TOACHI MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Toachi Mining Inc.

We have audited the accompanying consolidated financial statements of Toachi Mining Inc. and its subsidiary, which comprise the consolidated statement of financial position as at July 31, 2018, and the consolidated statement of loss and comprehensive loss, consolidated statement of cash flows, and consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Toachi Mining Inc. and its subsidiary as at July 31, 2018, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of Toachi Mining Inc. for the year ended July 31, 2017, were audited by other auditors who expressed an unmodified opinion on those statements on November 22, 2017.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 19, 2018

Toachi Mining Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at July 31, 2018	As at July 31, 2017
Assets		
Current assets		
Cash and cash equivalents (note 5(c))	**$ 1,728,610**	$ 4,859,334
Amounts receivable and prepaid expenses (note 8)	**194,606**	42,068
Total current assets	**1,923,216**	4,901,402
Non-current assets		
Equipment	**15,325**	-
Investment in CMLP (note 7)	**1**	1
Total non-current assets	**15,326**	1
Total assets	**$ 1,938,542**	$ 4,901,403
Liabilities and Shareholders' Equity		
Current liabilities		
Trade payables and accrued liabilities (note 9)	**$ 367,579**	$ 435,266
Due to related parties (note 10)	**60,878**	20,637
Total liabilities	**428,457**	455,903
Shareholders' equity		
Share capital (note 11)	**20,302,167**	17,857,103
Reserve for share-based payments (note 11)	**1,632,438**	796,372
Reserve for warrants (note 11)	**617,524**	1,144,534
Accumulated deficit	**(21,042,044)**	(15,352,509)
Total shareholders' equity	**1,510,085**	4,445,500
Total liabilities and shareholders' equity	**$ 1,938,542**	$ 4,901,403

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

Going Concern (note 2)
Commitments and Contingencies (notes 7 and 14)
Subsequent Event (note 15)

Approved on behalf of the Board:

"Laurence Curtis" Director (Signed)

"Carolina Vargas" Director (Signed)

Toachi Mining Inc.

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

	Year Ended July 31, 2018	Year Ended July 31, 2017
Operating expenses		
Exploration and evaluation expenditures (note 7)	**$ 3,968,675**	$ 5,556,710
General and administrative (note 10)	**897,462**	237,612
Management fees (note 10)	**595,298**	337,500
Consulting and professional fees	**274,164**	139,553
Share-based compensation (notes 10 and 11)	**836,066**	402,000
Depreciation	**399**	-
Investor relations	**185,649**	17,466
Total operating expenses	**6,757,713**	6,690,841
Net loss before other items	**(6,757,713)**	(6,690,841)
Other items		
Foreign exchange loss	**(12,832)**	(56,955)
Total other items	**(12,832)**	(56,955)
Net loss and comprehensive loss for the year	**$ (6,770,545)**	$ (6,747,796)
Net loss and comprehensive loss per share - basic and diluted	**$ (0.10)**	$ (0.14)
Weighted average number of shares outstanding - basic and diluted	**67,033,832**	48,896,559

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

Toachi Mining Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended July 31, 2018	Year Ended July 31, 2017
Operating activities		
Net loss and comprehensive for the year	**$ (6,770,545)**	$ (6,747,796)
Adjustments for:		
Gain on forgiveness of option payments	**-**	(389,006)
Share-based compensation (note 11)	**836,066**	402,000
Depreciation	**399**	-
Shares issued as severance pay (note 11)	**46,000**	-
Changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	**(152,538)**	20,912
Trade payables and accrued liabilities	**(67,687)**	376,970
Due to related parties	**40,241**	16,125
Net cash used in operating activities	**(6,068,064)**	(6,320,795)
Investing activities		
Investment in CMLP	**-**	(1)
Equipment purchased	**(15,724)**	-
Net cash used in investing activities	**(15,724)**	(1)
Financing activities		
Issuance of common shares	**3,000,000**	8,648,300
Share issue costs	**(46,936)**	(556,790)
Net cash provided by financing activities	**2,953,064**	8,091,510
Net change in cash and cash equivalents	**(3,130,724)**	1,770,714
Cash and cash equivalents, beginning of year	**4,859,334**	3,088,620
Cash and cash equivalents, end of year	**$ 1,728,610**	$ 4,859,334

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

Toachi Mining Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share capital		Reserves			
	Number of shares	Amount	Share-based payments	Warrants	Deficit	Total
Balance, July 31, 2016	**38,349,935**	**$ 9,694,405**	**$ 394,372**	**$ 1,525,036**	**$ (8,914,027)**	**$ 2,699,786**
Issued for cash	19,312,500	7,725,000	-	-	-	7,725,000
Value of underwriter warrants	-	(351,318)	-	351,318	-	-
Issued on exercise of warrants and broker warrants	3,304,000	923,300	-	-	-	923,300
Value transfer of exercised warrants	-	411,925	-	(411,925)	-	-
Financing costs	-	(546,209)	-	(10,581)	-	(556,790)
Expired options and warrants	-	-	-	(309,314)	309,314	-
Share-based compensation	-	-	402,000	-	-	402,000
Net loss and comprehensive loss for the year	-	-	-	-	(6,747,796)	(6,747,796)
Balance, July 31, 2017	**60,966,435**	**$ 17,857,103**	**$ 796,372**	**$ 1,144,534**	**$ (15,352,509)**	**$ 4,445,500**
Issued for cash	20,000,000	3,000,000	-	-	-	3,000,000
Issued as compensation	200,000	46,000	-	-	-	46,000
Financing costs	-	(46,936)	-	-	-	(46,936)
Value of warrants	-	(554,000)	-	554,000	-	-
Share-based compensation	-	-	836,066	-	-	836,066
Expired warrants	-	-	-	(1,081,010)	1,081,010	-
Net loss and comprehensive loss for the year	-	-	-	-	(6,770,545)	(6,770,545)
Balance, July 31, 2018	**81,166,435**	**$ 20,302,167**	**$ 1,632,438**	**$ 617,524**	**$ (21,042,044)**	**$ 1,510,085**

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

1. Nature of Operations

Toachi Mining Inc. (the “Company” or "Toachi") is a minerals exploration company that was incorporated under the *Canada Business Corporations Act* on October 14, 2010 under the name of 7674279 Canada Inc. On November 26, 2010, the Company changed its name to Ferrum International Mining Inc. and further changed its name on January 28, 2011, to Ferrum Americas Mining Inc. (“Ferrum”). At a Special Meeting of Shareholders held on January 28, 2016, Ferrum received approval from its shareholders to change its name to Toachi Mining Inc. and to a 1-for-5 share consolidation (the “Consolidation”). On March 14, 2016, the Company announced the name-change, Consolidation and change of TSX Venture Exchange (“TSXV”) ticker symbol to “TIM”. On February 20, 2018, the Company's common shares began trading on the OTCQB Venture Market ("OTCQB") in the United States under the symbol "TIMGF".

The Company’s main and registered office is located at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1. The principal business activity of the Company is the development of the La Plata (see note 7) gold, copper, zinc and silver volcanogenic-massive-sulphide (“VMS”) project in Ecuador.

2. Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the consolidated financial statements.

The Company currently doesn’t generate revenue. However, management believes that there is sufficient working capital to support planned operations for the next 12 months. Management continues to work toward completing additional financings, as required. On April 13, 2018, the Company completed a private placement of $3,000,000.

3. Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the IFRS Interpretations Committee.

The consolidated financial statements were approved by the Company’s Board of Directors on November 19, 2018.

4. Summary of Significant Accounting Policies

(a) Basis of measurement

The consolidated financial statements have been prepared on the historic cost basis except for certain financial instruments, that are measured at fair value, as explained in the accounting policies. Under IFRS, fair value is, "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, Toachiec Exploraciones Mineras S.A. Subsidiaries are all entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date that control ceases.

Inter-company transactions, balances and unrealized gains or losses with subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies and the reporting date of the Company.

(c) Exploration and evaluation expenditures

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into Property, Plant and Equipment. On the commencement of commercial production, depletion of each mining property is expected to be provided on a unit-of-production basis using estimated resources as the depletion base.

(d) Share-based payments

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

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

The costs of equity-settled transactions with employees are measured by reference to the fair value of the equity using the Black-Scholes option pricing model, at the date on which they are granted. The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based payment reserve.

4. Summary of Significant Accounting Policies (Continued)

(d) Share-based payments (continued)

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The fair value of options and/or warrants that are unexercised upon expiry is removed from the appropriate reserve account and transferred to retained earnings/accumulated deficit.

The dilutive effect of outstanding options and warrants is reflected as additional dilution in the computation of earnings per share.

In situations where the Company issued units, the value of warrants is included as a separate reserve of the Company's equity.

(e) Taxation

Income tax expense represents the sum of taxes currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4. Summary of Significant Accounting Policies (Continued)

(e) Taxation (continued)

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(f) Loss per share

The Company presents basic and fully-diluted loss per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of common shares outstanding during the year. Fully-diluted EPS is determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise share options granted to employees, directors and consultants, issued warrants and conversion features, if applicable. During the years ended July 31, 2018 and 2017, all outstanding stock options and warrants were antidilutive and therefore basic and fully-diluted EPS are the same.

4. Summary of Significant Accounting Policies (Continued)

(g) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: Held-to-maturity, available-for-sale, loans-and-receivables or fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash and cash equivalents are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company’s amounts receivable excluding HST are classified as loans-and- receivables. As at July 31, 2018 and 2017, the Company’s amounts receivable balance consists of prepaid expenses and HST recoverable.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company’s Investment in CMLP is classified as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(h) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s trade payables and accrued liabilities and due to related parties are classified as other financial liabilities.

(i) Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

<u>Assets carried at amortized cost</u>

If there is objective evidence that an impairment loss on assets carried at amortized cost has occurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

4. Summary of Significant Accounting Policies (Continued)

(j) Cash and cash equivalents

Cash and cash equivalents on the statements of financial position comprise cash held at banks under general deposit and guaranteed investment certificates yielding various interest rates with maturities within 3 months of issuance.

(k) Equipment

Upon initial acquisition, equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition required to bring the assets to the location and in the condition necessary for these assets to be capable of operating in the manner intended by management.

In subsequent periods, equipment are stated at cost less accumulated depreciation and any impairment in value.

Each component or part of equipment with a cost that is significant in relation to the total cost of the item will be depreciated separately, unless there is no difference in depreciation on the respective components.

Depreciation is recorded on a declining-balance basis over the estimated useful life of the asset.

(l) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. There were no provisions as at July 31, 2018 and 2017.

(m) Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of the Company and its subsidiary are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of the Company and its subsidiary is the Canadian Dollar. The consolidated financial statements are presented in Canadian dollars.

Transactions and balances

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 consolidated statements of loss.

4. Summary of Significant Accounting Policies (Continued)

(n) Significant accounting judgements and estimates

The application of the Company's accounting policies in compliance with IFRS requires management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Estimation of decommissioning and restoration costs and the timing of expenditure

Management is not aware of any material restoration, rehabilitation and environmental provisions as at July 31, 2018 and 2017. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value and these estimates are updated at least annually. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of a mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the share price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could affect the fair value estimates.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax-related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax-related accruals and deferred income tax provisions in the period in which such determination is made.

Contingencies

See note 7(c) Resource Property Interests – Environmental.

4. Summary of Significant Accounting Policies (Continued)

(o) Adoption of new and revised standards and interpretations

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after August 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

4. Summary of Significant Accounting Policies (Continued)

(o) Adoption of new and revised standards and interpretations (continued)

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

(p) Accounting changes

During the year ended July 31, 2018, the Company adopted the amendment to IAS 7, this change did not have any material impact on the Company's financial statements.

5. Financial Instruments

Fair value

The Company has classified its cash and cash equivalents as fair value through profit or loss, which is measured at Level 1 in the fair-value hierarchy. Trade payables and accrued liabilities, and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value.

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

(a) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. As at July 31, 2018 and 2017, the Company has no significant credit risk.

Cash and cash equivalents is held with major Canadian and Ecuadorian banks and therefore the risk of loss is minimal.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due by raising funds through asset sales or completing debt and/or equity financings. Management monitors its working capital and seeks financing as necessary. As at July 31, 2018, the Company had a cash and cash equivalents balance of $1,728,610 (July 31, 2017 - $4,859,334) and working capital of $1,494,759 (July 31, 2017 - $4,445,499). The Company's trade payables and accrued liabilities balances totaling $367,579 (July 31, 2017 - $435,266), are subject to normal trade terms.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk. The market risks to which the Company is exposed are as follows:

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents consists of cash held in bank accounts of $1,728,610 (July 31, 2017 - $1,659,334) and guaranteed investment certificates ("GIC's") totaling $nil (July 31, 2017 - $3,200,000). GIC's mature between 30 and 60 days, so that the Company may properly utilize its working capital for project expenditures.

Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on their cash flow or estimated fair values. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

5. Financial Instruments (Continued)

(c) Market Risk (continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk with respect to cash balances and transactions during the period as a portion of these amounts are denominated in US dollars. The Company has not entered into any foreign currency contracts or hedges to mitigate this risk.

The Company's net exposure to foreign currency risk on its financial instruments is as follows:

	As at July 31, 2018	As at July 31, 2017
US dollar cash	**$ 308,243**	$ 269,579
US dollar accounts receivable	**62,729**	-
US dollar accounts payable	**(184,134)**	(368,310)
Net exposure	**$ 186,838**	$ (98,731)

Based on the above, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar would result in a greater or lessening, as applicable, loss for the year of approximately $18,700 (July 31, 2017 - $9,900) to the Company.

6. Capital Management

The Company considers its capital to be its shareholders' equity, which is comprised of share capital, reserve for share-based payments, reserve for warrants and accumulated deficit, which as at July 31, 2018, totaled $1,510,085 (July 31, 2017 - $4,445,500). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's projects are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise more funds to complete its La Plata project in Ecuador. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options and warrants, the sale of equity capital of the Company or the sale by the Company of an interest in its current or future properties, in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

Management reviews is capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the years ended July 31, 2018 and 2017.

6. Capital Management (Continued)

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of July 31, 2018, the Company believes it is compliant with the policies of the TSXV.

7. Resource Property Interests

(a) La Plata Project

The La Plata project is exploration of gold, copper and silver zinc VMS. On October 28, 2015, the Company announced that it had signed a letter of intent with Sultana Del Condor Minera S.A. ("Sultana") pursuant to which the Company would be granted the option (the "Option") to acquire a minimum 60% and a maximum 75% interest in Compania Minera La Plata, S.A. ("CMLP"). CMLP holds a 100% interest in the La Plata project comprised of 2 concessions located approximately 85 kilometres southwest of Quito, Ecuador. On February 10, 2016, the Company completed the definitive agreements and entered into an option agreement with CMLP, a related company to Sultana, to secure the Option (the "Option Agreement"). The Company has taken a de minimus equity stake in CMLP totaling $1.

The Option Agreement

Payment obligations pursuant to the Option Agreement are to be made over the following period (the "Option Period"):

A. US$75,000 non-refundable payment (paid on November 6, 2015), which granted the Company exclusivity rights over a period that terminated on February 10, 2016.

B. US$125,000 payment when the Company confirmed its continuation with the Option (paid on February 18, 2016).

C. In addition to A and B, above, further cash payments totaling US$1.8 million made to the optionor, as follows:

i) US$200,00 on or before November 6, 2016 (paid);
ii) US$250,000 on or before November 6, 2017 (paid);
iii) US$350,000 on or before November 6, 2018 (paid subsequent to July 31, 2018, see note 15); and
iv) US$1,000,000 on or before November 6, 2019.

D. US$4.0 million of project expenditures over the same 4-year period (see below for adjustment to this amount).

Completion of the above-noted payments, earns the Company a 60% interest in the La Plata project (the "First Interest"). If the Company earns the First Interest, it has the right to finance the cost of a feasibility study over an additional two-year period and acquire an additional 5% interest. If the Company further arranges capital-expenditure financing of less than US$60 million to build a mine at the project, it will earn an additional 5% interest for a total of 70% interest and if capital-expenditure financing exceeds US$60 million, it will earn an additional 10% interest for a total of 75% interest in the project.

7. Resource Property Interests (Continued)

(a) La Plata Project (continued)

During the Option Period, Toachi (the optionee) shall act as the operator (the "Operator") of the La Plata project. The Operator earns a fee equal to 5% of all exploration expenditures (as such is defined in the Option Agreement), which exclude payments made to the optionor (the "Operator's Fee") (see below).

On April 25, 2017, the Company and CMLP amended the Option Agreement such that the project expenditures required to be incurred by the Company (7(a)(D) above) was reduced to US$3.8 million and the Operator's Fee was eliminated.

As at July 31, 2018, total cumulative expenditures pursuant to the Option Agreement total approximately Cdn$10.3 million.

(b) Title to properties

Although the Company has taken steps to verify the title to resource properties in which it has interests, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(c) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

(d) Gain on forgiveness of option payments

During the year ended July 31, 2017, the Company agreed to the sale of its 51%-owned portion of the Cerro Rojo project together with its wholly-owned subsidiary, Empresa Minera Yacuses S.A. to its JV Partner for an amount equal to the outstanding option payments of $389,006, owed by the Company to its JV Partner. The gain has been recorded in the consolidated statements of loss as a reduction to exploration expenditures.

(Expressed in Canadian Dollars)

7. Resource Property Interests (Continued)

The Company's exploration and evaluation expenditures on resource property interests are comprised of the following:

	Year Ended July 31, 2018	Year Ended July 31, 2017	Cumulative to date
La Plata Project			
Acquisition cost	**$ 320,513**	$ 269,098	$ 915,867
Administrative	**489,120**	715,833	1,206,273
Assays	**16,624**	72,055	124,221
Camp costs	**367,658**	432,843	800,501
Community costs	**329,737**	58,547	388,284
Consulting	**159,126**	104,704	263,830
Drilling	**1,187,622**	3,011,781	4,199,403
Engineering	**9,328**	26,463	35,791
Environmental	**91,768**	155,500	247,268
General	**73,273**	29,582	102,855
Geology and geophysics	**709,404**	742,236	1,451,640
Legal and governmental	**202,082**	272,861	500,592
Travel	**12,420**	54,213	95,178
	3,968,675	5,945,716	10,331,703
Cerro Rojo Project			
Acquisition cost	**-**	-	2,940,754
Assays	**-**	-	22,503
Consulting	**-**	-	506,505
Drilling	**-**	-	507,840
General	**-**	-	1,602,490
Geologists	**-**	-	94,636
Geophysics	**-**	-	2,800
GIS	**-**	-	5,200
Permits and licensing	**-**	-	28,082
Travel	**-**	-	115,245
Forgiveness of option payment (d)	**-**	(389,006)	(389,006)
	-	(389,006)	5,437,049
	$ 3,968,675	$ 5,556,710	$ 15,768,752

(Expressed in Canadian Dollars)

8. Amounts Receivable and Prepaid Expenses

The Company's amounts receivable consist of harmonized services tax ("HST") recoverable from the Canadian government taxation authorities and prepaid expenses relating to insurance coverage.

Below is an analysis of the Company's amounts receivable and prepaid expenses:

	As at July 31, 2018	As at July 31, 2017
Prepaid expenses	**$ 89,810**	$ 5,558
Sales taxes recoverable	**42,067**	36,510
La Plata trade receivables (note 7(a)(D))	**62,729**	-
Total amounts receivable and prepaid expenses	**$ 194,606**	$ 42,068

The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables and prepaids.

The Company holds no collateral for any receivable amounts outstanding as at July 31, 2018 or July 31, 2017.

The La Plata trade receivables consist of amounts advanced to CMLP for future expenditures on the La Plata project.

9. Trade Payables and Accrued Liabilities

Trade payables and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities as well as amounts payable for operating and financing activities. The usual credit period for trade purchases is between 30 to 90 days.

The following is an analysis of the trade payables and accrued liabilities:

	As at July 31, 2018	As at July 31, 2017
General and administrative	**$ 278,398**	$ 20,006
Consulting and professional fees	**89,181**	48,117
La Plata trade payables (note 7(a)(D))	**-**	367,143
Total trade payables and accrued liabilities	**$ 367,579**	$ 435,266

(Expressed in Canadian Dollars)

10. Related Party Transactions and Balances

The consolidated financial statements include the following balances and transactions with directors and/or officers of the Company and/or entities related to or controlled by them:

	Year Ended July 31, 2018	Year Ended July 31, 2017
Management fees charged by an entity controlled by the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") (i)	**$ 424,294**	$ 337,500
Severance payment to past president and CEO	**100,000**	-
Directors' fees	**54,000**	49,167
Share-based compensation for the Company's directors,CEO and CFO	**505,017**	285,000
Office rent	**41,798**	-
Shares issued to past president and CEO (note 11(b)(v))	**46,000**	-
Geologist fees	**-**	36,000
Total for year	**$ 1,171,109**	$ 707,667

(i) As at July 31, 2018, the balance of $48,554 (July 31, 2017 - $nil) is due to entities controlled by the Company's CEO and CFO for management fees and reimbursable travel expenses and the balance of $12,324 (July 31, 2017 - $20,637) is due to directors of the Company for their directors' fees and reimbursable travel expenses. The associated expenses have been reflected in the table above while any balances due have been reflected in Trade Payables and Accrued Liabilities (note 9).

See also note 11(b).

11. Share Capital

(a) Authorized share capital

Unlimited number of common shares without par value.

(b) Common shares issued and outstanding

(i) On October 12, 2016, the Company issued 2,625,000 common shares on the exercise of that number of warrants (see note 11 (d)). The exercise of the warrants raised proceeds of $787,500. The grant date fair value of the exercised warrants of $330,725 less associated costs of $102,131, was also transferred to share capital from the warrants.

(ii) On November 22, 2016, the Company completed a non-brokered bought-deal private placement and issued 10,000,000 common shares at a price of $0.40 each, for gross proceeds of $4,000,000. The Company paid underwriting fees equal to 6% of the gross proceeds, or $234,046, raised for all subscriptions except those issued to certain "president's list" investors, for which the Company paid fees equal to 3% of the gross proceeds, or $2,976. The Company also reimbursed the underwriters for expenses incurred on the transaction equal to $50,000. The Company also incurred legal fees equal to $33,194, with such costs recorded as a reduction to common shares.

In addition, the Company issued underwriter options (the "Underwriting Options") equal to 6% of the common shares issued, or 585,120 Underwriting Options with a fair value of $181,387, except for those common shares issued in relation to certain "president's list" investors, for which the Company issued 7,440 Underwriting Options with a fair value of $2,306. The Underwriting Options are exercisable for a period of 2 years at an exercise price of $0.40 each. The fair value of the Underwriting Options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free rate of 0.65%; expected volatility of 195.6%; expected life of 2 years; expected dividends of $nil and common share price of $0.37.

(iii) In February 2017, 679,000 common shares were issued on the exercise of the same number of broker warrants at $0.20 each, raising gross proceeds of $135,800. The grant date fair value of $183,330 of the exercised broker warrants plus associated cash issue costs of $1,433, was transferred to common shares (see note 11(d)).

(iv) On June 14, 2017, the Company completed a non-brokered private placement and issued 9,312,500 common shares at a price of $0.40 each, for gross proceeds of $3,725,000. The Company paid agent fees by issuing 558,750 agents options (the "Agent Options") and paid $224,560 cash fees. Each Agent Option is exercisable into one common share of the Company for a period of 2 years at an exercise price of $0.40 each. The fair value of $167,625 for the Agent's Options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free rate of 0.88%; expected volatility of 150.7%; expected life of 2 years; expected dividends of $nil and common share price of $0.42. The total financing costs of $235,141, have been allocated between share capital ($224,560, noted above) and reserve for warrants ($10,581) based on the relative fair value of the issued warrants.

(v) On November 24, 2017, the Company approved the issuance of 200,000 common shares with a value of $0.23 per share based on quoted share price at the time of approval, or $46,000 to the past president and CEO of the Company. On February 6, 2018, the Company issued the approved 200,000 common shares. Refer to note 10.

(Expressed in Canadian Dollars)

11. Share Capital (Continued)

(b) Common shares issued and outstanding (continued)

(vi) On April 13, 2018, the Company completed a strategic private placement and issued 20,000,000 units of the Company at a price of $0.15 per unit for aggregate gross proceeds of $3,000,000. Each unit is comprised of one common share in the capital of the Company and one-half common share purchase warrant, each whole warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of $0.17 per share for 24 months following the closing date. Insiders of the Company subscribed for an aggregate of 8,916,669 units as follows:

- Metaform Investings Mining LP, a company whose President and CEO is also the Chairman of the Board, subscribed for 3,333,334 units;
- Mr. Alain Bureau, President and CEO of the Company, subscribed for 1,333,334 units;
- Mr. Laurence Curtis, Director of the Company, subscribed for 500,000 units;
- Mr. Eberhard Scherkus, Director of the Company, subscribed for 3,333,334 units;
- Mr. Peter Nixon, Director of the Company, subscribed for 166,667 units; and
- Mr. Joseph Fazzini, CFO of the Company, subscribed for 250,000 units

The grant date fair value of $554,000 for the warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free rate of 1.86%; expected volatility of 87%; expected life of 2 years; expected dividends of $nil and common share price of $0.135.

(c) Share-based payments

The Company has a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. The plan allows for the issuance of up to 10% of the issued and outstanding common shares. As at July 31, 2018, the Company had 2,279,644 additional options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

	Number of Options	Weighted Average Exercise Price
Balance at July 31, 2016	**1,442,000**	**$ 0.374**
Granted	1,050,000	0.395
Forfeit	(80,000)	(0.500)
Balance at July 31, 2017	**2,412,000**	**0.381**
Granted	3,425,000	0.304
Balance at July 31, 2018	**5,837,000**	**$ 0.370**

(Expressed in Canadian Dollars)

11. Share Capital (Continued)

(c) Share-based payments (continued)

The following table provides further information on the outstanding options as at July 31, 2018:

Expiry Date	Number Exercisable	Number Outstanding	Weighted Average Exercise Price	Weighted Average Years Remaining	Fair Value
January 6, 2019	160,000	**160,000** (ii)	$ 0.500	0.42	$ 24,000
October 27, 2019	252,000	**252,000** (i)	0.250	1.24	18,872
June 28, 2021	950,000	**950,000** (iii)	0.380	2.91	351,500 (xi)
September 9, 2021	800,000	**800,000** (iv)	0.400	3.11	312,000 (xii)
May 17, 2022	250,000	**250,000** (v)	0.380	3.80	90,000 (xiii)
August 9, 2022	1,300,000	**1,300,000** (vi)	0.440	4.03	546,000 (xiv)
October 5, 2022	300,000	**300,000** (vii)	0.330	4.18	93,000 (xv)
December 5, 2022	125,000	**375,000** (viii)	0.220	4.35	77,550 (xvi)
January 31, 2023	350,000	**1,050,000** (ix)	0.220	4.51	166,005 (xvii)
May 7, 2023	133,333	**400,000** (x)	0.140	4.77	52,200 (xviii)
	4,620,333	**5,837,000**	$ 0.370	3.65	$ 1,731,127

(i) The grant-date fair value of the options issued was $0.09 each.
(ii) The grant-date fair value of the options issued was $1.20 each.
(iii) The grant-date fair value of the options issued was $0.37 each.
(iv) The grant-date fair value of the options issued was $0.39 each.
(v) The grant-date fair value of the options issued was $0.36 each.
(vi) The grant-date fair value of the options issued was $0.42 each.
(vii) The grant-date fair value of the options issued was $0.31 each.
(viii) The grant-date fair value of the options issued was $0.21 each.
(ix) The grant-date fair value of the options issued was $0.16 each.
(x) The grant-date fair value of the options issued was $0.13 each.
(xi) The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 0.57%; expected volatility based on historical volatility of the Company's shares, of 199.1%; expected life of 5 years; expected dividends of $nil and common share price of $0.38.
(xii) The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 0.71%; expected volatility based on historical volatility of the Company's shares, of 199.1%; expected life of 5 years; expected dividends of $nil and common share price of $0.40.
(xiii) The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 0.91%; expected volatility based on historical volatility of the Company's shares, of 175.3%; expected life of 5 years; expected dividends of $nil and common share price of $0.38.
(xiv) The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 1.52%; expected volatility based on historical volatility of the Company's shares, of 174.2%; expected life of 5 years; expected dividends of $nil and common share price of $0.44.

(Expressed in Canadian Dollars)

11. Share Capital (Continued)

(c) Share-based payments (continued)

(xv) The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 1.75%; expected volatility based on historical volatility of the Company's shares, of 170.2%; expected life of 5 years; expected dividends of $nil and common share price of $0.33.
(xvi) The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 1.70%; expected volatility based on historical volatility of the Company's shares, of 166.5%; expected life of 5 years; expected dividends of $nil and common share price of $0.22.
(xvii) The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 2.13%; expected volatility based on historical volatility of the Company's shares, of 165.0%; expected life of 5 years; expected dividends of $nil and common share price of $0.17.
(xviii) The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 2.14%; expected volatility based on historical volatility of the Company's shares, of 161.0%; expected life of 5 years; expected dividends of $nil and common share price of $0.14.

(d) Warrants

The outstanding issued warrants balance at July 31, 2018 is comprised of the following items:

Expiry Date	Type	Number		Exercise Price		Grant Date Fair Value
November 22, 2018	Underwriting warrants	592,560	$	0.40		183,693 (i)
June 14, 2019	Agents' warrants	558,750		0.40		167,625 (ii)
April 13, 2020	Warrants	10,000,000		0.17		554,000 (iii)
	Cost of financing allocated to warrants	-		-		(287,794)
		11,151,310	**$**	**0.19**	**$**	**617,524**

(i) The Black-Scholes option pricing model was used to determine the fair value of the issued underwriting warrants using the following variables: risk-free interest rate of 0.65%; expected volatility of 195.6%; expected life of 2 years; expected dividends of $nil and common share price of $0.37.
(ii) The Black-Scholes option pricing model was used to determine the fair value of the issued agents' warrants using the following variables: risk-free interest rate of 0.88%; expected volatility of 150.1%; expected life of 2 years; expected dividends of $nil and common share price of $0.38.
(iii) The Black-Scholes option pricing model was used to determine the fair value of the warrants using the following variables: risk-free interest rate of 1.86%; expected volatility of 87.1%; expected life of 2 years; expected dividends of $nil and common share price of $0.135.

(Expressed in Canadian Dollars)

12. Segmented Information

Operating segments

At July 31, 2018, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Ecuador. The Company's corporate division only earns revenues (interest income) that are considered incidental to the activities of the Company. As the operations comprise a single reporting segment, amounts disclosed in these consolidated financial statements also represent operating segment amounts.

Geographic segments

The Company is in the business of mineral exploration in Ecuador and is winding down its business in Bolivia. As such, management has organized the Company's reportable segments by geographic area. The Company's operations in Ecuador and Bolivia are responsible for each country's mineral exploration activities while the Canadian segment manages corporate head office activities. Information concerning the Company's reportable segments is as follows:

	As at July 31, 2018	As at July 31, 2017
Non-current assets		
Canada	**$ -**	$ -
Ecuador	**15,325**	-

	Year Ended July 31, 2018	Year Ended July 31, 2017
Loss and comprehensive net loss		
Canada	**$ (2,533,466)**	$ (1,143,605)
Bolivia	**-**	94,474
Ecuador	**(4,237,079)**	(5,698,665)
Total	**$ (6,770,545)**	$ (6,747,796)

13. Income Taxes

(a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.50% (2017 - 26.50%) were as follows:

	2018	2017
Loss for the year	**$ (6,770,545)**	$ (6,747,796)
Combined Canadian statutory tax rate	**26.5%**	26.5%
Income tax recovery computed at the statutory rate	**(1,794,000)**	(1,788,000)
Share issuance costs	**(12,000)**	(241,000)
Non-deductible expenses and other	**429,000**	397,000
Deferred tax assets not recognized	**1,377,000**	1,632,000
Deferred income tax provision (recovery)	**$ -**	$ -

(Expressed in Canadian Dollars)

13. Income Taxes (Continued)

(b) Deferred income tax

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

	2018	2017
Non-capital losses	**$ 6,946,000**	$ 4,806,000
Resource properties	**13,093,000**	9,942,000
Share issuance costs - Canada	**931,000**	1,290,000
Other	**304,000**	-
Deferred income tax assets, net	**$ 21,274,000**	$ 16,038,000

Deferred tax assets have not been recognized in respect of these temporary differences as it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

As at July 31, 2018, the Company had approximately $13,093,000 (2017 - $9,942,000) of Canadian development and exploration expenses and foreign exploration and development expenses, which, under certain circumstances, may be utilized to reduce taxable income of future years.

(c) Tax loss carry-forward

As at July 31, 2018, the Company had approximately $6,253,000 of non-capital losses in Canada, which may be used to reduce taxable income in future years. These losses expire from 2032 to 2038. As at July 31, 2018, the Company had approximately $693,000 of non-capital losses in Ecuador, which may be used to reduce taxable income in future years. These losses expire in 2023.

14. Commitments and Contingencies

The Company is party to certain management contracts. These contracts require that additional payments of approximately $560,000 be made upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Minimum commitments remaining under these contracts were approximately $293,000 all due within one year.

See also note 7(a).

15. Subsequent Event

Subsequent to July 31, 2018, pursuant to the La Plata project Option Agreement (see note 7(a)), the Company made a cash payment of US$350,000 to the optionor.