



## **A.I.S. RESOURCES LIMITED**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019**

**(Expressed in Canadian dollars)**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an independent auditor. These condensed interim consolidated financial statements for the period ended September 30, 2019 have been prepared by and are the responsibility of the Company's management. They have not been reviewed by the Company's independent auditor.

# A.I.S. RESOURCES LIMITED

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at

	<i>Note</i>	<b>Unaudited September 30, 2019</b>	<b>Audited December 31, 2018</b>
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	3	30,337	73,349
Accounts receivable	4	180,080	-
Prepaid expenses	5	105,932	48,117
Inventories	6	229,980	-
<b>Total current assets</b>		<b>546,329</b>	<b>121,466</b>
<b>Non-current assets</b>			
Equipment	7	-	790
Other investment	8	528,606	544,533
Exploration and evaluation assets	9	4,081,464	3,624,043
		<b>5,156,399</b>	<b>4,290,832</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		681,497	386,275
Due to related parties	10	38,736	273,243
Promissory notes	11	556,340	462,649
<b>Total current liabilities</b>		<b>1,276,573</b>	<b>1,122,167</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	12	13,514,664	11,876,782
Subscriptions received		-	157,650
Reserves	13	3,177,827	2,748,008
Deficit		(12,812,665)	(11,613,775)
		<b>3,879,826</b>	<b>3,168,665</b>
		<b>5,156,399</b>	<b>4,290,832</b>

Note 1: Nature of operations and going concern

Note 18: Subsequent events

Martyn Element, Director

Kiki Smith, Director

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

## A.I.S. RESOURCES LIMITED

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(Expressed in Canadian dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2019	2018	2019	2018
		\$	\$	\$	\$
<b>EXPENSES:</b>					
Consulting		24,081	62,000	60,314	88,573
Directors fees		7,500	7,500	22,500	22,500
General and administrative		32,090	30,342	88,462	92,843
Interest and financing expense	11	29,619	52,107	88,739	52,107
Management fees	10	23,625	130,966	70,875	256,966
Stock based compensation	10	445,350	152,903	445,350	152,903
Professional fees		43,285	45,921	169,380	152,108
Project evaluation cost		-	(2,201)	2,714	2,483
Transfer agent and filing		15,095	8,392	48,388	37,853
Travel and promotion		74,577	34,643	158,682	423,711
		(695,222)	(522,573)	(1,155,404)	(1,282,047)
<b>OTHER INCOME (EXPENSES):</b>					
Investment income	3	60	-	60	6,999
Gain on settlement of debt		-	-	-	40,700
Loss on disposal of exploration and evaluation assets	9	-	(473,219)	-	(1,702,769)
Loss on disposal of equipment		-	-	-	(850)
Unrealized foreign exchange (loss) gain		4,507	(3,144)	(43,546)	(9,066)
<b>Net loss for the period</b>		<b>(690,655)</b>	<b>(998,936)</b>	<b>(1,198,890)</b>	<b>(2,947,033)</b>
<b>OTHER COMPREHENSIVE (LOSS) INCOME:</b>					
Unrealized (loss) gain on investments	8	5,150	(8,901)	(15,926)	15,967
<b>Comprehensive loss for the period</b>		<b>(685,505)</b>	<b>(1,007,837)</b>	<b>(1,214,816)</b>	<b>(2,931,066)</b>
<b>Loss per share</b>					
Basic and diluted		\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.06)
Weighted average number of shares outstanding		80,069,820	52,494,469	68,724,321	51,380,850

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

## A.I.S. RESOURCES LIMITED

### Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(Expressed in Canadian Dollars)

	Common shares			Reserves						
	No. of shares	Share capital	Subscriptions received	Stock Options	Expired Options	Other Comprehensive Income	Warrants	Warrants Expired	Deficit	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2017	48,254,899	10,420,411	-	2,196,218	78,351	988	366,882	519	(8,373,349)	4,690,020
Warrants exercised	4,161,200	1,253,223	-	-	-	-	(4,864)	-	-	1,248,359
Bonus shares	-	-	51,824	-	-	-	-	-	-	51,824
Options exercised	276,667	80,777	-	(39,277)	-	-	-	-	-	41,500
Options expired	-	-	-	(38,224)	38,224	-	-	-	-	-
Stock options expense	-	-	-	152,903	-	-	-	-	-	152,903
Loss for the period	-	-	-	-	-	15,967	-	-	(2,947,033)	(2,931,066)
<b>Balance, September 30, 2018</b>	<b>52,692,766</b>	<b>11,754,411</b>	<b>51,824</b>	<b>2,271,620</b>	<b>116,575</b>	<b>16,955</b>	<b>362,018</b>	<b>519</b>	<b>(11,320,382)</b>	<b>3,253,540</b>
Balance, December 31, 2018	53,480,894	11,876,782	157,650	2,000,631	387,564	44,776	-	315,037	(11,613,775)	3,168,665
Shares issued for cash	29,945,472	1,645,830	(157,650)	-	-	-	-	-	-	1,488,180
Shares issue cost	-	(7,948)	-	-	-	-	395	-	-	(7,553)
Share subscriptions received	-	-	-	-	-	-	-	-	-	-
Stock options expense	-	-	-	445,350	-	-	-	-	-	445,350
Stock options expired	-	-	-	(318,289)	318,289	-	-	-	-	-
Loss for the period	-	-	-	-	-	(15,926)	-	-	(1,198,890)	(1,214,816)
<b>Balance, September 30, 2019</b>	<b>83,426,366</b>	<b>13,514,664</b>	<b>-</b>	<b>2,127,692</b>	<b>705,853</b>	<b>28,850</b>	<b>395</b>	<b>315,037</b>	<b>(12,812,665)</b>	<b>3,879,826</b>

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

# A.I.S. RESOURCES LIMITED

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in Canadian dollars)

	Nine months ended September 30,	
	2019	2018
	\$	\$
<b>CASH USED IN OPERATIONS</b>		
Loss for the period	(1,198,890)	(2,947,033)
Adjustments for items not involving cash:		
Stock based compensation	445,350	152,903
Accrued interest and accretion of financing expense	88,739	52,107
Depreciation expense	790	1,035
Loss on disposal of exploration and evaluation assets	-	1,702,769
Loss on disposal of equipment	-	850
Gain on settlement of debt	-	(40,700)
Accrued management fees	-	15,750
Unrealized foreign exchange loss	(15,064)	9,066
	(679,075)	(1,053,253)
Changes in non-cash working capital:		
Accounts receivable	(1,425)	-
Prepaid expenses	(57,815)	(32,107)
Inventories	(229,980)	-
Accounts payable and accrued liabilities	43,805	(30,754)
Related parties	(234,507)	-
	(1,158,997)	(1,116,114)
<b>CASH USED IN INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(485,294)	(2,299,744)
Purchase of equipment	-	-
Option payments received	100,635	-
	(384,659)	(2,299,744)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for cash – net of cost	1,488,180	-
Share issue cost	(7,553)	-
Warrants exercised	-	1,248,359
Options exercised	-	41,500
Promissory notes issued	31,556	259,118
Interest paid	(11,539)	-
Advance from related parties	-	6,031
	1,500,644	1,555,008
<b>Net change in cash balances</b>	<b>(43,012)</b>	<b>(1,860,850)</b>
Cash at beginning of period	73,349	1,959,040
<b>Cash at end of period</b>	<b>30,337</b>	<b>98,190</b>

Note 13: Supplemental information with respect to cash flows

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

# A.I.S. RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018  
(Expressed in Canadian dollars)

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### 1. Nature of operations and going concern:

A.I.S. Resources Limited (the “Company” or “A.I.S.”) was incorporated under the laws of Bahamas Islands. On December 20, 2018, the Company continued as a British Columbia corporation and is now governed by the Business Corporations Act (British Columbia). The business of A.I.S. is invest in securities, commodities, and exploration and evaluation assets.

The head office and principal address of the Company are located at Suite 2300 – 1177 West Hastings Street, Vancouver, British Columbia, Canada V6E 2K3. The Company’s records office and registered office is located at Suite 700 - 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue its operations and will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business. At September 30, 2019, the Company had working capital deficit of \$730,244 and an accumulated deficit of \$12,812,665. The ability of the Company to continue as a going concern is dependent upon the continued financial support from related parties, the ability of the Company to raise equity financing to continue investment activities and upon future profitable operations or proceeds from disposition of investments. Given the operating losses accumulated in the last number of years, the Company’s ability to realize its assets and discharge its liabilities depends on continued support from its directors, the ability to raise further funds to provide working capital and ultimately on generating future profitable operations. These uncertainties cast a significant doubt on the ability of the Company to continue operations as a going concern. The condensed interim consolidated financial statements do not reflect adjustments to the carrying values of assets, liabilities or reported results should the Company be unable to continue as a going concern.

### 2. Basis of preparation and significant accounting policies:

#### Statement of compliance

These condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 have been prepared in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting using the accounting policies adopted by the Company in its most recent annual financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2018, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 29, 2019.

#### Basis of consolidation and presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are valued at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

# A.I.S. RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

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### 2. Basis of preparation and significant accounting policies (continued):

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiary, AIS Resources S.A., an Argentina company. All significant intercompany transactions and balances have been eliminated.

The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. When the Company ceases to control a subsidiary, assets, liabilities and non-controlling interests of the subsidiary are derecognized at their carrying amounts at the date when control is lost. Investment retained in the former subsidiary is recognized at its fair value and any gain or loss resulting from deconsolidation is recorded through profit or loss.

The financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiary.

### 3. Cash deposits:

The Company had cash deposits of \$30,337 at September 30, 2019 (December 31, 2018 - \$73,349).

### 4. Account Receivable

Accounts receivable comprises USD \$134,905 receivable from the Company's exploration partner MGX Mineral Inc. pursuant to the option agreement for Salinitas, Salinas Grandes property. *(Note 9d)*

### 5. Prepaid expenses:

Prepaid expenses include:

	September 30, 2019	December 31, 2018
	\$	\$
General operating and administrative	105,932	48,117

### 6. Inventories:

Inventories consist of Manganese Ore purchased by the Company for selling. Costs include purchase of Ore, packaging, transportation, shipping and testing.

# A.I.S. RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 7. Equipment:

	Computer equipment
	\$
<b>Costs:</b>	
Balance, December 31, 2017	8,498
Disposals	(3,880)
Balance, December 31, 2018 and September 30, 2019	<b>4,618</b>
<b>Accumulated depreciation:</b>	
Balance, December 31, 2017	5,523
Depreciation	1,335
Disposal	(3,030)
Balance, December 31, 2018	3,828
Depreciation	790
Balance, September 30, 2019	<b>4,618</b>
<b>Net Book Value:</b>	
December 31, 2018	790
<b>September 30, 2019</b>	<b>-</b>

### 8. Other investment:

During the year ended December 31, 2015 the Company subscribed for 1,330,665 shares of Buda Juice LLC, a private company, at \$0.30 USD per share for a cost of \$499,757 (\$399,200 USD). The investment is measured at fair value through other comprehensive income. The Company recognized an unrealized foreign exchange loss of \$9,939 and \$21,076 in relation to the investment in the three and nine months ended September 30, 2019 (2018 – gain of \$10,857 and \$24,868), recorded in the other comprehensive loss.

# A.I.S. RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 9. Exploration and evaluation assets:

Exploration and evaluation assets are comprised of:

	December 31, 2018	Expenditures	Impairment	September 30, 2019
	\$	\$	\$	\$
<b>Guayatayoc and Laguna Vilama</b>				
Acquisition	1,913,386	-	-	1,913,386
Deferred exploration costs	1,562,414	605,664	-	2,168,078
	3,475,800	605,664	-	4,081,464
<b>Salinitas, Salinas Grandes</b>				
Acquisition	325,425	-	-	325,425
Deferred exploration costs	380,369	139,165	-	519,534
Recovery	(557,551)	(287,408)	-	(844,959)
	148,243	(148,243)	-	-
<b>Total</b>	<b>3,624,043</b>	<b>457,421</b>	<b>-</b>	<b>4,081,464</b>

	December 31, 2017	Expenditures	Impairment	December 31, 2018
	\$	\$	\$	\$
<b>Guayatayoc and Laguna Vilama</b>				
Acquisition	1,303,030	610,356	-	1,913,386
Deferred exploration costs	790,848	771,566	-	1,562,414
	2,093,878	1,381,922	-	3,475,800
<b>Salinitas, Salinas Grandes</b>				
Acquisition	-	325,425	-	325,425
Deferred exploration costs	-	380,369	-	380,369
Recovery	-	(557,551)	-	(557,551)
	-	148,243	-	148,243
<b>Chiron, Pocitos</b>				
Acquisition	255,460	-	(255,460)	-
Deferred exploration costs	-	1,308,183	(1,308,183)	-
	255,460	1,308,183	(1,563,643)	-
<b>Total</b>	<b>2,349,338</b>	<b>2,838,348</b>	<b>(1,563,643)</b>	<b>3,624,043</b>

## A.I.S. RESOURCES LIMITED

### Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

#### 9. Exploration and Evaluation assets (continued):

Deferred exploration costs were as follows:

	Guayatayoc and Laguna Vilama (a)	Chiron, Pocitos (b)	Salinitas, Salinas Grandes (c)	Total
	\$	\$	\$	\$
Balance, December 31, 2017	790,848	-	-	790,848
Exploration:				
Assay & laboratory	1,269	19,007	2,475	22,751
Exploration expense	37,591	-	30,253	67,844
Drilling	327,590	1,041,280	130,938	1,499,808
Geology and geophysics	267,986	242,340	150,313	660,639
License fee, permits, claim fees, and taxes	36,397	-	23,148	59,545
Local office and Administration	10,797	4,633	1,010	16,440
Travel	89,936	923	42,232	133,091
	771,566	1,308,183	380,369	2,460,118
Impairment	-	(1,308,183)	-	(1,308,183)
Balance, December 31, 2018	1,562,414	-	380,369	1,942,783
Exploration:				
Assay & laboratory	8,157	-	3,038	11,195
Exploration expense	195,277	-	-	195,277
Drilling	70,083	-	118,719	188,802
Geology and geophysics	179,432	-	17,095	196,527
License fee, permits, claim fees, and taxes	30,968	-	143	31,111
Local office and Administration	2,086	-	170	2,256
Travel	119,661	-	-	119,661
	605,664	-	139,165	744,829
Impairment	-	-	-	-
<b>Balance, September 30, 2019</b>	<b>2,168,078</b>	<b>-</b>	<b>519,534</b>	<b>2,687,612</b>

#### a) Guayatayoc and Laguna Vilama

On September 16, 2016, the Company entered into an option agreement to acquire a 100% interest in two lithium properties in Argentina, Guayatayoc and Laguna Vilama (the "Property"), for a purchase price of \$4.5 million USD. The Company paid \$150,000 USD for a 6-month option entitling it to conduct exploration, sampling, chemistry and drilling to determine the commercial viability of the Property.

On April 12, 2017, the Company entered into an agreement to extend the option period for an additional 3 months commencing May 04, 2017. The Company paid \$150,000 USD for the extension in the option period until the expiry of option agreement on August 04, 2017.

# A.I.S. RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

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### 9. Exploration and Evaluation assets (continued):

#### a) *Guayatayoc and Laguna Vilama* (continued)

On October 11, 2017, the Company entered into a new option agreement to acquire 100% interest in the Property and paid \$720,000 USD for a 6-month option period. On April 17, 2018, the Company paid \$280,000 USD for a 6-month extension in the Option Agreement.

On September 12, 2018, the Company entered into a new option agreement to acquire 100% interest in the Property and paid \$200,000 USD for a 6-month option period. At any time during the option period, the Company can acquire the Property by a payment of \$4.5 million USD.

On March 27, 2019, the Company entered into a revised option agreement to acquire 100% interest in the two lithium properties, Guayatayoc and Laguna Vilama. The Option term has been extended to July 15, 2019 at no additional cost. The Company may pay \$100,000 USD by July 15, 2019 to extend the Option term to August 31, 2019. At any time during the option period, the Company can acquire the properties by a payment of \$2.25 million USD.

The Property is subject to 4.5% royalty on revenue from the sale of lithium carbonate, payable to the provincial and federal governments, and 8.5% carried free participation required by the provincial government.

#### b) *Chiron, Pocitos*

On November 10, 2017, the Company entered into an option agreement to acquire 100% interest in four properties located in the Quinos Salar in Salta Province, Argentina for \$1.4 million USD. The Company paid \$200,000 USD as part of the purchase price, entitling it to conduct exploration, sampling, chemistry and drilling to determine the commercial viability of the projects. The option to purchase was exercisable by May 25, 2018 by paying the remaining portion of the purchase price. The Company completed the drilling program on the property and did not exercise the option based on unsatisfactory results. During the period ended December 31, 2018, the Company recorded an impairment loss of \$1,563,643 on these properties.

#### c) *Salinitas, Salinas Grandes*

On June 13, 2018, the Company entered into an option agreement to acquire 100% interest in five lithium brine properties located in the Salinas Grandes Salar in Salta Province, Argentina, for a purchase price of \$4 million USD. The Company paid \$250,000 USD for the 24-month option period entitling it to conduct exploration, sampling, chemistry and drilling to determine the commercial viability of the project. As per the terms of the agreement, 12 months from the agreement date the Company must pay \$250,000 USD towards the purchase price and expend \$1.2 million on the property during the option period.

On July 23, 2018, the Company entered into an option agreement with MGX Minerals Inc. ("MGX") granting MGX the right to acquire 80% interest in the five lithium brine properties located in the Salinas Grandes Salar in Salta Province, Argentina, for a purchase price of \$3.2 million USD. As per the terms of the agreement, MGX paid \$250,000 USD to the Company towards the purchase price on signing of the option agreement and must expend \$1.2 million USD on these properties during the 22-month option period.

During the period ended September 30, 2019, the Company concluded to not pursue the Salinitas, Salinas Grandes property acquisition option agreement based on unsatisfactory results from the drilling program.

# A.I.S. RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 10. Related party transactions and balances:

For the three and nine months ended September 30, 2019 and 2018, the Company recorded the following transactions with related parties:

- a) \$30,000 and \$110,000 in consulting fees to a company controlled by the CEO of the Company (2018 - \$90,000 and \$270,000) included in exploration expenditures.
- b) \$nil and \$nil in management fees to a company controlled by the former CEO of the Company (2018 - \$101,567 and \$180,317).
- c) \$23,625 and \$78,875 in management fees to the Chairman of Board of Directors (2018 - \$23,625 and \$70,875).
- d) \$41,898 and \$134,789 in accounting fees to a company controlled by the CFO of the Company (2018 - \$35,959 and \$99,642).
- e) \$7,500 and \$22,500 in director's fee to a company controlled by an independent Director of the Company (2018 - \$7,500 and \$22,500).

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management includes the following:

	Three months ended September 30,		Nine months ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Short-term benefits	111,023	258,651	346,164	643,334
Stock-based compensation	284,533	43,176	284,533	43,176
Total	395,556	301,827	630,697	686,510

Amounts owing to related parties was as follows:

	September 30, 2019	December 31, 2018
	\$	\$
Board Chairman for expenses	-	4,639
Board Chairman for management fee	-	39,375
Director for director's fee	-	15,000
Director for expenses	71	-
CEO for expenses	3,045	15,897
CEO for consulting fees	20,000	150,000
CFO for accounting fees	8,120	48,332
Total	38,736	273,243

Included in prepaid expenses are \$33,625 for management fee and \$7,969 for expenses paid to the Chairman of the Board.

# A.I.S. RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

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### 11. Promissory notes:

During the year ended December 31, 2018, the Company issued a promissory note in the amount of USD \$200,000 to a third party. As consideration for the note, the Company issued bonus shares equivalent to 20% of the aggregate sum of the loan. The note is unsecured, payable one year from the date of issuance, and bears interest at a rate of 8% per annum. The Company issued 545,532 bonus shares with a fair value of \$51,826 in connection with the promissory note, which was recorded against the face value of the promissory note on the date of issuance. During the three and nine months ended September 30, 2019, the Company recorded \$5,134 and \$15,637 (2018 - \$nil and \$nil) as interest expense on the short-term debt and recorded accretion of \$12,495 and \$38,195 (2018 - \$284 and \$284) in connection with this promissory note. The carrying value of this promissory note at September 30, 2019 was \$286,190 (December 31, 2018 - \$240,210).

During the year ended December 31, 2018, the Company issued a promissory note in the amount of USD \$175,000 to a third party. As consideration for the note, the Company issued bonus shares equivalent to 20% of the aggregate sum of the loan. The note is unsecured, payable one year from the date of issuance, and bears interest at a rate of 10% per annum. The Company paid an application fee of \$5,000 USD. The Company also issued 242,596 bonus shares with a fair value of \$23,044 in connection with the promissory note, which was recorded against the face value of the promissory note on the date of issuance. During the three and nine months ended September 30, 2019, the Company recorded \$5,778 and \$17,288 (2018 - \$nil and \$nil) as interest expense on the short-term debt and recorded accretion of \$5,746 and \$11,429 (2018 - \$nil and \$nil) in connection with this promissory note. The carrying value of this promissory note at September 30, 2019 was \$238,275 (December 31, 2018 - \$222,439).

### 12. Share capital:

#### (a) Authorized

The authorized share capital of the Company is an unlimited number of shares with no par value. All issued shares, consisting only of common shares, are fully paid.

#### (b) Issued

83,426,366 common shares with a value of \$13,514,664 were outstanding at September 30, 2019 (December 31, 2018 - 53,480,894 common shares with a value of \$11,876,782).

On September 19, 2019, the Company completed a private placement comprising of 2,322,250 units for gross proceeds of \$185,780. Each unit is comprised of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder thereof to acquire one common share at a price of \$0.12 for a period of one year from the date of closing of the placement provided that if the closing price, subject to certain accelerated expiration provisions.

On July 17, 2019, the Company completed a private placement comprising of 7,100,000 units for gross proceeds of \$355,000. Each unit is comprised of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder thereof to acquire one common share at a price of \$0.10 for a period of one year from the date of closing of the placement provided that if the closing price, subject to certain accelerated expiration provisions.

# A.I.S. RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 12. Share capital (continued):

#### (b) Issued (continued)

On June 11, 2019, the Company completed a private placement comprising of 7,901,000 units for gross proceeds of \$395,050. Each unit is comprised of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder thereof to acquire one common share at a price of \$0.10 for a period of one year from the date of closing of the placement provided that if the closing price, subject to certain accelerated expiration provisions. The Company paid cash finder's fees totaling \$1,440 and issued 28,800 broker warrants. The broker warrants have the same terms as the private placement warrants. The fair value of the brokers warrants of 239 was estimated using the Black-Scholes option-pricing model assuming an expected life of 1 year, a risk-free interest rate of 1.70% and an expected volatility of 103.50%.

On February 26, 2019, the Company completed a private placement comprising of 12,622,222 units for gross proceeds of \$710,000. Each unit is comprised of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder thereof to acquire one common share at a price of \$0.12 for a period of one year from the date of closing of the placement provided that if the closing price, subject to certain accelerated expiration provisions. The Company paid cash finder's fees totaling \$600 and issued 10,667 broker warrants. The broker warrants have the same terms as the private placement warrants. The fair value of the brokers warrants of 156 was estimated using the Black-Scholes option-pricing model assuming an expected life of 1 year, a risk-free interest rate of 1.79% and an expected volatility of 112.23%.

On November 29, 2018, the Company issued 242,596 bonus shares with value of \$23,044 to a third party as consideration for promissory notes issued by the Company (Note 11).

On November 14, 2018, the Company issued 545,532 bonus shares with value of \$51,826 to a third party as consideration for promissory notes issued by the Company (Note 11).

#### (c) Warrants

The following warrants were outstanding as at:

Expiry Date	September 30, 2019			December 31, 2018		
	Number of warrants	Weighted average exercise price	Weighted average life in years	Number of warrants	Weighted average exercise price	Weighted average life in years
		\$			\$	
October 5, 2019	4,505,000	0.30	0.01	4,505,000	0.30	0.76
February 27, 2020	12,632,889	0.12	0.41	-	-	-
June 11, 2020	7,929,800	0.10	0.70	-	-	-
July 17, 2020	7,100,000	0.10	0.80	-	-	-
September 19, 2020	2,322,250	0.12	0.97	-	-	-
	34,489,939	0.11	0.54	4,505,000	0.30	0.76

# A.I.S. RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 12. Share capital (continued):

The changes in warrants were as follows:

	Nine months ended September 30, 2019			Year ended December 31, 2017		
	Number of warrants	Weighted average exercise price	Weighted average life in years	Number of warrants	Weighted average exercise price	Weighted average life in years
Balance, beginning of period	4,505,000	\$ 0.30	0.76	20,719,158	\$ 0.30	0.81
Granted	29,984,939	0.11	0.62	-	-	-
Exercised	-	-	-	(4,161,200)	0.30	-
Expired	-	-	-	(12,052,958)	0.30	-
Balance, end of period	34,489,939	0.13	0.54	4,505,000	0.30	0.76

### (d) Stock options

On August 9, 2018, the Company granted 126,667 stock options to a consultant of the Company. The options have an exercise price of \$0.15 and a life of 5 years. The Options vested immediately upon grant. The fair value of the options \$15,092 was estimated using the Black-Scholes option-pricing model assuming an expected life of 5 years, a risk-free interest rate of 2.24% and an expected volatility of 118.42%.

On August 17, 2018, the Company granted 1,000,000 stock options to directors, officers and consultants of the Company. The options have an exercise price of \$0.20 and a life of 5 years. The Options vested immediately upon grant. The fair value of the options \$101,832 was estimated using the Black-Scholes option-pricing model assuming an expected life of 5 years, a risk-free interest rate of 2.19% and an expected volatility of 118.44%.

On August 23, 2018, the Company repriced 1,240,000 stock options issued to consultants on November 24, 2017, from \$0.91 to \$0.20. The fair value attributable to the change in option exercise price \$35,979 was estimated using the Black-Scholes option-pricing model assuming an expected life of 4.26 years, a risk-free interest rate of 2.17% and an expected volatility of 117.18%.

## A.I.S. RESOURCES LIMITED

### Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

12. Share capital (continued):

(d) Stock options (continued)

The following share options were outstanding as at:

Expiry Date	September 30, 2019				December 31, 2018			
	Vested and exercisable	Outstanding	Weighted average exercise price	Weighted average life in years	Vested and exercisable	Outstanding	Weighted average exercise price	Weighted average life in years
			\$				\$	
April 28, 2019	-	-	-	-	400,000	400,000	0.28	0.32
May 20, 2019	-	-	-	-	100,000	100,000	0.20	0.38
August 12, 2021	165,000	165,000	0.15	1.87	165,000	165,000	0.15	2.62
October 7, 2021	215,000	215,000	0.25	2.02	215,000	215,000	0.25	2.77
November 8, 2021	100,000	100,000	0.30	2.11	100,000	100,000	0.30	2.86
February 14, 2022	110,000	110,000	0.20	2.38	110,000	110,000	0.20	3.13
February 14, 2022	150,000	150,000	0.68	2.38	150,000	150,000	0.68	3.13
August 25, 2022	175,000	175,000	0.20	2.90	175,000	175,000	0.20	3.65
November 24, 2022	1,040,000	1,040,000	0.20	3.15	1,240,000	1,240,000	0.20	3.90
November 24, 2022	670,000	670,000	0.91	3.15	670,000	670,000	0.91	3.90
August 17, 2023	1,000,000	1,000,000	0.20	3.88	1,000,000	1,000,000	0.20	4.63
July 23, 2024	4,085,000	4,085,000	0.10	4.82	-	-	-	-
September 23, 2024	500,000	500,000	0.12	4.99	-	-	-	-
	8,210,000	8,210,000	0.35	3.38	4,325,000	4,325,000	0.34	3.47

The changes in options were as follows:

	Nine months ended September 30, 2019			Year ended December 31, 2018		
	Number of Shares	Weighted average exercise price	Weighted average life in years	Number of Shares	Weighted average exercise price	Weighted average life in years
		\$			\$	
Balance, beginning of year	4,325,000	0.34	3.47	4,250,000	0.59	4.11
Granted	4,585,000	0.10	4.90	1,126,667	0.19	4.63
Exercised	-	-	-	(276,667)	0.15	-
Expired/cancelled	(700,000)	0.25	-	(775,000)	0.45	-
Balance, end of year	8,210,000	0.21	4.08	4,325,000	0.34	3.47

# A.I.S. RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 13. Reserves:

	Nine months ended September 30, 2019	Year ended December 31, 2018
	\$	\$
Balance, beginning of period	2,748,008	2,642,958
Change in fair value of investments	(15,926)	43,788
Warrants	395	(52,364)
Stock-based compensation expense (Note 12)	445,350	(39,277)
Options exercised	-	152,903
Balance, end of period	3,177,827	2,748,008

### 14. Supplemental information with respect to cash flows:

	September 30, 2019	September 30, 2018
	\$	\$
Exploration expenditures in accounts payable	501,787	-
Exploration expenditures in accounts receivable	178,655	-
Shares issued for subscriptions received in prior year	157,650	-

### 15. Segmented information:

The Company operated in the following segments:

	Other Investments	Exploration and Evaluation Assets	Commodities	Total
	\$	\$	\$	\$
<b>Total Assets as at:</b>				
September 30, 2019	528,606	4,261,544	229,980	5,020,130
December 31, 2018	544,533	3,624,043	-	4,168,576

The exploration and evaluation assets of the Company were based in Argentina as at September 30, 2019. (Note 9)

### 16. Financial instruments and financial risk management:

#### (a) Fair Value:

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

# A.I.S. RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

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### 16. Financial instruments and financial risk management (continued):

- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments.

The fair value of the other investment is disclosed in Note 8 of the consolidated financial statements and is based on inputs that are based on other observable data – Level 2.

The Company's financial instruments as at September 30, 2019 and December 31, 2018 include cash, accounts receivable, other investments, accounts payable, due to related parties and promissory notes. The fair value of these financial instruments, approximate their carrying amounts due to their short terms to maturity.

#### (b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash and cash equivalent deposits are placed with financial institutions that have a high credit rating and the Company considers the credit risk on bank deposits to be insignificant. The Company considers the credit risk on loans receivable to be low. The carrying amounts of cash, cash equivalent deposits, accounts receivable and notes receivable represents the maximum exposure to credit risk.

The Company avoids complex investment vehicles with higher risk such as asset-backed commercial paper and derivatives contracts and acquires equity investments.

#### (c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The companies, in which A.I.S. holds shares, have varying degrees of liquidity and there is no assurance that the investment can be sold at the quoted market price.

The Company maintained cash at September 30, 2019 in the amount of \$30,337 (December 31, 2018 - \$73,349), to meet short-term liabilities of \$1,276,573 (December 31, 2018 - \$1,122,167). All payables are current.

#### (d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices and interest rates will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

# A.I.S. RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 16. Financial instruments and financial risk management (continued):

#### (e) Equity price risk:

Equity price risk arises from the fluctuations in the trading price of equity securities. The Company monitors the mix of marketable securities in its investment portfolio based on market expectations. The investments are recorded at fair value which is affected by changes in the market price of the equity securities. The nature of the equity investments exposes the Company to significant equity price risks.

#### (f) Interest rate risk:

The Company is not exposed to significant interest rate risk.

#### (g) Foreign exchange risk

Foreign currency exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company has financial assets and liabilities denominated in the American dollar (USD) and Argentinian Pesos (ARS). The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in USD and ARS:

#### (g) Foreign exchange risk

	September 30, 2019	December 31, 2018
	\$	\$
Financial assets		
Cash – USD	3,017	43,843
Cash – ARS	8,456	28,580
Accounts receivable – USD	178,655	-
	190,128	72,423
Financial liabilities		
Accounts payable – USD	493,907	74,136
Accounts payable – BSD	-	3,482
Accounts payable – ARS	19,623	177,667
	513,530	255,285

# **A.I.S. RESOURCES LIMITED**

## **Notes to the Consolidated Financial Statements**

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

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### 17. Management of capital structure:

The Company considers the amount of capital it requires in proportion to the associated risks. Generally, it is the Company policy to operate with an under leveraged financial position but as conditions warrant, it may from time to time depart from this policy and use debt. Liquidity and cash management is the highest priority. Therefore, adjustments may be made to the capital structure in light of changes in economic conditions and the risk characteristics of the investment portfolio. The capital structure can be adjusted in a variety of ways as circumstances may change, including: purchasing shares for cancellation (Normal Course Issuer Bid); issuing new common and preferred shares; and increasing or repaying long-term debt. The Company's objectives when managing capital are the safeguarding of assets.

The Company's share capital is not subject to external restrictions.

The Company has not paid or declared any dividends since date of incorporation, nor are any contemplated in the foreseeable future.

### 18. Subsequent events:

Subsequent to the period ended September 30, 2019, the following events occurred:

- i) 4,505,000 warrants exercisable at 0.30 expired unexercised.