



Montan Mining Corp.

Consolidated Financial Statements

For the year ended July 31, 2018 and 2017

(expressed in Canadian dollars, except where indicated)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Montan Mining Corp.

We have audited the accompanying consolidated financial statements of Montan Mining Corp., which comprise the consolidated statements of financial position as at July 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Montan Mining Corp. as at July 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Montan Mining Corp.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

November 27, 2018

Montan Mining Corp.
Consolidated Statements of Financial Position

(Amounts expressed in Canadian dollars, except where indicated)

	Note	July 31, 2018	July 31, 2017
Assets			
Current assets			
Cash		\$ 15,765	\$ 22,640
Other receivables	6	34,478	57,529
Prepaid expenses	6	49,399	76,354
		99,642	156,523
Property plant and equipment	8	701,637	766,230
Exploration and evaluation properties	9	1,010,538	966,723
Total assets		\$ 1,811,817	\$ 1,889,476
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 632,453	\$ 765,293
Loan payable	11	366,774	185,399
Promissory notes and advances	10	330,372	380,038
		1,329,599	1,330,730
Loan payable	11	-	270,246
Total liabilities		1,329,599	1,600,976
Shareholders' equity			
Share capital		6,588,827	4,868,500
Reserves		2,630,963	2,071,951
Deficit		(8,737,572)	(6,651,951)
Total shareholders' equity		482,218	288,500
Total liabilities and shareholders' equity		\$ 1,811,817	\$ 1,889,476

Nature of operations and going concern (note 1)

Approved by the Board of Directors

 "Ian Graham"

Director

 "Luis Zapata"

Director

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

Montan Mining Corp.

Consolidated Statements of Loss and Comprehensive Loss

(Amounts expressed in Canadian dollars, except where indicated)

	Note	Years Ended July 31,	
		2018	2017
General and administration expenses			
Administrative fees		\$ (445,143)	\$ (422,362)
Amortization		(105,565)	(30,983)
Consulting fee		(714,785)	(766,575)
Project investigation costs		-	(381,597)
Foreign exchange		(43,185)	54,818
Investor communications		(41,002)	(490,086)
Legal and professional fee		(191,570)	(168,718)
Stock-based compensation	13	(280,972)	(457,185)
		(1,822,222)	(2,662,688)
Other expense			
Finance cost – accretion	10,11	-	(2,418)
Finance cost – interest expense	10,11	(29,297)	(29,369)
Other income		57,620	17,842
Gain on settlement of accounts payable		5,775	4,428
Loss on shares for debt	12	(297,497)	(17,029)
Loss for the year		\$ (2,085,621)	\$ (2,689,234)
Other comprehensive (loss) income (“OCI”)			
Cumulative translation adjustment		55,040	(93,676)
Loss and comprehensive loss for the year		\$ (2,030,581)	\$ (2,782,910)
Loss per share			
Basic and diluted		\$ (0.07)	\$ (0.12)
Weighted average shares outstanding			
Basic and diluted		30,585,543	21,769,836

Montan Mining Corp.

Consolidated Statements of Changes in Shareholders' Equity

(Amounts expressed in Canadian dollars, except where indicated)

	Notes	Shares (note 12)	Share capital	Convertible debenture equity component	Contingent Shares	Foreign currency Translation reserves	Reserves	Deficit	Total equity
Balance as at July 31, 2017		28,105,437	\$ 4,868,500	\$ -	\$ 154,000	\$ (93,676)	\$ 2,011,627	\$ (6,651,951)	\$ 288,500
Cumulative translation adjustment		-	-	-	-	55,040	-	-	55,040
Share issuance – private placement	12	13,194,000	431,172	-	-	-	223,000	-	654,172
Shares for debt	10,12	19,833,149	1,289,155	-	-	-	-	-	1,289,155
Stock based compensation	13	-	-	-	-	-	280,972	-	280,972
Net loss for the year		-	-	-	-	-	-	(2,085,621)	(2,085,621)
Balance as at July 31, 2018		61,132,586	\$ 6,588,827	\$ -	\$ 154,000	\$ (38,636)	\$ 2,515,599	\$ (8,737,572)	\$ 482,218

	Notes	Shares (note 12)	Share capital	Convertible debenture equity component	Contingent Shares	Foreign currency Translation	Reserves	Deficit	Total equity
Balance as at July 31, 2016		12,831,696	\$ 3,066,610	\$ 6,454	\$ -	\$ -	\$ 728,460	\$ (3,969,171)	\$ (167,647)
Share issuance - private placements	12	11,468,786	1,153,674	-	-	-	836,919	-	1,990,593
Share issuance – warrants exercised		104,167	26,562	-	-	-	(10,937)	-	15,625
Stock based compensation	13	-	-	-	-	-	457,185	-	457,185
Contingent shares on acquisition		-	-	-	154,000	-	-	-	154,000
Shares issued on acquisition		3,333,333	550,000	-	-	-	-	-	550,000
Share issued for debt		367,455	71,654	-	-	-	-	-	71,654
Reclassification upon maturity of convertible debt		-	-	(6,454)	-	-	-	6,454	-
Cumulative translation adjustment		-	-	-	-	(93,676)	-	-	(93,676)
Net loss for the year		-	-	-	-	-	-	(2,689,234)	(2,689,234)
Balance as at July 31, 2017		28,105,437	\$ 4,868,500	\$ -	\$ 154,000	\$ (93,676)	\$ 2,011,627	\$ (6,651,951)	\$ 288,500

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

Montan Mining Corp.
Consolidated Statement of Cash Flows
(Amounts expressed in Canadian dollars, except where indicated)

	Note	For Years Ended July 31,	
		2018	2017
Cash used from operating activities			
Net loss for the year		\$ (2,085,621)	\$ (2,689,234)
Items not affecting cash			
Amortization		105,565	30,983
Share-based compensation	13	280,972	457,185
Foreign exchange		(5,400)	(54,817)
Gain on settlement of accounts payable		(5,775)	(4,428)
Loss on issuance of shares	12	297,497	17,029
Finance cost – accretion expense	10,11	-	2,418
Finance cost – interest expense		29,297	12,743
Change in non-cash working capital			
Decrease (Increase) in other receivables		23,051	(39,689)
Decrease in prepaid expenses		26,955	61,660
Increase in accounts payable and accrued liabilities		456,421	269,014
Net cash used in operating activities		(877,038)	(1,937,136)
Cash flows from financing activities			
Proceeds from private placements	12	240,472	1,990,593
Proceeds from warrants exercised	12	-	15,625
Proceeds of promissory notes and advances	10	777,319	222,063
Repayment of loan payable	11	(117,880)	(124,491)
Net cash provided by financing activities		899,911	2,103,790
Cash flows used in investing activities			
Cash acquired on acquisition		-	13,080
Transaction costs on acquisition		-	(24,757)
Purchase of mineral property		-	(1,268)
Net cash used in investing activities		-	(12,945)
Effect of exchange rate changes on cash		(29,748)	(134,065)
Increase (decrease) in cash		(6,875)	19,644
Cash - beginning of year		22,640	2,996
Cash - end of year		\$ 15,765	\$ 22,640

Supplemental cash flow information (note 18)
Subsequent event (note 19)

Montan Mining Corp.

Notes to Consolidated Financial Statements

For the year ended July 31, 2018 and 2017

(Amounts expressed in Canadian dollars, except where indicated)

1 Nature of operations and going concern

Montan Mining Corp. (“the Company”) was incorporated under the Business Corporations Act of the Province of Ontario, Canada, on March 7, 2003.

The head office of the Company is located at Suite 1201 – 1166 Alberni St., Vancouver, BC, V6E 3Z3 Canada and the registered office of the Company is located at Suite 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 1H2.

The Company is in the process of exploring its resource properties and has not determined whether these properties contain mineral reserves which are economically recoverable. The recoverability of amounts shown for exploration and evaluation expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production from the property or proceeds from its disposition.

On May 2, 2018, the Company completed a consolidation of common shares of the Company on the basis of three for one. All share and per share information has been retrospectively restated in these consolidated financial statements to reflect this share consolidation.

Going concern

At July 31, 2018, the Company had net working capital deficit of \$1,229,957 (July 31, 2017 – \$1,174,207) and had not yet achieved profitable operations. In addition the Company had accumulated losses of \$8,737,572 (July 31, 2017 – \$6,651,951) since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work program on its mineral properties, meet its on-going levels of corporate overhead and commitments, keep its properties in good standing and discharge its liabilities as they come due. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. In the past, the Company has been successful in obtaining financing, although there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies set out below were consistently applied to all periods presented.

The Board of Directors approved this set of financial statements on November 27, 2018.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting with the exception of the consolidated statement of cash flows.

New Accounting Standards Issued but Not Yet Effective

The following are new pronouncements approved by the IASB. These new standards and interpretations are not yet effective and have not been applied in preparing these financial statements, however they may impact future periods.

- (i) IFRS 15, Revenues from Contracts and Customers (“IFRS 15”) was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue, which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or a modified retrospective approach when adopting the standard and it is effective for annual periods beginning on or after January 1, 2018.

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- (ii) IFRS 9, Financial instruments (“IFRS “) was issued by the IASB on July 24, 2014 as a complete standard. This standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities. The Standard eliminates the existing categories of held to maturity, available for sale and loans and receivables. On initial recognition, financial assets will be classified into those measures at amortized cost and at fair value. The mandatory effective date of the new standard is for annual periods beginning on or after January 1, 2018. The Company believes that implementation of the new standard will not have a material impact on its financial results.
- (iii) IFRS 16, Leases is a new standard that sets out the principles of recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The mandatory effective date of the new standard is for periods beginning on or after January 1, 2019. The Company believes the implementation of the new standard will not have a material impact on its financial statements.

The Company does not anticipate a material impact from the adoption of IFRS 9 and 15. The Company is currently evaluating the potential impact of IFRS 16 on its consolidated financial statements.

3 Estimates, risks and uncertainties

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The Company’s management makes judgments in its process of applying the Company’s accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of the financial data requires that the Company’s management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

Significant judgments in applying accounting policies

The critical judgments that the Company’s management has made in the process of applying the Company’s accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company’s consolidated financial statements are as follows:

(i) Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values, including those of the cash-generating units, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of assets could impact the impairment analysis.

(ii) Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploratory drilling and evaluation costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Montan Mining Corp.

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(Amounts expressed in Canadian dollars, except where indicated)

(iii) Functional currency

The functional currency for each of the Company's subsidiaries, is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

(iv) Acquisition of Cerro Dorado S.A.C.

During fiscal 2017, the Company acquired Cerro Dorado S.A.C. and M&F Minera Ofir S.A.C., which hold exploration permits and a processing plant currently located in Peru (Note 7). Management determined that the purchase represented an acquisition of assets rather than a business combination because the mineral properties were in the exploration and evaluation stage and had not demonstrated technical feasibility, economic viability or the ability to provide economic benefit and the processing plant required capital expenditures to commence processing. The allocation of purchase consideration to each component is based on the relative fair value of the assets acquired. The consideration value includes management's estimated probability of certain share issuances. The value of the property, plant and equipment is based on an appraisal value and the amount allocated to exploration assets is the residual value.

Key sources of Estimation Uncertainty

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could materially differ from these estimates. The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

(i) Depreciation and depletion

Plants and other facilities used directly in mining activities are depreciated using the units-of-production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves and a portion of measured and indicated and inferred resources. Mobile and other equipment are depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment to the extent that the useful life does not exceed the related estimated life of the mine based on mineral reserves.

The calculation of the UOP rate, and therefore the annual depreciation and depletion expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in gold price used in the estimation of mineral reserves.

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and depletion and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

(ii) Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option

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pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

For asset acquisitions, contingent share consideration is an estimate of the fair value of the contingent amounts expected to be payable in the future. The fair value is based on number of contingent shares, the share price of the Company on the date of acquisition and management's expectations of probability.

(iii) Deferred taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

(iv) Decommissioning and restoration provision

The Company assesses its reclamation provisions at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent, cost, and timing of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rate, and changes in discount rates. These uncertainties may result in future expenditures differing from the amounts currently provided.

4 Significant accounting policies

Principles of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned Peruvian subsidiaries, Minera Strait Gold Peru S.A.C. ("MSG Peru"), Cerro Dorado S.A.C., M&F Minera Ofir S.A.C. and Montan Capital Corp. ("MCC"). All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Cash

Cash consist of cash balances and demand deposits.

Mineral Properties

(i) Pre-license costs:

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

(ii) Exploration and evaluation costs:

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized on a property by property basis until such time as the lease expires, the mineral properties abandoned, sold or considered impaired in value or is transferred to mines under construction as development cost. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

Montan Mining Corp.

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(Amounts expressed in Canadian dollars, except where indicated)

(iii) Mines under construction and development costs:

When technical feasibility and economic viability of projects have been determined and the decision to proceed with development has been approved the asset is first tested for impairment and thereafter, the expenditures related to construction are capitalized as mines under construction and classified as a component of mine properties, plant and equipment. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines certain production parameters are met.

In order for production to occur, the Company must first obtain exploitation and other permits on such properties. Such permits are subject to the approval of the local government and government controlled entities. Unless and until such permits are obtained there can be no assurance that such permits will be obtained. As such, permits need to be obtained before costs are reclassified from exploration and evaluation properties to mines under construction.

(iv) Mine properties:

Once a mineral property has been brought into commercial production as intended by management, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining useful life of the related assets. Mine properties include deferred stripping costs and decommissioning and restoration costs related to the reclamation of mine properties. Mine properties are derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds received and the carrying amount of the asset is recognized in profit or loss.

Costs of producing mine properties are depreciated and depleted on the UOP basis using estimated resources. Depreciation or depletion is recorded against the mine property only upon the commencement of commercial production.

Mine properties are recorded at cost, net of accumulated depreciation and depletion and accumulated impairment losses and are not intended to represent future values.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

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 transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

Impairment of exploration and evaluation properties

The Company reviews and evaluates the recoverable amount of its exploration and evaluation properties when events or changes in circumstances indicate that the carrying amounts of assets or groups of assets might not be recoverable. For the purposes of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of expected future cash flows of the asset). At the end of each reporting period, non-financial assets are reviewed for impairment to determine if there is any indication that the carrying amount may not be recoverable.

Indicators for an impairment review arise typically when any one of the following circumstances applies:

- (i) substantive expenditure on further exploration and evaluation is not planned
- (ii) title to the asset is compromised
- (iii) the right to explore the property has expired or will expire shortly
- (iv) adverse changes in the regulatory or taxation environment
- (v) adverse changes in commodity prices and markets

The existence of any of the above conditions may signify that an impairment exists in the fair value of properties.

The recoverability of the carrying values of the properties is dependent on the ability of the Company to obtain the necessary financing and permits to continue exploration, the establishment of economically recoverable reserves, future profitable production and/or proceeds from the disposition thereof.

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(Amounts expressed in Canadian dollars, except where indicated)

Long-term assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

Property, plant and equipment

Property, plant and equipment are recorded at cost and carried net of accumulated depreciation and accumulated impairment losses. Costs of additions and improvements are capitalized. An item of plant and equipment is derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds and the carrying amount of the asset is recognized in profit or loss.

Property, plant and equipment consist of roads and tailings dam, buildings and machinery and equipment and are amortized over their useful lives.

	Years
Roads and tailings dam	10
Buildings	10
Machinery & equipment	5-7
Vehicles	4-5

Major overhaul expenditures on mobile equipment and other tangible property, including replacement spares and labour costs, are capitalized and amortized over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of the mobile equipment are charged to operating costs if it is not probable that future economic benefits will flow to the Company.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company estimates that the present value of the required restoration, rehabilitation and environmental costs resulting from disturbance to date to be immaterial.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as units. Under the relative fair value method, the Company first determines the fair values of the shares and warrants included in the units, then allocates the unit price based on the relative fair value of the instruments included in the unit. The Company considers the fair value of common shares issued in these types of transactions to be determined by the closing quoted bid price on the issuance date. The fair value of the warrants included is determined using the Black-Scholes option pricing model. Any fair value attributed to the warrants is recorded to reserves.

Foreign currencies

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is the Canadian dollar. The functional currency of the Company's subsidiaries are, MSG Peru is the US dollar, MCC is the Canadian dollar, Cerro Dorado S.A.C. is the Peruvian Sol and M&F Minera Ofir S.A.C. is the Peruvian Sol.

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(Amounts expressed in Canadian dollars, except where indicated)

The functional currency determinations were made by management based on an analysis of factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

These consolidated financial statements have been translated into Canadian dollars in accordance with IAS 21. This standard requires that assets and liabilities be translated using the exchange rate at period end and that income and expenses and cash flow items be translated using the rate that approximates the exchange rate at the date of the transactions (i.e. average exchange rate for the period).

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing at the dates of the transactions. At each financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange gains and losses, including results of re-translation, are recorded in the foreign currency translation reserves.

Share based compensation

Share based compensation arising out of the fair value of options granted under the Company's share option plan is recognized as a share based payment expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair-value of the options granted is measured using the Black-Scholes option pricing model. At the end of each financial reporting period the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

Comprehensive loss

The Company includes in comprehensive loss certain gains and losses arising from changes in fair value. Comprehensive income would include the following unrealized gains and losses which are potentially relevant to the Company: changes in the currency translation adjustment arising from translating the financial results of foreign operations to the Company's reporting currency, and unrealized gains and losses on available-for-sale investments, if any.

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are based on differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

Montan Mining Corp.

Notes to Consolidated Financial Statements

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Share issuance cost

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

Financial Instruments – recognition and measurement

The Company does not have any derivative financial instruments.

All financial assets are classified into one of the following four categories: fair value through profit or loss ("FVTPL"), held to maturity ("HTM"), available for sale ("AFS") and loans and receivables.

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value and changes are recognized in profit or loss. HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. AFS financial assets subsequent to initial recognition are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company's cash has been classified as FVTPL financial assets. The Company does not presently have any financial assets designated as AFS. The carrying value of the Company's cash approximates its fair value due to its short-term nature.

The Company has the following non-derivative financial liabilities: amounts payable and accrued liabilities, loans payable and promissory notes and advances designated at amortized cost. The carrying value of financial liabilities approximates their fair value due to their short-term nature.

Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

5 Financial instruments

The Company's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities, loan payable and promissory notes and advances. The fair value of these financial instruments approximates the carrying value due to the short maturity or current market rate associated with these instruments.

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

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

Montan Mining Corp.

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Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and other receivables. The Company's cash is held through large Canadian financial institutions and other receivables are primarily related to tax credits receivable from the government of Canada.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 16. The accounts payable and loans are due within the current operating period. The Company is exposed to liquidity risk.

Market Risk

The Company's market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is not exposed to significant interest rate risk. A 1% change in market interest rates would result in no significant change in value of cash and other financial instruments.

Foreign Exchange Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of those fluctuations on the Company's foreign currency denominated monetary assets and liabilities. The Company currently operates in Canada and Peru. Certain costs and expenses are incurred in US dollars and Peruvian sol. The Company attempts to mitigate currency risk through the preparation of short and long term expenditure budgets in the foreign currencies and planning for the conversion of Canadian dollars into foreign currencies whenever exchange rates are favourable.

The Company's financial assets and liabilities as at July 31, 2018 are denominated in United States Dollars, Canadian Dollars, and Peruvian Soles, and are set out in the following table:

	Canadian Dollars	US Dollars	Peruvian Soles	Total
Financial assets				
Cash	\$ 6,534	\$ -	\$ 9,231	\$ 15,765
Other receivables	8,091	-	26,387	34,478
	14,625	-	35,618	50,243
Financial liabilities				
Accounts payables and accrued liabilities	(437,850)	(116,762)	(77,841)	(632,453)
Loan payable	-	(366,774)	-	(366,774)
Promissory notes and advances	(330,372)	-	-	(330,372)
Net financial (liabilities) assets	\$ (753,597)	\$ (483,536)	\$ (42,223)	\$ (1,279,356)

The Company's financial assets and liabilities as at July 31, 2017 are denominated in United States Dollars, Canadian Dollars, and Peruvian Soles, and are set out in the following table:

Montan Mining Corp.

Notes to Consolidated Financial Statements

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(Amounts expressed in Canadian dollars, except where indicated)

	Canadian Dollars	US Dollars	Peruvian Soles	Total
Financial assets				
Cash	\$ 3,157	\$ 13	\$ 19,470	\$ 22,640
Other receivables	54,082	-	3,447	57,529
	57,239	13	22,917	80,169
Financial liabilities				
Accounts payables and accrued liabilities	(524,005)	(144,772)	(96,516)	(765,293)
Loan payable	-	(455,645)	-	(455,645)
Promissory notes and advances	(380,038)	-	-	(380,038)
Net financial (liabilities) assets	\$ (846,804)	\$ (600,404)	\$ (73,599)	\$ (1,520,807)

The Company's reported results will be affected by changes in the US dollar to Canadian dollar and US dollar to Peruvian Sol exchange rate. As of July 31, 2018, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial liabilities by approximately \$48,354 (July 31, 2017 - \$60,040). A 10% appreciation of the US Dollar relative to the Canadian dollar would have had the equal but opposite effect. A 10% appreciation of the Peruvian Sol relative to the CAD dollar would have increased net financial liability by approximately \$4,222 (July 31, 2017 - \$7,360) and a 10% depreciation of the Peruvian Sol would have had an equal but opposite effect. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk.

6 Receivables and prepaid expenses

	July 31, 2018	July 31, 2017
GST receivable	\$ 8,090	\$ 54,082
Peruvian tax credits	26,388	-
Other receivables	-	3,447
Other receivables - total	\$ 34,478	\$ 57,529
Prepaid expenses	\$ 49,399	\$ 76,354

7 Cerro Dorado S.A.C. Investment

On January 17, 2017, the Company completed the acquisition of Cerro Dorado S.A.C. ("Cerro Dorado"), a Peruvian Company. The Company purchased 100% of the shares of Cerro Dorado with assets that comprise an option on an exploration and evaluation property in Peru, a processing plant, and the associated permits, lease, access rights and mineral tenures, in consideration for the following:

1. 3,333,333 million common shares of the Company on execution of sale to be held in escrow and released at 500,000 shares at the end of every 6 months from the day of closing.
2. 666,667 million common shares of the Company upon sale of 1,000 oz Silver-contained ore or dore from either the mine or the plant.

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Notes to Consolidated Financial Statements

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3. 666,667 million common shares of the Company upon sale of an additional 2,000 oz Silver-contained ore or dore (3,000 oz total) from either the mine or the plant.

The purchase price allocation is summarized as follows:

3,333,333 common shares of the Company at \$0.165 CAD per share	550,000
666,667 contingent shares upon 1,000 ounces at \$0.165 CAD per share ⁽¹⁾	88,000
666,667 contingent shares upon an additional 2,000 ounces at \$0.165 CAD per share ⁽²⁾	66,000
Forgiveness of intercompany debt	15,399
Transaction costs	24,757
Total consideration	744,156

⁽¹⁾ The probability allocated to achieving the first tranche of contingent consideration was assessed at 80%

⁽²⁾ The probability allocated to achieving the second tranche of contingent consideration was assessed at 60%

Allocated to:

Cash	13,080
Receivables and other	3,118
Property plant and equipment	784,514
Exploration and evaluation properties	951,531
Amount payable to the owners of the Rey Salomon mine	(175,606)
Accounts payable	(244,779)
Loans payable	(587,702)
Total consideration	744,156

On March 9, 2017, the Company completed the acquisition of M&F Minera Ofir S.A.C. (“OFIR”) which merged with Cerro Dorado. There were no identifiable assets and liabilities within OFIR other than exploration and evaluation properties which Cerro Dorado was optioning into.

8 Property, plant and equipment

	Roads/ Tailings Dam	Buildings	Machinery & Equipment	Vehicles	Total
Cost					
Acquired on January 17, 2017	\$ 306,910	\$ 71,830	\$ 314,354	\$ 91,420	\$ 784,514
Current period additions	-	1,268	-	-	1,268
Movement in foreign exchange	4,647	1,105	4,460	1,219	11,431
Balance at July 31, 2017	\$ 311,557	\$ 74,203	\$ 318,814	\$ 92,639	\$ 797,213
Accumulated Depreciation					
Acquired on January 17, 2017	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation expense	-	112	19,843	\$ 11,028	30,983
Balance at July 31, 2017	\$ -	\$ 112	\$ 19,843	\$ 11,028	\$ 30,983
Carrying Amount					
Balance at July 31, 2017	\$ 311,557	\$ 74,091	\$ 298,971	\$ 81,611	\$ 766,230

Montan Mining Corp.

Notes to Consolidated Financial Statements

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(Amounts expressed in Canadian dollars, except where indicated)

	Roads/ Tailings Dam	Buildings	Machinery & Equipment	Vehicles	Total
Cost					
Balance as at July 31, 2017	\$ 311,557	\$ 74,203	\$ 318,814	\$ 92,639	\$ 797,213
Movement in foreign exchange	17,389	4,134	15,724	3,725	40,972
Balance at July 31, 2018	\$ 328,946	\$ 78,337	\$ 334,538	\$ 96,364	\$ 838,185
Accumulated Depreciation					
Balance as at July 31, 2017	\$ -	\$ 112	\$ 19,843	\$ 11,028	\$ 30,983
Depreciation expense	31,157	7,420	45,419	\$ 21,569	105,565
Balance at July 31, 2018	\$ 31,157	\$ 7,532	\$ 65,262	\$ 32,597	\$ 136,548
Carrying Amount					
Balance at July 31, 2018	\$ 297,789	\$ 70,805	\$ 269,276	\$ 63,767	\$ 701,637

9 Exploration and evaluation properties

	July 31, 2018	July 31, 2017
Cost		
Balance, beginning of year	\$ 966,723	\$ -
Acquired Rey Salomon on January 17, 2017 (Note 7)	-	951,531
Movement in foreign exchange	43,815	15,192
Balance, end of the year	\$ 1,010,538	\$ 966,723

a) Rey Salomon property

Exploration and evaluation properties are comprised of certain concessions located in the district of Arequipa, province of Caravelí, Peru.

b) Kairos Capital Peru S.A.C.

On February 16, 2017, the Company signed a term sheet with Pacific Alliance Capital Group Lit ("Pacific Alliance") for the purchase, by of the Peruvian companies Kairos Capital Peru S.A.C. ("Kairos") and M&S Transportes y Servicios Generales S.R.L. ("Mirador") from Pacific Alliance for \$3,000,000 cash and the issuance of \$3,000,000 in common shares of the Company. The original term sheet contemplated a closing before June 30, 2017. The Company extended the term sheet to December 31, 2017 to facilitate the completion of the transaction closing requirements. As at January 31, 2018, the Company and Pacific Alliance have terminated negotiations for a further extension.

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10 Promissory notes and advances

	Advance (a)	Promissory Note (b)	Promissory Note (c)	Promissory Note (d)	Advances (e)	Promissory Note (f)	Promissory Note (g)	Promissory Note (h)	Total
Opening balance, July 31, 2016	\$ 27,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,025
Finance cost – accretion expense	1,880	-	-	-	-	-	-	-	1,880
Additional lending	-	120,000	10,263	129,070	91,800	-	-	-	351,133
Balance, July 31, 2017	\$ 28,905	\$ 120,000	\$ 10,263	\$ 129,070	\$ 91,800	\$ -	\$ -	\$ -	\$ 380,038
Accretion	470	-	-	-	-	-	-	-	470
Additional lending	-	-	32,247	-	14,685	91,550	30,000	608,837	777,319
Settlement for shares	(29,375)	(120,000)	(42,510)	(129,070)	(82,500)	-	(30,000)	(394,000)	(827,455)
Balance July 31, 2018	\$ -	\$ -	\$ -	\$ -	\$ 23,985	\$ 91,550	\$ -	\$ 214,837	\$ 330,372

- (a) On April 5, 2016, the Company entered into a loan agreement for \$30,000 with a private Canadian company. The loan accrues interest at a rate of 12% per annum, payable annually beginning February 5, 2017 with full repayment of unpaid interest and principle due on February 8, 2018. The fair value of the common shares, \$3,600, on date of execution has been recorded as transaction costs and were netted against the loan. As at April 5, 2017, the Company issued 120,000 common shares to settle the transaction costs. The fair value of the Montan shares as at the date of issuance is \$0.065, a loss of \$4,200 on shares issued recorded for this transaction.

During the year ended July 31, 2018, \$470 (July 31, 2017 - \$1,880) was recorded as accretion expense. During the year ended July 31, 2018, \$900 (July 31, 2017- \$3,600) was recorded as interest expenses. As at July 31, 2018, the Company has accrued interest payable of \$nil for this loan (July 31, 2017 – \$4,800). The principal and accrued interest was purchased by Lions Bay Capital Inc. (“Lions Bay”) which was then settled in the shares for debt transaction completed on July 6, 2018 (see note 12 iii).

- (b) On July 20, 2017, the Company entered into an unsecured promissory note agreement for \$120,000 with a private Canadian company controlled by a director. The loan accrues interest at a rate of 6% per annum. The principal and interest is due on July 20, 2018. In the event that the loan is not repaid on the maturity date, the interest rate is increased to 24% prospectively. During the year ended July 31, 2018 \$3,866 (July 31, 2017 - \$nil) was recorded as interest expense. The principal and accrued interest was purchased by Lions Bay which was then settled in the shares for debt transaction completed on July 6, 2018 (see note 12 iii).
- (c) On July 18, 2017, the Company entered into an unsecured promissory note agreement for \$10,263 with a director of the Company. During the year ended July 31, 2018 the Company received an additional \$32,247 in advances. The loan is non-interest bearing and the principal is due on July 18, 2018. The principal and accrued interest was purchased by Lions Bay which was then settled in the shares for debt transaction completed on July 6, 2018 (see note 12 iii).

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- (d) On September 8, 2016, on maturity of convertible notes, the Company and note holders agreed to extend these amounts as promissory notes. During the year ended July 31, 2018 \$4,930 (July 31, 2017 - \$20,595) was recorded as interest expense. The principal and accrued interest was settled on the shares for debt completed on July 6, 2018.
- (e) On July 31, 2017, the Company received advances from various parties in the amount of \$91,800. The advances are unsecured, are non-interest bearing and have no repayment terms. During the year ended July 31, 2018, the Company received \$14,685 of additional advances. \$82,500 of the advances were purchased by Lions Bay which was then settled in the shares for debt transaction completed on July 6, 2018 (see note 12 iii).
- (f) On August 21, 2017, the Company entered into an unsecured promissory note agreement for \$25,000 with a private Canadian company. The loan accrues interest at a rate of 2% per annum. The principal and interest are due in one year. On September 6, 2017 and October 27, 2017 further advances were received for \$50,000 and \$16,550 respectively. These amounts accrue interest at a rate of 2% per annum. The principal and interest are due one year subsequent to advance. During the year ended July 31, 2018, \$1,600 (July 31, 2017 - \$nil) was recorded as interest expense. The full amount of principal and interest was repaid subsequent to year end.
- (g) On November 22, 2017, the Company entered into an unsecured promissory note agreement for \$30,000 with a private Canadian company. The loan accrues interest at a rate of 6% per annum. The principal and interest is due on November 22, 2018. The principal and accrued interest was purchased by Lions Bay which was then subsequently settled in the shares for debt transaction completed on July 6, 2018 (see note 12 iii).
- (h) On December 5, 2017, the Company entered into an unsecured promissory note agreement with a private Canadian company. The loan accrues interest at a rate of 8% per annum. The principal and interest is due on December 5, 2018. During the year ended July 31, 2018 the advances per the promissory note totaled \$608,837 (2017 - \$nil). During the year ended July 31, 2018, \$394,000 was repaid (2017 - \$nil). During the year ended July 31, 2018 \$6,688 (July 31, 2017 - \$nil) was recorded as interest expense.

11 Loan payable

As part of the Cerro Dorado acquisition, the Company acquired a secured loan payable to M&F Minera Ofir S.A.C. ("OFIR"). The total amount owing to OFIR was USD \$453,968 with an effective interest rate of 2.6% per annum which will be repaid in 24 equal monthly installments of USD \$18,915 commencing January 25, 2017 and ending December 25, 2018. During the year ended July 31, 2018, \$14,957 (July 31, 2017- \$12,743) was recorded as interest expense. The Company was not able to make all required payments on the agreed timeline and is currently renegotiating the terms of the debt with OFIR. The full balance of the loan was recognized as a current liability as at July 31, 2018.

	July 31, 2018	July 31, 2017
Opening balance, July 31, 2017	\$ 455,645	\$ -
Balance acquired on January 17, 2017	-	587,702
Repayment	(117,880)	(116,736)
Interest expense	14,957	12,743
Interest paid	(10,295)	(7,755)
Foreign exchange	24,347	(20,309)
	\$ 366,774	455,645
Short-term portion	366,774	185,399
Long-term portion	\$ -	270,246

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12 Share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

On May 2, 2018, the Company completed a consolidation of the common shares of the Company on the basis of three pre-consolidation common shares for one post-consolidation common share. All share and per share information has been retrospectively restated in these consolidated financial statements to reflect this share consolidation.

In addition to the above, as at July 31, 2018 the Company had 1,500,000 (July 31, 2017 – 2,500,000) common shares held in escrow as part of the Cerro Dorado acquisition (see note 7). In total 3,333,333 shares were to be issued and 333,333 were released from escrow on closing on January 17, 2017, and 500,000 common shares will be released on every six (6) month anniversary of closing until all common shares are released by the end of 3 years.

Fiscal 2018

- i) On June 22, 2018, the Company closed the first tranche of the private placement and issued 6,120,000 units at \$0.05 for total gross proceeds of \$151,000 and a reduction of loans of \$155,000. Each unit consists of one common share and one transferable share purchase warrant, with each warrant exercisable into one additional common share at \$0.06 per share for one (1) year after the closing date. The fair value of the warrants issued was calculated as \$0.03 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.79% risk free interest rate, expected life of 1 year, 214% annualized volatility and 0% dividend rate. The value of the share was determined to be \$0.07. The share purchase warrant's relative fair value of \$101,000 was allocated to the warrant and recorded in reserves.
- ii) On July 6, 2018, the Company closed the second tranche of the private placement and issued 7,074,000 units at a price of \$0.05 per unit for aggregate gross proceeds of \$145,202 and a reduction of loans of \$208,498. Each unit consists of one common share and one transferable share purchase warrant, with each warrant exercisable into one additional common share at \$0.06 per share for one (1) year after the closing date. The fair value of the warrants issued was calculated as \$0.03 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.90% risk free interest rate, expected life of 1 year, 213% annualized volatility and 0% dividend rate. The value of the shares was determined to be \$0.065. The share purchase warrant's relative fair value of \$122,000 was allocated to the warrants and recorded in reserves. The Company incurred share issuance costs of \$5,528 related to the private placement.
- iii) On July 6, 2018, the Company completed a shares for debt transaction where Lions Bay Capital Inc. ("Lions Bay") purchased \$991,657 in indebtedness of the Company from the Company's creditors and settled this purchase with the issuance of Lions Bay Shares. The acquired debt owned by Lions Bay was converted into 19,833,148 common shares of the Company at a deemed price of \$0.05. As the fair value of the shares on issuance was \$0.065 per share, for a total of \$1,289,155, the Company recorded a loss of \$297,497 on settlement of debt.

Fiscal 2017

- iv) On August 25, 2016, the Company closed a private placement for 1,566,667 units at a price of \$0.30 for gross proceeds of \$470,000. Each unit consists of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at a price of \$0.45 until expiry on August 25, 2018. Of 1,566,667 common shares issued, 360,667 were issued to settle the certain debts owed to two vendors. The fair value of the warrants issued was calculated as 0.06 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.52% risk free interest rate, expected life of 2 years, 205% annualized volatility and 0% dividend rate. The value of the shares was determined to be \$0.075. The share purchase warrant's relative fair value of \$208,521 was allocated to the warrants and recorded in reserves.
- v) On October 27, 2016, the Company closed a private placement for 2,723,333 units at a price of \$0.15 for gross proceeds of \$408,500. Each unit consists of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at a price of \$0.30 for a period of five years after the closing date. Of 2,723,333 common shares issued, 66,667 were issued to settle the certain debts owed to a vendor. The Company paid finder fees of \$1,750 related to this private placement. The fair value of the warrants issued was calculated as \$0.048 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.63% risk free interest rate, expected life of 5 years, 197% annualized volatility and 0% dividend rate. The value of the shares was

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determined to be \$0.055. The share purchase warrant's relative fair value of \$190,559 was allocated to the warrants and recorded in reserves.

- vi) On December 15, 2016, the Company closed a private placement for 3,113,796 units at a price of \$0.15 for gross proceeds of \$467,069. Each unit consists of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at \$0.30 for a period of five years after the closing date. The Company paid finder's fees in the aggregate amount of \$3,500. The fair values of warrants issued was calculated as \$0.048 per warrant and was determined using the relative fair value method on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.63% risk free interest rate, expected life of 5 years, 191% annualized volatility and 0% dividend rate. The value of the shares was determined to be \$0.05. The share purchase warrant's relative fair value of \$228,211 was allocated to the warrants and recorded in reserves.
- vii) On January 13, 2017, the Company closed a private placement for 1,033,333 units at a price of \$0.15 for gross proceeds of \$155,000. Each unit consists of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share at \$0.10 for a period of five years after the closing date. The fair value of the warrants was calculated as \$0.048 and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.63% risk free interest rate, expected life of 5 years, 188% annualized volatility and 0% dividend rate. The value of the shares was determined to be \$0.05. The share purchase warrant's relative fair value of \$75,569 was allocated to the warrants and recorded in reserves.
- viii) On April 13, 2017, the Company closed a private placement for 3,031,657 units at a price of \$0.165 for gross proceeds of \$500,223. Each unit consists of one common share and one half common share purchase warrant. Each warrant will be exercisable into one common share at \$0.30 for a period of two years after the closing date. The Company paid finder's fee in the aggregate amount of \$4,950. The fair value of the warrants was calculated as \$0.022 and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.74% risk free interest rate, expected life of 2 years, 177% annualized volatility and 0% dividend rate. The value of the shares was determined to be \$0.06. The share purchase warrant's relative fair value of \$134,059 was allocated to the warrants and recorded in reserves.
- ix) On April 13, 2017, the Company issued the 216,721 common shares at price of \$0.195 per share to settle certain debts acquired in the Cerro Dorado acquisition, a loss of \$8,148 on settlement of debt was recorded.
- x) On April 19, 2017, the Company issued the 110,733 common shares at price of \$0.195 per share to settle certain debts owned to an arms-length party, a loss of \$4,681 on settlement of debt was recorded.
- xi) On April 19, 2017, the Company issued the 40,000 common shares at price of \$0.195 per share to settle transaction cost from a third-party loan, a loss of \$4,200 on settlement of debt was recorded. (see note 9).
- xii) On September 19, 2016, 104,167 warrants were exercised with a strike price of \$0.15 per share for total proceeds of \$15,625.

The following is a summary of the share purchase warrants outstanding as at July 31, 2018 and July 31, 2017:

	July 31, 2018		July 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding - beginning of year	11,439,753	\$ 0.33	2,239,549	\$ 0.42
Issued	13,194,000	0.06	9,952,959	0.33
Expired	(1,486,818)	0.33	(648,588)	0.66
Exercised	-	-	(104,167)	0.15
Outstanding – as at year end	23,146,935	\$ 0.16	11,439,753	\$ 0.33

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Number of warrants	Exercise price per warrant	Expiry date
1,566,664	\$0.45	August 25, 2018*
2,723,328	\$0.30	October 27, 2021
3,113,785	\$0.30	December 15, 2021
1,033,333	\$0.30	January 13, 2022
1,515,825	\$0.30	April 13, 2019
6,120,000	\$0.06	June 22, 2019
7,074,000	\$0.06	July 6, 2019
23,146,935		

*Expired subsequent to year end

As at July 31, 2018, the weighted average exercise price of the warrants outstanding was \$0.16 (July 31, 2017 - \$0.33) with a weighted average remaining contractual life of 1.56 years (July 31, 2017 – 3.0 years).

The following is a summary of the finders and broker warrants outstanding as at July 31, 2018 and July 31, 2017:

	July 31, 2018		July 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding - beginning of year	18,000	\$ 0.15	48,567	\$ 0.39
Issued	-	-	-	-
Expired	(18,000)	0.15	(30,567)	0.54
Outstanding – as at year end	-	\$ -	18,000	\$ 0.15

As at July 31, 2018, the weighted average exercise price of the warrants outstanding was \$nil (July 31, 2017 - \$0.05) with a weighted average remaining contractual life of nil years (July 31, 2017 – 0.8 years).

13 Share based compensation

The Company adopted a stock option plan (the “Stock Option Plan”) under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares.

On January 17, 2017, the Company issued 1,433,333 stock options to its directors, officers and consultants at an exercise price of \$0.21 per share for expiry date January 17, 2022. The fair value of \$227,182 for these stock options was determined using the Black-Scholes option pricing model using the following assumptions: expected life of 5 years, volatility of 188%, annual rate of dividends of 0.00% and risk free rate of 0.6272%.

On July 9, 2018, the Company granted 5,154,935 incentive stock options to certain directors, officers and consultants at an exercise price of \$0.08 per share for expiry date July 9, 2023. As part of the Options grant, the Company has cancelled 1,383,332 options previously granted to certain directors, officers and consultants. The fair value of \$280,972 for these stock options was determined using Black-Scholes option pricing model using the following assumptions: expected life of 5 years, volatility of 238%, annual rate of dividends of 0.00% and risk free rate of 2.05%.

The following is a summary of the stock options outstanding as at July 31, 2018 and July 31, 2017:

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	July 31, 2018		July 31, 2017	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding - beginning of year	2,341,657	\$ 0.24	451,657	\$ 0.30
Granted	5,154,935	0.21	2,300,000	0.24
Cancelled or expired	(1,383,332)	0.07	(410,000)	0.33
Outstanding - end of year	6,113,260	\$ 0.09	2,341,657	\$ 0.24

Number of stock option outstanding and vested	Exercise price per stock option	Expiry date
133,332	\$0.30	December 5, 2022
141,664	\$0.30	March 7, 2020
633,329	\$0.30	August 2, 2021
50,000	\$0.21	January 17, 2022
5,154,935	\$0.08	July 9, 2023
6,113,260	\$0.08	

As at July 31, 2018, the weighted average exercise price of the stock options outstanding was \$0.09 (July 31, 2017 - \$0.24) with the weighted average remaining contractual life of 3.8 years (July 31, 2017 - 4.3 years). The average fair value of options issued during the year ended July 31, 2018 was \$0.05 (July 31, 2017 - \$0.08).

14 Related party transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors or companies with common directors of the Company.

The remuneration of the Company's directors and other key management personnel during the year ended July 31, 2018 and July 31, 2017 are as follows:

	July 31, 2018	July 31, 2017
Consulting fees	\$ 124,013	\$ 95,844
Professional fees	30,000	42,500
Share-based payments	223,472	277,601

As at July 31, 2018 the Company had amounts payable of \$39,800 (July 31, 2017 - \$78,978) to these parties. These amounts are unsecured and non-interest bearing.

As at July 31, 2018, the Company had promissory notes totalling \$nil (July 31, 2017 - \$130,263) to a director and a private Canadian company controlled by a director of the Company and personally to a director of the Company. (note 10).

On July 20, 2017, the Company entered into an unsecured promissory note agreement for \$120,000 with a private Canadian company controlled by a director. The loan accrues interest at a rate of 6% per annum. The principal and interest is due on July 20, 2018. In the event that the loan is not repaid on the maturity date, the interest rate is increased to 24% prospectively. During the year ended July 31, 2018 \$3,866 (July 31, 2017 - \$nil) was recorded as interest expense. The principal and accrued interest was purchased by Lions Bay which was then settled in the shares for debt transaction completed on July 6, 2018 (see note 12 iii).

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On July 18, 2017, the Company entered into an unsecured promissory note agreement for \$10,263 with a director of the Company. During the year ended July 31, 2018 the Company received an additional \$32,247 in advances. The loan is non-interest bearing and the principal is due on July 18, 2018. The principal and accrued interest was purchased by Lions Bay which was then subsequently settled in the shares for debt transaction completed on July 6, 2018 (see note 12 iii).

During the year ended July 31, 2018, the Company recognized a loss on settlement of debt of \$67,164 (2017 - \$nil) related to amounts owing to directors and officers of the Company.

15 Segment disclosures

The Company operates in two geographical and two operating segments. The operating segments are managed separately based on the nature of operations. Exploration and development is primarily the recently acquired Cerro Dorado project in Peru. Other selected financial information by geographical segment is as follows

The Company operates in two operating segments in two countries, with corporate in Canada and exploration in Peru. The Company's assets by country are:

	As at July 31, 2018			As at July 31, 2017		
	Canada	Peru	Total	Canada	Peru	Total
Assets						
Property, plant and equipment	-	701,637	701,637	-	766,230	766,230
Mineral properties	-	1,010,538	1,010,538	-	966,723	966,723

16 Capital management

The Company's objectives for capital management are to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of items included in shareholders' equity, net of cash as follows:

	July 31, 2018	July 31, 2017
Total equity	\$ 482,218	\$ 288,500
Less: cash	(15,765)	(22,640)
	\$ 466,453	\$ 265,860

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

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

Montan Mining Corp.
Notes to Consolidated Financial Statements

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17 Income taxes

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 26.58% (2017 - 26.0%) as follows:

	July 31, 2018	July 31, 2017
Loss for the year	\$ (2,085,621)	\$ (2,689,234)
Expected income tax recovery	(544,000)	(699,000)
Change in statutory, foreign tax, foreign exchange rates and other	(106,000)	(166,000)
Share issuance costs	(1,000)	(3,000)
Permanent differences	117,000	169,000
Change in unrecognized deductible temporary differences	544,000	699,000
Total income tax expense (recovery)	\$ -	\$ -

As at July 31, 2018, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets:

	July 31, 2018	July 31, 2017
Mineral properties, property, plant and equipment	\$ 4,246,000	\$ 3,953,000
Share issue costs	11,000	8,000
Canadian non-capital losses available for future period	4,915,000	3,510,000
Peruvian non-capital losses available for future period	1,837,000	1,732,000

The Company's non-capital losses available for future periods expire between 2021 and 2038.

18 Supplemental cash flow information

		For Year Ended July 31,	
		2018	2017
Supplemental cash flow information- non-cash financing and investing activities	Note		
Shares issued on acquisition		-	\$ 550,000
Fair value of shares and warrants issued to settle liabilities	11	-	71,654
Reclass from convertible debenture to promissory notes		-	129,070
Reduction in accounts payable for shares for debt	12	577,903	-
Reduction in promissory notes and advances for shares for debt	12	827,455	-

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19 Subsequent event

On October 18, 2018, the Company closed the first tranche of a non-brokered private placement and issued 6,517,000 units at \$0.05 per unit for gross proceeds of \$325,850. Each unit consists of one common share and one transferable share purchase warrant with each warrant exercisable into one additional Share at \$0.06 per Share for one (1) year following the closing date. In connection with the first tranche, the Company issued finders' fees of 425,000 Units having the same terms as the private placement and 425,000 broker warrants with each broker warrant exercisable into one additional Share at \$0.06 per Share for two (2) years following the closing date.