# LATIN AMERICAN MINERALS INC.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018

Expressed in Canadian Dollars

## NOTE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the company have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements.

## MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Latin American Minerals Inc.:

Management is responsible for the preparation and presentation of the accompanying condensed interim consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the condensed interim consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

We draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern.

We also draw your attention to Note 7, Impairment of Property, Plant and Equipment and Mineral Property assets and Note 8, sale of subsidiary

The condensed interim consolidated financial statements were approved by the Board of Directors on November 29, 2018 and were signed on behalf of Management by:

| | |
|---|---|
| ***"Mathew Wilson"*** | ***"Dennis Logan"*** |
| Mathew Wilson, CEO | Dennis Logan, CFO |

*Expressed in Canadian Dollars*

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | As at September 30, 2018 | As at December 31, 2017 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash | 1,072,011 | 1,794,778 |
| Short-term investments | - | 15,000 |
| VAT/HST/GST receivable | 30,390 | 26,535 |
| Prepaid expenses | 27,019 | 12,326 |
| **Total Current Assets** | **1,129,420** | **1,848,639** |
| Property and equipment (Note 8) | - | 1,282,945 |
| Property rights, evaluation and exploration assets (Note 9) | 150,000 | 19,114,839 |
| | **150,000** | **20,397,784** |
| **Total Assets** | **1,279,420** | **22,246,423** |
| **Liabilities** | | |
| **Current Liabilities** | | |
| Bank loans (Note 11) | - | 150,540 |
| Accounts payable and accrued liabilities | 1,067,153 | 1,732,225 |
| **Total Current Liabilities** | **1,067,153** | **1,882,765** |
| Bank loans - non-current (Note 11) | - | 225,715 |
| Provision for mineral property reclamation (Note 10) | - | 392,635 |
| Payroll withholdings liability (Note 16) | - | 233,948 |
| | **-** | **852,298** |
| **Total Liabilities** | **1,067,153** | **2,735,063** |
| **Shareholders' Equity** | | |
| Share capital (Note 12) | 26,820,382 | 26,347,520 |
| Warrants (Note 12) | 7,087,619 | 6,754,087 |
| Contributed surplus (Note 12) | 13,727,297 | 13,090,097 |
| Accumulated other comprehensive (income) | - | (374,795) |
| Deficit | (47,423,031) | (26,305,549) |
| **Total Shareholders' Equity** | **212,267** | **19,511,360** |
| **Total Liabilities and Shareholders' Equity** | **1,279,420** | **22,246,423** |

*See accompanying notes*

Going concern (Note 1)

Impairment of assets (Note 7)

Sale of subsidiary (Note 8)

The consolidated financial statements were approved by the Board of Directors on November 29, 2018 and were signed on its behalf by:

*"Stephen Keith"* — Stephen Keith, Director

*"Richard Patricio"* — Richard Patricio, Director

*Expressed in Canadian Dollars*

# CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

| | Three months Ended Septemebr 30, 2018 | Three Months Ended September 30, 2017 | Nine Months Ended Septemebr 30, 2018 | Nine Months Ended September 30, 2017 |
|---|---|---|---|---|
| **General and Administrative Expenses** | | | | |
| General and administration | 354,964 | 229,847 | 704,443 | 737,928 |
| Non-cash compensation options | - | 125,091 | 637,200 | 286,038 |
| Investor relations | 254 | 9,575 | 971 | 53,246 |
| Amortization | - | 4,074 | 56,012 | 14,745 |
| **Net operating loss for the period** | **355,218** | **368,587** | **1,398,626** | **1,091,957** |
| Interest expense | - | - | 22,492 | - |
| Impairment of property plant and equipment (Note 7) | - | - | 1,315,037 | - |
| Impairment of exploration and evaluation assets (Note 7) | - | - | 21,516,557 | - |
| (Gain) loss on sale of subsidiary (Note 8) | (3,108,036) | - | (3,108,036) | - |
| Foreign exchange (gain) loss | (28,295) | (80,119) | (27,194) | 20,539 |
| **Net (income) loss for the period before tax** | **(2,781,113)** | **288,468** | **21,117,482** | **1,112,496** |
| Deferred tax recovery | - | - | - | - |
| **Net (income) loss after tax** | **(2,781,113)** | **288,468** | **21,117,482** | **1,112,496** |
| **Other Comprehensive loss** | | | | |
| Net income (loss) for the period | 2,781,113 | (288,468) | (21,117,482) | (1,112,496) |
| *Items that may be reclassified subsequently to profit/loss* | | | | |
| Foreign currency translation adjustment income (loss) | 26,058 | 842,424 | 374,795 | (1,768,768) |
| **Comprehensive income (loss) for the period** | **2,807,171** | **553,956** | **(20,742,687)** | **(2,881,264)** |
| **Net Income (loss) per share for the period** | | | | |
| Basic and fully diluted income (loss) per share | **$0.02** | **$0.00** | **($0.17)** | **($0.03)** |
| Weighted Average Number of Shares Outstanding | 130,386,942 | 85,057,700 | 121,134,171 | 41,756,022 |



--The accompanying notes form an integral part of the condensed interim consolidated financial statements--

*Expressed in Canadian Dollars*

# CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Number of shares outstanding | Share Capital | Obligation to issue shares | Warrants | Contributed Surplus | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income (Loss) | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2017** | **70,439,533** | **24,940,111** | **25,000** | **4,596,549** | **12,619,910** | **(23,866,928)** | **1,345,386** | **19,660,028** |
| Expiry of warrants | - | - | - | - | - | - | - | - |
| Shares and warrants issued on private placement | 14,618,167 | 904,691 | - | 1,002,488 | - | - | - | 1,907,179 |
| Share issuance costs | - | (288,400) | (25,000) | - | - | - | - | (313,400) |
| Shares issued on warrant exercise | - | - | - | - | - | - | - | - |
| Value of warrants exercised | - | - | - | - | - | - | - | - |
| Shares issued on exercise of options | - | - | - | - | - | - | - | - |
| Value of options exercised | - | - | - | - | - | - | - | - |
| Issuance of special warrants | - | - | - | - | - | - | - | - |
| Issuance of share options | - | - | - | - | 286,038 | - | - | 286,038 |
| Other comprehensive income (loss) | - | - | - | - | - | - | (1,768,768) | (1,768,768) |
| Net income (loss) for the period | - | - | - | - | - | (112,496) | - | (112,496) |
| **Balance at September 30, 2017** | **85,057,700** | **25,556,402** | **-** | **5,599,037** | **12,905,948** | **(23,979,424)** | **(423,382)** | **19,658,581** |
| | | | | | | | | |
| **Balance at October 1, 2017** | **85,057,700** | **25,556,402** | **-** | **5,599,037** | **12,905,948** | **(23,979,424)** | **(423,382)** | **19,658,581** |
| Expiry of warrants | - | - | - | (121,336) | 121,336 | - | - | - |
| Shares and warrants issued on private placement | 29,335,333 | 1,107,573 | - | 934,668 | - | - | - | 2,042,241 |
| Share issuance costs | 664,667 | (316,455) | - | 341,718 | - | - | - | 25,263 |
| Issuance of share options | - | - | - | - | 62,813 | - | - | 62,813 |
| Other comprehensive income (loss) | - | - | - | - | - | - | 48,587 | 48,587 |
| Net income (loss) for the period | - | - | - | - | - | (2,326,125) | - | (2,326,125) |
| **Balance at December 31, 2017** | **115,057,700** | **26,347,520** | **-** | **6,754,087** | **13,090,097** | **(26,305,549)** | **(374,795)** | **19,511,360** |
| | | | | | | | | |
| **Balance at January 1, 2018** | **115,057,700** | **26,347,520** | **-** | **6,754,087** | **13,090,097** | **(26,305,549)** | **(374,795)** | **19,511,360** |
| Expiry of warrants | - | - | - | - | - | - | - | - |
| Shares and warrants issued on private placement | 13,744,000 | 412,558 | - | 352,044 | - | - | - | 764,602 |
| Share issuance costs | 778,720 | (51,572) | - | (14,136) | - | - | - | (65,708) |
| Shares issued on warrant exercise | 100,000 | 7,500 | - | - | - | - | - | 7,500 |
| Value of warrants exercised | - | 4,376 | - | (4,376) | - | - | - | - |
| Shares issued for property option acquisition | 5,000,000 | 100,000 | - | - | - | - | - | 100,000 |
| Issuance of share options | - | - | - | - | 637,200 | - | - | 637,200 |
| Other comprehensive income (loss) | - | - | - | - | - | - | 374,795 | 374,795 |
| Net income (loss) for the period | - | - | - | - | - | (21,117,482) | - | (21,117,482) |
| **Balance at September 30, 2018** | **134,680,420** | **26,820,382** | **-** | **7,087,619** | **13,727,297** | **(47,423,031)** | **-** | **212,267** |



--The accompanying notes form an integral part of the condensed interim consolidated financial statements--

*Expressed in Canadian Dollars*

# CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine months Ended September 30, 2018 | Nine months Ended September 30, 2017 |
|---|---|---|
| **Operating activities** | | |
| Net income (loss) for the period | (21,117,482) | (1,112,496) |
| Add (deduct) non-cash items: | | |
| Non–cash compensation expense | 637,200 | 286,038 |
| Depreciation and amortization | 56,012 | 14,745 |
| Impairment of mine asset (Note 8) | 1,315,037 | - |
| Impairment of mineral property (Note 8) | 21,516,557 | - |
| Gain on sale of subsidiary (Note 8) | (3,108,036) | - |
| Unrealized foreign exchange (gain) loss | - | 32,814 |
| | (700,712) | (778,899) |
| **Net change in non-cash working capital** | | |
| Amounts receivable | - | 508 |
| Sales tax recoverable | (3,855) | (7,377) |
| Prepaid expenses | (14,693) | (126,643) |
| Accounts payable and accrued liabilities | 308,914 | 383,690 |
| **Cash flow provided by (used in) operating activities** | **(410,346)** | **(528,721)** |
| **Investing activities** | | |
| Net proceeds on sale of subsidiary | 1,081,600 | - |
| Purchase of property, plant and equipment | (297,209) | (415,422) |
| Purchase of property rights, evaluation and exploration costs | (1,784,793) | (1,017,995) |
| **Cash flow used in investing activities** | **(1,000,402)** | **(1,433,417)** |
| **Financing activities** | | |
| Interest paid on bank loans and lines of credit | - | (42,132) |
| Other Interest capitalized to mineral property rights | - | (186,036) |
| Issuance of common shares and warrants | 698,894 | 1,882,179 |
| Share and warrant issuance costs | - | (288,400) |
| Issuance of common shares from option and warrant exercise | 7,500 | - |
| Repayment of long-term debt | - | (107,126) |
| **Cash flow provided by (used in) financing activities** | **706,394** | **1,258,485** |
| Effect of foreign exchange on cash | (18,413) | (11,532) |
| **Net increase (decrease) in cash and cash equivalents during the period** | **(722,767)** | **(715,185)** |
| Cash and cash equivalents at beginning of period | 1,794,778 | 1,223,898 |
| **Cash and cash equivalents at end of period** | **1,072,011** | **508,713** |



--The accompanying notes form an integral part of the condensed interim consolidated financial statements--

*Expressed in Canadian Dollars*

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1) Nature of operations and going concern

Latin American Minerals Inc. ("LAT" or "the Company") was incorporated under the Canada Business Corporations Act on December 9, 2003. The Company's principal business activity is the exploration and development of resource properties. The head office of the Company is located at Suite 502 – 211 Yonge Street Toronto, ON, M5B 1M4.

These condensed interim consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to 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.

There exist material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of exploration and evaluation expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Consistent with other companies in the sector of mineral exploration, the Company has incurred operating losses since inception and is unable to self-finance operations. The Company has significant cash requirements to meet its overhead and maintain its mineral interests.

For the Company to continue to operate as a going concern, it must continue to obtain additional financing to maintain operations. Although the Company has been successful in the past at raising funds, there can be no assurance that this will continue in the future.

These Financial Statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

| | **September 30, 2018** | December 31, 2017 |
|---|---|---|
| Working capital (deficit) surplus | **$62,267** | ($34,126) |
| Accumulated deficit | **($47,423,031)** | ($26,305,549) |

## 2) Statement of compliance and basis of preparation

These Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs") as issued by the International Accounting Standards Board ("IASB").

These Financial Statements were authorized for issuance by the Board of Directors on November 29, 2018.

The interim condensed consolidated financial statements include the accounts of the Company's 100%-owned subsidiaries, Latin American Minerals Paraguay S.A and Minera Ita Pora S.A. All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transactions and dividends have been eliminated on consolidation.

## 3) Summary of significant accounting policies

The accounting policies and methods of computation followed in preparing these Financial Statements are the same as those followed in preparing the most recent audited annual financial statements. For a summary of significant accounting policies, please refer to the Company's audited annual financial statements for the year ended December 31, 2017.

## 4) Critical accounting judgements, estimates and assumptions

In the application of the Company's accounting policies, which are described in note 3 in the Company's Audited Consolidated Financial Statements for the year ended December 31, 2017, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in which the estimates are revised and in any future period affected.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the Condensed Interim Consolidated Financial Statements.

**a) Critical estimates**

Useful life of property, plant and equipment

The Company reviews the estimated lives of its property, plant and equipment at the end of each reporting period. There were no material changes in the lives of property and equipment during the three and nine months ended September 30, 2018 or the year ended December 31, 2017.

Share-based payments

Management uses the Black-Scholes option pricing model for valuation of share-based compensation and finder's warrants which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materiality affect the fair market value estimate and the Company's results and equity reserves.

Impairment of non-financial assets

Judgment is involved in assessing whether there is any indication that an asset or cash generating unit may be impaired. This assessment is made based on the analysis of, amongst other factors, changes in the market and business environment, the events that have transpired that have impacted the asset or cash generating unit, and information from internal reporting.

Income taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

Decommissioning provision

The value of decommissioning liabilities depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

**b) Critical judgements**

Going concern evaluation

As discussed in note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Consolidated Financial Statements, then adjustments would be necessary to the carrying value of assets and liabilities and the reported expenses and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at September 30, 2018.

Carrying value and recoverability of property rights, evaluation and exploration assets and impairment

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of property rights, evaluation and exploration assets. The amounts shown for evaluation and exploration costs do not necessarily represent present or future values. The recoverability of the assets' carrying values is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits to complete development and future profitable production or proceeds from the disposition thereof.

At each reporting date of the consolidated balance sheet, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of operations and comprehensive income (loss), unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defects. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

## 5) New Accounting standards issued and adopted in the current period and recent Accounting pronouncements not yet adopted

New Standards Adopted in the Current Year

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. 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 the Company as of January 1, 2018. Overall, the implementation of IFRS 9 has not had a significant impact on the Company's financial assets. The adoption of this amendment did not have a material impact on the Company's unaudited condensed interim consolidated financial statements.

New standard IFRS 15 "Revenue from Contracts with Customers"

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for the Company as of January 1, 2018. Overall, the implementation of IFRS 15 has not had a significant impact on its revenue. The adoption of this amendment did not have a material impact on the Company's unaudited condensed interim consolidated financial statements.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Recent Accounting Pronouncements not yet adopted

Recent Accounting Pronouncements have been issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact on the Company have been excluded herein.

<u>New standard IFRS 16 "Leases"</u>

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. While the Company is currently evaluating the impact this new guidance will have on its condensed interim consolidated financial statements, the recognition of certain leases is expected to increase the assets and liabilities on the consolidated statements of financial position.

### 6) Financial instruments and risk management

### a) Fair value hierarchy

Financial instruments are recorded at fair value are classified using a fair value hierarchy that reflects the significant of the inputs used in making the measurements.

The fair value of hierarchy has the following levels:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in the markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's financial instruments include cash and cash equivalents, short-term investments, accounts payable, and bank loans. The carrying value of cash and cash equivalents is carried at fair value. Short-term investments, accounts payable and accrued liabilities, and bank loans approximate their fair value due to their short-term nature.

### b) Credit risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial instrument. Credit risk arises from cash and cash equivalents with banks and financial institutions. It is management's opinion that the Company is not exposed to significant credit risk arising from these financial instruments. The Company limits credit risk by entering into business arrangements with high credit-quality counterparties.

### c) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

### d) Currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company incurs certain expenditures in Paraguayan Guarani and US dollars. Foreign exchange risk arises from

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the Company or subsidiary that holds the financial asset or liability. The Company's risk management policy is to review its exposure to non-Canadian dollar forecast operating costs on a case-by-case basis. The majority of the Company's forecast operating costs are in Canadian dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of foreign currency financial assets and liabilities in Canadian dollars as at September 30, 2018 is as follows:

**Canadian Dollar amounts of foreign currency assets and liabilities**

| | **Assets** | Liabilities |
|---|---|---|
| Paraguayan Guarani | $9,221 | $0 |
| US Dollars | $1,035,046 | $687,048 |

Based on the financial instruments held as at September 30, 2018, the Company's deficit would have changed by $104,427 had the Canadian dollar shifted by 10% as a result of foreign exchange effect on translation of non-Canadian dollar denominated financial instruments.

### e) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

As at September 30, 2018, the Company had a working capital of $62,267 (December 31, 2017 working capital deficiency – ($34,126)) and operating cash flow will not provide sufficient funds to cover all the Company's expenditures for the next 12 months. Cash constraints have caused the Company to consider financing alternatives.

The Company's potential sources of cash flow in the upcoming year will be from possible proceeds of possible equity financings, loans, lease financing and entering into joint venture agreements; or any combination thereof.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 7) Impairment of Property Plant and Equipment and Mineral Properties

In accordance with the Company's accounting policy, operating mines are tested for impairment when events or changes in circumstances suggest that their carrying amount may not be recoverable. The Company generally uses a discounted cash flow model to determine the value in use ("VIU") for its operating mines where there are indicators of impairment. The assessment is done at the CGU level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. A CGU is generally an individual operating mine and its related long-term assets. An impairment loss is recognized when the carrying amount of the CGU exceeds the recoverable amount.

The Company considered the lack of available mineral resources in the area with which to feed the plant, its inability to raise sufficient capital to continue funding the mining and milling operations during the three months ended June 30, 2018 as an indicator of possible impairment for its mining and milling assets at the Paso Yobai project. Accordingly, management performed an impairment assessment for the mining operations as at June 30, 2018.

The VIU was determined based on the NPV of future cash flows expected to be generated using the most recent life of mine plans. Future gold prices are estimated based on observable market or publicly available data to estimate future revenues and operating costs estimated based on current costs adjusted for anticipated changes. The future cash flows for the Paso Yobai mining and milling CGU was discounted using comparable discount rates (12%-14%) for similar companies with similar market risk factors. The outcome of this assessment led the Company to recognize an impairment loss relating to its Pao Yobai mining and milling operation of $1,315,037 before tax, which was applied against property, plant and equipment.

In accordance with the Company's accounting policy, it makes certain estimates and assumptions regarding the recoverability of the carrying values of property rights, evaluation and exploration assets. The amounts shown for evaluation and exploration costs do not necessarily represent present or future values. The recoverability of the assets' carrying values is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits to complete development and future profitable production or proceeds from the disposition thereof. Results from the Company's recently completed 5,400-meter exploration program were not sufficient to allow the Company to make a determination of economically recoverable resources and reserves or enable the Company to obtain the necessary financing to continue with its exploration and evaluation activities. Furthermore, the exploration results have not enabled management to estimate the net realizable value from the sale of, or partnership with third parties on the future development of, the Paso Yobai exploration project. The outcome of this assessment has led the Company to recognize an impairment loss relating to its Pao Yobai exploration project of $21,516,557 before tax, which was applied against Mineral Properties.

*Expressed in Canadian Dollars*

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 8) Sale of Subsidiary

On September 1, 2018, the Company entered into a share sale agreement (the "**Agreement**") with a local consortium, an arm's length third party (the "**Purchaser**") pursuant to which the Company agreed to sell all of the shares of Latin American Minerals Paraguay, SA ("**LAMPA**") for USD$1,000,000 (CAD$1,294,500) in gross proceeds. Under the terms of the Agreement the Company agreed forgive all of the inter-company debt owed by LAMPA to the Company. The purchaser also agreed to assume responsibility for certain liabilities incurred by the Company on behalf of LAMPA, as well as all outstanding asset retirement obligations and other contingent liabilities of LAMPA.

As at September 1, 2018 the gain on the sale of LAMPA was as follows:

| | |
|---|---|
| Net Book value of LAMPA on September 1, 2018 | |
| Total Assets | $781,264 |
| Total liabilities | (2,807,700) |
| Net book value of LAMPA | (2,026,436) |
| | |
| Gross proceeds | 1,294,500 |
| Less selling commission paid by the Company | 212,900 |
| Net proceeds received | 1,081,600 |
| | |
| **Gain on sale** | **$3,108,036** |

*Expressed in Canadian Dollars*

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 9) Property, plant and equipment

| | Land | Processing Plant & Geology Equipment | Furniture & Equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Balance January 1, 2017** | **$135,975** | **$2,747,854** | **$747,729** | **$3,631,558** |
| Additions | - | 402,278 | 1,876 | 404,154 |
| Foreign exchange | (10,970) | (222,543) | (58,174) | (291,687) |
| **Balance December 31, 2017** | **$125,005** | **$2,927,589** | **$691,431** | **$3,744,025** |
| Reclass | | | | |
| Additions | | 297,209 | | 297,209 |
| Disposals | - | (2,459,101) | (351,211) | (2,810,312) |
| Impairment of property plant and equipment (Note 7) | (129,015) | (842,019) | (344,003) | (1,315,037) |
| Foreign exchange | 4,010 | 76,322 | 3,783 | 84,115 |
| **Balance September 30, 2018** | **$0** | **$0** | **$0** | **$0** |
| | | | | |
| **Accumulated Amortization** | | | | |
| **Balance January 1, 2017** | **$0** | **($1,937,230)** | **($362,223)** | **($2,299,453)** |
| Amortization | - | (334,876) | (11,482) | (346,358) |
| Foreign exchange | - | 130,740 | 53,991 | 184,731 |
| **Balance December 31, 2017** | **$0** | **($2,141,366)** | **($319,714)** | **($2,461,080)** |
| Amortization | - | (178,407) | (838) | (179,245) |
| Disposals | - | 2,459,101 | 351,211 | 2,810,312 |
| Additions | - | - | - | - |
| Foreign exchange | - | (139,328) | (30,659) | (169,987) |
| **Balance September 30, 2018** | $0 | $0 | $0 | $0 |
| | | | | |
| **Carrying Amounts** | | | | |
| **At December 31, 2017** | **$125,005** | **$786,223** | **$371,717** | **$1,282,945** |
| **At September 30, 2018** | **$0** | **$0** | **$0** | **$0** |

The Company assessed the value of certain assets and expenditures that had been capitalized to property, plant and equipment based on the results of its exploration program that was completed in July 2018. These assets were associated with its mining operations at the Paso Yobai project. At the time the Company determined that the current configuration of the mine would not allow it to obtain sufficient throughput to make the plant and milling circuit economically viable and determined that continued capitalization of these amounts was no longer justifiable on a value in use basis. Furthermore, given the limited legal mining activity in Paraguay and lack of a developed resale market for used mining and milling equipment in the country, management was unable to assess the net realizable value of these assets from a potential sale, making continued capitalization of these amounts no longer justified as at June 30, 2018. The Company recorded an impairment charge of $1,315,037 for the three months ended June 30, 2018 against the amounts previously capitalized (for the year ended December 31, 2017 the Company recorded an impairment charge of $nil) reducing the carrying amount of expenditures that had been capitalized to property plant and equipment to nil.

Effective on September 1, 2018 the Company sold its subsidiary, Latin American Minerals Paraguay SA (see Note 8) including all of the property plant and equipment associated with the Paso Yobai project. As at September 30, 2018 the Company no longer held any property plant or equipment.

*Expressed in Canadian Dollars*

## 10) Property rights, evaluation and exploration assets

| | Butt Township | Paso Yobai | Itapoty | Total |
|---|---|---|---|---|
| **Carrying value** | | | | |
| **Balance January 1, 2017** | **$0** | **$18,862,139** | **$0** | **$18,862,139** |
| Additions | - | 2,067,598 | - | 2,067,598 |
| Interest capitalized | - | 43,806 | - | 43,806 |
| Amortization | - | 335,204 | - | 335,204 |
| Provision for environmental remediation | - | 181,309 | - | 181,309 |
| Write-down of mineral property | - | (876,791) | - | (876,791) |
| Foreign exchange | - | (1,498,426) | - | (1,498,426) |
| **Balance December 31, 2017** | **$0** | **$19,114,839** | **$0** | **$19,114,839** |
| Additions | 150,000 | 1,734,793 | - | 1,884,793 |
| Disposals | - | - | - | - |
| Interest capitalized | - | 2,792 | - | 2,792 |
| Impairment of mineral property (Note 7) | - | (21,516,557) | - | (21,516,557) |
| Foreign exchange | - | 664,133 | - | 664,133 |
| **Balance September 30, 2018** | **$150,000** | **$0** | **$0** | **$150,000** |

### Paso Yobai Project Impairment and disposal

The Paso Yobai project comprises the Discovery Trend property, which was 99% owned by the Company; the other 1% being owned by a third party that receives 1% net smelter returns royalty on a yearly basis and the X-Mile Trend exploration property, which is 100% owned by the Company.

The Company assessed the value of certain expenditures that had been capitalized to the exploration and evaluation assets and determined that continued capitalization of these amounts was no longer justified as at June 30, 2018. The Company recorded an impairment charge of $21,516,557 for the three months ended June 30, 2018 against the amounts previously capitalized the exploration and evaluation assets (for the year ended December 31, 2017 the Company recorded an impairment charge of $876,791) reducing the carrying amount of expenditures that had been capitalized to the Paso Yobai project to nil.

Effective on September 1, 2018, the Company sold its subsidiary, Latin American Minerals Paraguay SA (see Note 8) including all of the property rights, evaluation and exploration assets, including all reclamation obligations associated with the Paso Yobai project. As at September 30, 2018 the Company no longer held any property rights, evaluation or exploration assets in Paraguay.

### Butt Township Uranium and Rare Earth Project

On August 24, 2018, the Company announced that it had entered into an option agreement with Griftco Corporation ("**Griftco**") pursuant to which the Company has been granted the right to earn a 100% ownership interest in the Butt Township uranium and rare-earth mineral property in Ontario on the following terms:

- Paid $50,000 and issued 5,000,000 common shares of the Company to Griftco on September 27, 2018, the date the TSX Venture Exchange granted approval of the transaction (the "**Effective Date**"). The shares were issued at a deemed price of $0.04 per share, the closing market price of the shares on the Effective Date.;
- the payment of $25,000, the issuance of 2,500,000 Common Shares to Griftco and the Company incurring $200,000 in expenditures on the Property on or before the first anniversary of the Effective Date;
- the payment of $25,000, the issuance of 2,500,000 Common Shares to Griftco and the Company incurring $200,000 in expenditures on the Property on or before the second anniversary of the Effective Date; and
- the payment of $25,000, the issuance of 2,500,000 Common Shares to Griftco and the Company incurring $500,000 in expenditures on the Property on or before the third anniversary of the Effective Date.

## 11) Bank loans

*Expressed in Canadian Dollars*

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

On June 19, 2014, the Company received USD$700,000 ($758,520) loan provided by the Banco Bilbao Vizcaya Argentaria ("BBVA") in Paraguay, which is divided in two parts. The first part is a secured 6-year loan ("Term Loan") of USD$600,000 including a one-year grace period on capital, bearing an annual interest rate of 10%. Subject to a penalty of 4% over the balance outstanding, the Company is allowed to prepay the Term Loan. The second part is a revolving line of credit ("Line of Credit") of USD$100,000 bearing an annual interest rate of 8.5%.

Both the Term Loan and the Line of Credit were secured by the pilot plant machinery and certain real estate in Paraguay.

Effective September 1, 2018 the Company sold 100% of its ownership in the Paso Yobai Project (see Note 8) and the acquirer assumed the outstanding loan.

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| **Opening balance** | **$376,255** | **$561,760** |
| New borrowings | - | - |
| Repayments | (75,086) | (142,835) |
| Interest capitalized in property rights, evaluation and exploration costs | - | 43,806 |
| Interest paid on term loan and line of credit | (22,492) | (43,806) |
| Foreign exchange | 19,379 | (42,670) |
| Balance assumed by acquirer of subsidiary | (320,548) | - |
| **Ending Balance** | **$0** | **$376,255** |
| **Current portion** | **$0** | **$150,540** |
| **Non-current portion** | **$0** | **$225,715** |

## 12) Share capital

### a) Authorized

Unlimited number of common shares without par value.

| | Number of Shares |
|---|---|
| Balance January 1, 2017 | 70,439,533 |
| Shares issued on private placement | 44,618,167 |
| Shares issued on exercise of warrants | 0 |
| Shares issued for exercise of options | 0 |
| **Balance at 31 December 2017** | **115,057,700** |
| Balance at January 1, 2018 | 115,057,700 |
| Shares issued on exercise of warrants | 100,000 |
| Shares issued on property acquisitions | 5,000,000 |
| Shares issued on private placement | 14,522,720 |
| **Balance September 30, 2018** | **134,680,420** |

Nine months ended September 30, 2018

On June 12, 2018 the Company closed a non-brokered private placement (the "June 2018 Financing") by issuing 13,844,000 units at a price of $0.05 per unit for gross proceeds of $692,200. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for a period of 2 years from the closing of the offering at a price of $0.10 per common share. The warrants are estimated with a fair value $352,044.

***Expressed in Canadian Dollars***

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Company incurred $nil in cash transaction costs and recorded $65,707 for the issuance of warrants and the issuance of 778,720 common shares in lieu of cash compensation to certain finders who introduced investors to the Company.

The fair value of the warrants and broker's warrants was determined with the following weighted average assumptions:

| Assumption | June 12, 2018 |
|---|---|
| Share price | **$0.05** |
| Risk-free rate | **1.90%** |
| Expected dividend yield | **0.00%** |
| Expected volatility | **230.00%** |
| Warrant life in years | **2.00** |

On September 27, 2018 the Company issued 5,000,000 common shares to Grift Co. as payment under the Butt Township Project option (see Note 10) at a deemed price of $0.04 per share.

On April 13, 2018 the Company issued 100,000 shares on the exercise of warrants.

Year ended December 31, 2017

On May 18, 2017, the Company closed the first tranche of a non-brokered private placement (the "First Tranche") by issuing 12,445,167 units at a price of $0.12 per unit for gross proceeds of $1,493,420. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for a period of 24 months from the closing of the offering at a price of $0.15 per common share. The warrants are estimated with a fair value of $729,601.

On June 2, 2017, the Company closed the second tranche (the "Second Tranche") by issuing 1,508,333 units at a price of $0.12 per unit for gross proceeds of $181,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for a period of 24 months from the closing of the offering at a price of $0.15 per common share. The warrants are estimated with a fair value of $88,283.

In connection with the First and Second Tranches, the Company incurred $80,640 in cash transaction costs and recorded $86,406 in issuances of 664,667 units to the brokers. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share for a period of 24 months from the closing of the offering at a price of $0.15 per common share. The warrants are estimated with a fair value of $82,637. The Company issued 1,082,280 broker warrants. Each broker warrant entitles the holder to purchase one common share for a period of 24 months from the closing of the offering at a price of $0.12 per common share. The broker warrants are estimated with a fair value of $135,740.

On December 1, 2017, the Company closed the first tranche of a non-brokered private placement (the "December First Tranche") by issuing 14,046,667 units at a price of $0.075 per unit for gross proceeds of $1,053,500. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share for a period of 5 years from the closing of the offering at a price of $0.10 per common share. The warrants are estimated with a fair value of $523,620.

On December 20, 2017, the Company closed the second tranche of a non-brokered private placement (the "December Second Tranche") by issuing 14,619,999 units at a price of $0.075 per unit for gross proceeds of $1,096,500. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share for a period of 5 years from the closing of the offering at a price of $0.10 per common share. The warrants are estimated with a fair value of $544,993.

On December 29, 2017 the Company closed the third tranche of a non-brokered private placement (the "December Third Tranche") by issuing 1,333,334 units at a price of $0.075 per unit for gross proceeds of $100,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for a period of 5 years from the closing of the offering at a price of $0.10 per common share. The warrants are estimated with a fair value $50,659.

The Company incurred $182,497 in cash transaction costs and recorded $123,341 for the issuance of broker's warrants.

The fair value of the warrants and broker's warrants was determined with the following weighted average assumptions:

*Expressed in Canadian Dollars*

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| Assumption | |
|---|---|
| Share price | **$0.12** |
| Risk-free rate | **1.48%** |
| Expected dividend yield | **0.00%** |
| Expected volatility | **247.00%** |
| Warrant life in years | **4.02** |

## b) Stock options

The Company has established an incentive stock option plan (the "Plan") for management, directors, and consultants of the Company, as designated and administered by a committee of the Company's Board of Directors. Under the Plan, the Company may grant options for up to 10% of the issued and outstanding common shares of the Company.

During the nine months ended September 30, 2018

On January 9, 2018 the Company granted incentive stock options to officers and Directors of the Company. These options are exercisable at a price of $0.13 per common share for a period of five years from the grant date.

During the year ended December 31, 2017

On June 5, 2017 the Company granted incentive stock options to officers of the Company. These options are exercisable at a price of $0.15 per common share for a period of five years from the grant date.

On July 18, 2017 the Company granted 1,000,000 stock options to an officer of the Company. These options are exercisable at a price of $0.15 per common share for a period of five years from the grant date.

On September 11, 2017 the Company granted 845,000 stock options to officers of the Company. These options are exercisable at a price of $0.15 per common share for a period of five years from the date of grant with all options vesting evenly over 12 months following the grant date.

The following table summarizes information about stock options outstanding as at September 30, 2018:

| Expiry date | Exercise Price | September 30, 2018 Outstanding | September 30, 2018 Exercisable |
|---|---|---|---|
| July-7-2019 | $0.17 | 350,000 | 350,000 |
| July-26-2021 | $0.35 | 1,750,000 | 1,750,000 |
| August-22-2021 | $0.37 | 500,000 | 500,000 |
| June-5-2022 | $0.15 | 1,150,000 | 1,150,000 |
| July-18-2022 | $0.15 | 1,000,000 | 1,000,000 |
| September-11-2022 | $0.15 | 845,000 | 845,000 |
| January-9-2023 | $0.13 | 4,850,000 | 4,850,000 |
| | | **10,445,000** | **10,445,000** |

*Expressed in Canadian Dollars*

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The following table reflects the continuity of stock options for the periods presented:

| Stock option activity | September 30, 2018 | Weighted Average Exercise price | December 31, 2017 | Weighted Average Exercise price |
|---|---|---|---|---|
| **Balance – beginning of period** | 5,914,000 | $0.26 | 6,839,000 | $0.36 |
| Granted | 4,850,000 | $0.13 | 2,995,000 | $0.15 |
| Exercised | - | - | - | - |
| Expired | (319,000) | $0.60 | ($3,420,000) | $0.35 |
| Forfeited | - | $0.00 | ($500,000) | $0.37 |
| **Balance – end of period** | 10,445,000 | $0.19 | 5,914,000 | $0.26 |

The fair value of stock options granted during the nine months ended September 30, 2018 was $637,200 with the following assumptions:

| Assumption | January 9, 2018 |
|---|---|
| Share price | **$0.13** |
| Risk-free rate | **2.01%** |
| Expected dividend yield | **0.00%** |
| Expected volatility | **229.69%** |
| Warrant life in years | **5.00** |

The fair value of stock options granted during the year ended December 31, 2017 was $348,851 with the following weighted average assumptions:

| Weighted Average | |
|---|---|
| Share price | **$0.12** |
| Risk-free interest rate | **1.35%** |
| Expected dividend yield | **0.00%** |
| Expected volatility | **234.84%** |
| Estimated life | **5.00** |

## c) Warrants

The following table summarizes warrants outstanding at September 30, 2018:

| Date of Issuance | Date of Expiry | Exercise Price | September 30, 2018 Outstanding |
|---|---|---|---|
| May-15-2017 | May-15-2019 | $0.15 | **14,618,167** |
| June-02-2017 | June-02-2019 | $0.12 | **1,082,280** |
| December-01-2017 | December-01-2022 | $0.10 | **14,046,667** |
| December-20-2017 | December-20-2022 | $0.10 | **14,619,999** |
| December-28-2017 | December-28-2022 | $0.10 | **1,433,334** |
| December-28-2017 | December-28-2022 | $0.08 | **1,058,959** |
| June-12-2018 | June-12-2020 | $0.10 | **13,844,000** |
| June-12-2018 | June-12-2020 | $0.05 | **678,720** |
| | | | **61,382,126** |

| | September 30, 2018 |
|---|---|
| The outstanding warrants have a weighted-average exercise price of: | $0.11 |
| The weighted average remaining life in years of the outstanding warrants is: | 2.70 |

*Expressed in Canadian Dollars*

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The following table reflects the continuity of warrants for the periods presented:

| Warrant activity | September 30, 2018 | Weighted Average Exercise price | December 31, 2017 | Weighted Average Exercise price |
|---|---|---|---|---|
| **Balance – beginning of period** | 102,995,413 | $0.14 | 56,735,018 | $0.16 |
| Issuance of special warrants | - | $0.00 | - | $0.00 |
| Issued on private placements | 14,522,720 | $0.10 | 46,479,167 | $0.12 |
| Issued from exercise of broker warrants | 100,000 | $0.10 | - | $0.00 |
| Exercised | (100,000) | $0.08 | - | $0.00 |
| Expired | (56,136,007) | $0.16 | (624,611) | $0.25 |
| **Balance – end of period** | **61,382,126** | **$0.11** | 102,589,574 | $0.14 |

### 13) Capital management

The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

### 14) Related party transactions

Related party transactions are summarized as follows:

| Name and principal position | Year | Remuneration or fees [(1)] | Share based payments [(1)] | Included in accounts payable [(1)] |
|---|---|---|---|---|
| Mathew Wilson, CEO - management fees[2] | **2018** | **$90,000** | **$64,364** | **-** |
| | 2017 | - | - | - |
| Dennis Logan, CFO - management fees[2] | **2018** | **$63,000** | **$38,618** | **-** |
| | 2017 | - | - | - |
| Bira De Oliveira, COO - management fees | **2018** | **$77,466** | **$64,364** | **$21,921** |
| | 2017 | - | - | - |
| Jeremy Niemi, Director of Exploration[2] | **2018** | **$69,500** | **$128,727** | **-** |
| | 2017 | - | - | - |
| Directors -director fees | **2018** | **$2,000** | **$218,836** | **-** |
| | 2017 | - | - | - |
| Basil Botha, former CEO – management fees | **2018** | - | - | - |
| | 2017 | $25,000 | - | - |
| Miles Rideout, former CEO – management fees | **2018** | - | **-** | **-** |
| | 2017 | 13,000 | - | $12,300 |
| Clearline CPA (Grant T. Smith), former CFO – management fees | **2018** | - | - | **$2,800** |
| | 2017 | $63,000 | - | $14,700 |
| Cameron Tymstra, former COO – management fees | **2018** | - | **-** | - |
| | 2017 | $77,500 | - | $10,000 |
| Michael Hepworth, former Director – management fees | **2018** | - | **-** | **-** |
| | 2017 | $20,000 | - | - |

[(1)] Amounts disclosed were paid or accrued to the related party during the nine months ended June 30, 2018 and 2017.

[(2)] Amounts paid to the individuals indirectly through companies controlled by the related party.

*Expressed in Canadian Dollars*

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 15) Segmented disclosure

### a) Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

### b) Geographic segments

As at September 30, 2018, all the Company's non-current assets were located in Canada.

## 16) General and Administrative expenses

| | For the three months ended September 30, 2018 | For the three months ended September 30, 2017 | For the nine months ended September 30, 2018 | For the nine months ended September 30, 2017 |
|---|---|---|---|---|
| Professional fees (legal and accounting) | $ 181,518 | $ 24,311 | $ 201,868 | $ 81,398 |
| Management fees | 131,660 | 113,130 | 377,120 | 322,206 |
| Lisiting and transfer agent fees | 8,461 | 5,185 | 29,015 | 29,014 |
| Insurance (D&O and P&C) | 4,732 | 19,588 | 8,532 | 30,897 |
| Office | 8,717 | 13,270 | 14,501 | 165,816 |
| Travel | 663 | 4,319 | 17,064 | 58,553 |
| Paraguayan operating costs not capitalized to Mineral Property | 19,213 | 50,044 | 56,343 | 50,044 |
| | $ 354,964 | $ 229,847 | $ 704,443 | $ 737,928 |

## 17) Commitments

| Payments required under the Butt Township Property Option Agreement | Cash Payments | Exploration Expenditures | Number of Consideration Shares |
|---|---|---|---|
| On or before September 17, 2019 | $25,000 | $200,000 | 2,500,000 |
| On or before September 17, 2020 | 25,000 | 200,000 | 2,500,000 |
| On or before September 17, 2021 | 25,000 | 500,000 | 2,500,000 |
| **Total** | **$75,000** | **$900,000** | **7,500,000** |

## 18) Income Taxes

Please refer to note 16 of the Company's Annual Audited Consolidated Financial Statements for the year ended December 31, 2017 for details regarding the Company's income taxes.

## 19) Contingency

During the year ended December 31, 2016, one of the employees of the Company's former Paraguayan subsidiary filed two separate lawsuits against the Company for wrongful dismissal. The Company disagrees with the claims made in the suits was vigorously defending itself against the allegations. The lawsuits are claiming a total of PYG 553,804,077 ($135,682). Of this amount, PYG 374,799,077 ($91,526) had been accrued as at September 1, 2018. This contingent liability was assumed by the acquirer (see Note 8) of the Company's former Paraguayan subsidiary. As at September 30, 2018 the Company had no contingent liabilities.