Share-based payments

The fair value of the estimated number of stock options that will eventually vest is recognized as share-based compensation expense over the vesting period of the stock options with the corresponding increase in equity.

Determining the fair value of options and warrants requires the exercise of judgment related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Option and warrant pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options or warrants at the date of grant. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

Critical accounting judgments

The significant areas of judgment considered by management in preparing the consolidated financial statements include, but are not limited to:

Impairment of non-financial assets

The Company assesses its cash-generating units at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties.

4. CHANGES IN ACCOUNTING POLICIES

The following new IFRS standards, amendments to standards and interpretations are not yet effective for the year ended August 31, 2017, and have not been applied in preparing the 2017 Consolidated Financial Statements. The following have not yet been adopted by the Company.

IAS 12 – Income Taxes (“IAS 12”)

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of a reporting period, and is not affected by possible future changes in the carrying amount or expected recovery of the asset. The Company has assessed the impact of the amendments to IAS 12 on its annual consolidated financial statements and has determined there will be no material impact upon adoption on September 1, 2017.

IAS 7 – Statement of Cash Flows (“IAS 7”)

The IASB issued amendments to IAS 7 in January 2016. The amendments are effective for annual periods beginning on or after January 1, 2017. This amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from both cash and non-cash changes. The Company has assessed the impact of the amendments to IAS 7 on its annual consolidated financial statements and has determined there will be no material impact upon adoption on September 1, 2017.

IFRS 9 - Financial Instruments (“IFRS 9”)

In July 2014, the IASB issued final amendments to IFRS 9, replacing earlier versions of IFRS 9 already adopted by the Company. These amendments to IFRS 9 introduce a single, forward-looking ‘expected loss’ impairment model for financial assets which will require more timely recognition of expected credit losses, and a fair value in other comprehensive income “FVOCI” category for financial assets that are debt instruments. Other previously issued amendments to IFRS 9 that have not yet been adopted by the Company include a substantially reformed approach to hedge accounting and requirements to recognize gains or losses that relate to the effect of a company’s own credit risk in measuring liabilities elected to be measured at fair value outside of net earnings or loss. The amendments to IFRS 9 that are not yet adopted by the Company are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. The Company has assessed the impact of the amendments to IFRS 9 on its annual consolidated financial statements and has determined there will be no material impact upon adoption on September 1, 2018.

IFRIC 22 – Foreign Currency Transactions and Advanced Consideration (“IFRIC 22”)

On December 8, 2016, the IASB issued IFRIC 22 which clarifies which date should be used for translation when a foreign currency transaction involves an advanced payment or receipt. The amendments to IFRIC 22 that are not yet adopted by the Company are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. The Company is currently assessing the impact of IFRIC 22 on its annual consolidated financial statements.

(Expressed in Canadian dollars)

IFRS 16 - Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, replacing *IAS 17 - Leases*. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company has not yet begun its assessment of the implementation of amendments to IFRS 16, and such assessment is scheduled for completion in 2018.

5. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

A company partially owned by one of the directors of the Company, Oxygen Capital Corp. ("Oxygen") provides access to administrative and exploration personnel and has made certain payments on behalf of the Company on an as-needed basis. Oxygen does not charge a fee to the Company, allocating all expenses at cost. Reimbursement of expenses to Oxygen for the year ended August 31, 2017 totalled $118,156, and are not included in the table below.

Summary of expenses incurred:

Transaction Type	Nature of Relationship		2017		2016
Professional fees	A company with a former director/officer	$	60,000	$	5,250
Share-based payments	Directors, officers and a company with a former director/officer in common		1,760,296		-
Shares to purchase mineral properties	Director		125,000		-
Payment to purchase mineral properties	Director		325,592		-
Salaries	Officers		18,827		-
Directors fees	Directors		6,848		-
Interest on debt	A company with a former director/officer in common		-		93,916
		$	2,296,563	$	99,166

Summary of amounts due to related parties:

			2017		2016
Accounts payable and accrued liabilities	To a company with a director/officer in common with the Company	$	6,848	$	5,250
Due to related parties		$	6,848	$	5,250

(Expressed in Canadian dollars)

6. MINERAL PROPERTIES

		Amount
Balance at August 31, 2015 and 2016	$	-
Additions		
Puerto Rico Property		842,863
Renata Property		153,313
Minerva Property		102,401
La Kika Property		65,829
Balance at August 31, 2017	**$**	**1,164,406**

On April 7, 2017, the Company, through its wholly owned subsidiary, Discovery Mexico, entered into a mineral exploration and option agreement ("Option Agreement"), to acquire certain mineral concessions located in Coahuila, Mexico, forming part of the Puerto Rico exploration project ("Puerto Rico Property"). Discovery Mexico, also entered into a second mineral exploration and option agreement ("Second Option Agreement"), also with the same vendors (the "Vendors"), providing an option to acquire certain additional mineral concessions, comprising the Renata exploration project ("Renata Property", also located in Coahuila, Mexico).

Pursuant to the terms of the Option Agreement, Discovery Mexico may exercise the option and acquire the mineral concessions from the Vendors, on the following payments to the Vendors:

a) a cash payment of USD$300,000 (payment made on closing of the Transaction);

b) issuance of 500,000 common shares at $0.50 for an amount of $250,000 (issuance made on closing of the Transaction);

c) an additional cash payment of USD$300,000 and the issuance of a further 500,000 common shares upon the receipt of all necessary permits and approvals to conduct drilling activities on the mineral concessions from the applicable authorities;

d) the issuance of four tranches of 500,000 common shares on each anniversary of the closing of the Transaction, with the first issuance occurring on the second anniversary of the closing; and

e) the issuance of additional common shares, representing 30% of the Company's then issued and outstanding share capital, taking into account any common shares already issued to the Vendors.

In order to exercise the option, Discovery Mexico is required to complete exploration expenditures of not less than USD$12,500,000 on the mineral concessions within five years of receipt of the drilling approvals. The Company must complete not less than USD$2,000,000 of these expenditures within the first twelve months of receipt of drilling approvals.

In the event that the market value of the 30% interest is less than USD$10,000,000 at the time of issuance, the Company will issue further common shares of the Company (the "Additional Consideration Shares") to the Vendors such that the common shares of the Company issued to the Vendors, in aggregate, have a market value of USD$10,000,000, subject to a maximum aggregate ownership interest by the Vendors of 35%. Any amount in excess of the 35% share threshold will be paid to the Vendors in cash, to an aggregate value of USD$10,000,000.

In the event the Company has any material assets apart from the Puerto Rico Property at the time of the issuance of the Additional Consideration Shares, the number of the Additional Consideration Shares issuable to the Vendors ownership will be reduced to represent 30% of the market value of only the Puerto Rico Property, as determined by an independent third-party valuation.

Pursuant to the terms of the Second Option Agreement, Discovery Mexico may exercise the option and acquire the additional mineral concessions on the following terms:

a) a cash payment of USD$100,000 (payment made on closing of the Transaction); and

b) Discovery Mexico incurring exploration expenditures on the additional mineral concessions of not less than USD$2,000,000 within three years of the latter of the closing date and the entering into by the Company of any required land occupation or lease agreements on the subject lands.

On the execution of the Option Agreement and the Second Option Agreement, the Company advanced loans to the Vendors in the aggregate amount of USD$150,000 (the "Loan"). The Loan was credited towards the first cash payments required under the Option Agreement and the Second Option Agreement. On June 29, 2017, the Company advanced an additional loan of USD$50,000 to the Vendors. This additional loan was also credited toward the required first cash payments made on closing of the Transaction.

On May 15, 2017, Discovery Mexico entered into four additional mineral exploration and option agreements (the "Additional Option Agreements") to acquire mineral concessions comprising the Minerva, Monclova, Santa Rosa and Jemi Rare properties.

Pursuant to the terms of the Additional Option Agreements, Discovery Mexico may exercise its option and acquire the underlying concessions that are subject to each option agreement on the following terms:

a) incurring exploration expenditures of not less than USD$2,000,000 per Additional Option Agreement within five years of the closing of the Transaction; and

b) the issuance to the Vendors of an aggregated 1,000,000 common shares in respect to three of the Additional Option Agreements, and the issuance of 2,000,000 common shares in respect of the Additional Option Agreement governing the Monclova Property.

In addition, Discovery Mexico agreed to pay back taxes owing on one of the properties of approximately USD$48,000 (paid subsequent to August 31, 2017), and made a cash payment to the Vendors of USD$70,000 with respect to the Minerva Property upon closing of the Transaction. The Company, through its wholly owned subsidiary, Discovery Mexico, will be the operator of the additional minerals concessions during the term of the Additional Option Agreements and is required to pay all mining duties to maintain the underlying concessions in good standing.

On June 7, 2017, Discovery Mexico entered into an agreement with the Vendors to acquire an additional mineral concession located in the state of Coahuila, Mexico comprising the La Kika project ("La Kika Property").

Pursuant to the terms of the agreement, Discovery Mexico may exercise its option and acquire the underlying La Kika concession on the following terms:

a) making a cash payment of USD$45,000 to the Vendors (payment made on closing of the Transaction);

b) incurring exploration expenditures of not less than USD$2,000,000 within five years; and

c) the issuance to the Vendors 1,000,000 common shares of the Company.

In addition, the Company has agreed to pay the Vendors a royalty on the first 450,000 tonnes of ore extracted by the Company from the La Kika concession. The royalty will equal 30% of the operating profits in the event that the Company undertakes direct shipping operations, or a 2% net smelter return otherwise. Discovery Mexico, will be the operator of the La Kika concession during the term of the La Kika Agreement and is required to pay all mining duties to maintain the underlying concession.

In connection with the projects forming the proposed transaction, the Company issued 209,500 common shares of the Company in lieu of finder's fees of $104,750 to certain arm's length individuals. An additional 25,000 common shares will be issued to these finders on each of the four tranches of share issuances to the Vendors, on the second through fifth anniversaries of the closing of the proposed transaction; and, a number of common shares equal to 5% of any common shares issued by the Company on exercise of any of the Additional Option Agreements, and the La Kika Agreement.

7. SHARE CAPITAL AND WARRANTS

a) Authorized

Unlimited common shares with no par value; and
Unlimited preferred voting shares with no par value.

(Expressed in Canadian dollars)

b) Shares issued

	Common Shares	Amount
As at August 31, 2015	1,169,998	$ 14,306,039
Shares issued for debt at $0.05	1,500,000	75,000
Shares issued under non-brokered private placement at $0.05	30,000,000	1,500,000
As at August 31, 2016	32,669,998	15,881,039
Shares issued on acquisition of mineral properties	709,500	354,750
Shares issued under non-brokered private placement	31,237,000	15,618,500
Shares issued as finders' fees under private placement	427,500	213,750
Finders' fees for private placement	-	(518,284)
Warrants issued under non-brokered private placement	-	(8,010,367)
As at August 31, 2017	**65,043,998**	**$ 23,539,388**

On June 8, 2017, the Company announced that it intended to complete a non-brokered private placement (the “Offering”) to raise up to $10,000,000 through the issuance of up to 20,000,000 subscription receipts at a price of $0.50 per subscription receipt.

On July 17, 2017, the Company closed the first (the “First Tranche”) of the Offering. An aggregate of 25,787,000 Subscription Receipts at a price of $0.50 per subscription receipt were issued for gross proceeds of $12,893,500.

On July 19, 2017, the Company closed the second and final tranche (the “Second Tranche”) of its Offering. An aggregate of 5,450,000 Subscription Receipts at a price of $0.50 per subscription receipt were issued for gross proceeds of $2,725,000.

Aggregate gross proceeds from both tranches of the Offering were $15,618,500, through the issuance of 31,237,000 Subscription Receipts. The proceeds of the Offering were held in escrow, pending the Company receiving all applicable regulatory approvals and completing the Transaction.

On August 17, 2017, the Company completed the Transaction, and the previously issued 31,237,000 Subscription Receipts of the Company, each converted into one unit of the Company for no additional consideration. Each unit consists of one common share and one share purchase warrant, with each share purchase warrant entitling the holder to acquire one additional common share at a price of $1.00 per share for a period of 24 months. The Company paid fees of $304,534 and issued 427,500 units valued at $213,750 to certain finders who introduced subscribers to the private placement. In addition, finders received 1,244,460 finder’s warrants valued at $346,993, exercisable at $0.60 per share for 18 months. The securities issued in connection with the Offering have hold periods which expired between November 15 and November 20, 2017. The securities issued to finders have a hold period expiring December 18, 2017.

(Expressed in Canadian dollars)

During the year ended August 31, 2016, the Company had the following share transactions:

On July 28, 2016, the Company issued 1,500,000 common shares at $0.05 per share to settle outstanding indebtedness of $75,000. On August 19, 2016, the Company closed a non-brokered private placement of 30,000,000 common shares at $0.05 per share for gross proceeds of $1,500,000.

c) Stock Options

The Company has adopted a rolling 10% stock option plan (the "Plan") which provides that the directors of the Company may grant options to purchase common shares of the Company to directors, officers, employees and service providers, with the number of options being limited to 10% of the issued common shares at the time of granting of options. The Board in its sole discretion may determine any vesting provisions for options. The exercise price shall be determined by the directors of the Company at the time of grant in accordance with the provisions of the Plan. The expiry date for an option shall not be more than ten years from the grant date.

Option transactions and the number of options outstanding are summarized as follows:

	No. of options	Weighted Average Exercise Price
Balance, August 31, 2015 and 2016	-	$ -
Options granted	6,600,000	0.53
Options forfeited or cancelled	(1,800,000)	0.45
Balance, August 31, 2017	**4,800,000**	**$ 0.56**

The share-based compensation of options granted during the year ended August 31, 2017 was $1,984,871.

As at August 31, 2017, the options outstanding and exercisable are as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices		Weighted-average remaining contractual life	Weighted-average exercise price	Exercisable	Weighted-average exercise price
$0.45	650,000	4.09 years	$0.45	650,000	$0.45
$0.45	550,000	0.96 years	$0.45	550,000	$0.45
$0.60	3,600,000	4.96 years	$0.60	2,166,667	$0.60
	4,800,000	**4.38 years**	**$0.56**	**3,366,667**	**$0.55**

(Expressed in Canadian dollars)

The fair value of each option grant has been estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2017	2016
Weighted-average exercise price per Common Share	**$ 0.53**	-
Weighted-average quoted market price per Common Share at date of grant	**$ 0.53**	-
Weighted-average grant-date fair value price per Common Share	**$ 0.40**	-
Expected life (years)	**5.00**	-
Risk free interest rate	**1.12%**	-
Expected volatility	**100%**	-
Dividend yield	**0%**	-

d) Warrants

Warrant transactions and the number of Warrants outstanding are summarized as follows:

	Term	**Expiry Date**	**Exercise price**	**Number of warrants**	**Per Unit value**	**Amount**
As at August 31, 2016				-		-
Issued under non-brokered private placement	2 years	8/17/2019	$1.00	31,237,000	$0.242	$ 7,559,911
Issued as finders' fees under private placement	2 years	8/17/2019	$1.00	427,500	$0.242	$ 103,463
Issued as finders' fees under private placement	1.5 years	2/17/2019	$0.60	1,244,460	$0.279	$ 346,993
As at August 31, 2017				**32,908,960**		**$ 8,010,367**

The remaining contractual lives of Warrants outstanding as at August 31, 2017 are as follows:

Weighted average exercise price	**Number of Warrants**	**Weighted average remaining**
$1.00	31,664,500	1.96 years
$0.60	1,244,460	1.47 years
$0.98	**32,908,960**	**1.94 years**

8. DEBT FORGIVENESS

On August 19, 2016, the Company reorganized its debts by paying $399,999 to creditors, who upon receipt agreed to release and forever discharge the Company from any and all indebtedness to them. The total debt forgiven was $5,155,769 and included $2,225,000 in convertible debt to unrelated parties, $150,000 convertible debt payable to a previously related party, $300,000 promissory note payable to a previously related party and $2,880,768 in accounts payable and accrued charges, of which $609,417 was to a previously related party.

(Expressed in Canadian dollars)

The estimated fair value of the equity on convertible debentures of $301,230, recognized at the time the debt was issued, was reclassified as Contributed Surplus when the convertible debentures were extinguished.

On August 31, 2016, AMC reversed $79,176 in previously recorded accounts payable and accrued charges as it no longer had a legal obligation to pay these creditors.

9. EXPLORATION AND EVALUATION

	Exploration expenses				
	Permitting	**Mining duties**	**Road construction**	**Project Evaluation**	**Total**
Jemi Rare Property	$ 55,848	$ 5,392	$ -	$ -	$ 61,240
La Kika Property	55,847	-	175,441	-	231,288
Minerva Property	55,847	28,256	-	-	84,103
Monclova Property	-	78,625	-	-	78,625
Puerto Rico Property	-	9,789	-	-	9,789
Renata Property	55,848	243	-	-	56,091
Santa Rosa Property	55,848	306	-	-	56,154
Project evaluation	-	-	-	371,975	371,975
Total	**$ 279,238**	**$ 122,611**	**$ 175,441**	**$ 371,975**	**$ 949,265**

10. EXPENSES BY NATURE

General Office and Other Expenses

For the years ended August 31,	**2017**	**2016**
Filing and transfer agent fees	$ 60,789	$ -
Travel	60,181	-
Salaries and benefits	23,138	-
Shareholder communication and investor relations	21,821	7,843
Business development	4,176	-
Foreign exchange	8,871	-
Other	20,843	838
	$ 199,819	**$ 8,681**

Professional Fees

For the years ended August 31,	**2017**	**2016**
Legal	$ 343,930	$ 55,534
Management fees (Note 5)	60,000	5,250
Audit and accounting	26,610	-
Consulting	26,096	-
	$ 456,636	**$ 60,784**

(Expressed in Canadian dollars)

11. INCOME TAXES

For the years ended August 31,		**2017**		**2016**
Loss (earnings) before tax at statutory rate of 26% (2016 - 26%)	$	933,039	$	(1,219,220)
Effect on taxes of				
Non-deductible expenses		(547,158)		-
Change in deductible temporary differences		(385,881)		1,219,220
Income tax recovery (expense)	**$**	**-**	**$**	**-**

Unrecognized deductible temporary differences

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

For the years ended August 31,		**2017**		**2016**
Non-capital loss carry forwards	$	4,334,000	$	3,323,000
Capital loss carry forwards		12,640,000		12,640,000
Share issue costs		415,000		-
Resource properties		577,000		-
	$	**17,966,000**	**$**	**15,963,000**

The tax loss carry forwards expire in 2026.

12. CAPITAL MANAGEMENT

The Company defines capital as its shareholder’s equity (comprised of issued share capital, contributed surplus and deficit). The Company’s objectives when managing capital are to support the Company’s main activities of identifying, defining and developing mineral deposits, thus creating shareholder value, as well ensuring that the Company will be able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company’s management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at August 31, 2017, the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company’s approach to capital management during the year ended August 31, 2017.

13. FINANCIAL INSTRUMENTS

The Company’s financial instruments consist of cash, accounts receivable and deposits, and accounts payable and accrued liabilities.

Accounts receivable and deposits are classified as receivables and are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term nature.

Financial Risk Factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2017, the Company had a cash balance of $14,643,353 to settle current liabilities of $802,667. The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at August 31, 2017, the Company has no sources of revenue to fund its operating expenditures. In 2017, the Company closed a non-brokered private placement of 31 million common shares at a price of $0.50 per share for gross proceeds of $15,618,500. Management believes these financings will fund the Company's initial exploration work on the properties in Coahuila, Mexico as well as the existing administrative needs for the near term. However, the Company will require additional financing to accomplish the Company's long term strategic objectives. Future funding may be obtained by means of issuing share capital, or debt financing. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern. Consequently, the Company is currently exposed to a moderate level of liquidity risk.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, and accounts receivable and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash as low as its funds are held in highly rated Canadian financial institutions. Due to the immaterial amount of the Company's accounts receivable and deposits, Management has determined the exposure to this risk to be at an acceptable level.

The Company's maximum exposure to credit risk related to certain financial instruments as identified below, approximates the carrying value of these assets on the Company's consolidated statements of financial position.

As at August 31,	2017	2016
Cash and cash equivalents	$ 14,643,353	$ 1,059,933
Accounts receivable and deposits	104,383	-
	$ 14,747,736	**$ 1,059,933**

c) Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

i. Interest rate risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high-yield savings accounts The Company regularly monitors its cash management policy. Management has determined interest rate risk to be low.

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At August 31, 2017, all cash balances were held in Canadian dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian Dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and Mexican Pesos ("MXP"). As at August 31, 2017, the Company had foreign currency denominated trade payables of USD$145,015 ($181,791) and MXP $6,109,154 ($430,023). For 2016 there were no financial instruments denominated in either USD or MXP.

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss for the year by approximately $61,200.

As at August 31, 2017, Management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

iii. Price risk

The Company is exposed to price risk with respect to commodity prices and prices of equity securities. Equity security price risk is defined as the potential adverse impact on the Company's net income or loss due to movements in individual prices of equity securities or price movements in the stock market generally. Commodity price risk is defined as the potential adverse impact on net income or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to base metals, and movement in the price of individual equity securities movements and the stock market generally, to determine the appropriate course of action to be taken by the Company. As at August 31, 2017, Management has determined the Company's exposure to price risk to be at an acceptable level.

(Expressed in Canadian dollars)

14. SEGMENTED INFORMATION

Operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance and for which separate financial information is available.

The Company has one operating segment, which involves the exploration of polymetallic deposits. The Company currently has no revenues.

Segment performance is evaluated based on several operating and financial measures, including net income (loss), which is measured consistently with net income (loss) in the 2017 Consolidated Financial Statements.

The net (loss) income and comprehensive (loss) income is distributed by geographic region as follows:

	Years ended August 31,	
	2017	**2016**
Canada	$ (3,011,321)	$ 4,689,309
Mexico	(577,290)	-
Net (loss) income and comprehensive (loss) income	**$ (3,588,611)**	**$ 4,689,309**

Mineral properties distributed by geographic region are as follows:

	As at August 31,	
	2017	**2016**
Canada	$ -	$ -
Mexico	**1,164,406**	-
	$ 1,164,406	**$ -**

15. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Puerto Rico Property

On completion of the permitting for the Puerto Rico Property, expected in the second half of 2018, the Company will have to pay USD$300,000 and issue 500,000 shares of the Company to the Vendors.

Please refer to Note 6 for a full description of the terms necessary to exercise the options on the exploration properties.

(Expressed in Canadian dollars)

The Company has a five-year operating lease for premises in Canada. Total future minimum lease payments, under non-cancellable operating leases as at August 31, 2017 are as follows:

Year		Operating lease payments
2018	$	78,293
2019		93,400
2020		93,400
2021		90,640
2022		90,640
	$	**446,373**

16. SUBSEQUENT EVENTS

On September 18, 2017, the Company announced it had granted 550,000 stock options to new management and employees, with an exercise price of $0.81 per share, exercisable for a period of five years.