

**RE: CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED) FOR THE THREE MONTHS ENDED OCTOBER 31, 2018**

First quarter financial statements for the three months ended October 31, 2018 and 2017 have not been reviewed by the auditors of Montan Mining Corp.

**MONTAN MINING CORP.**

“Anthony Balic”

**Anthony Balic**

Chief Financial Officer



## **Montan Mining Corp.**

Condensed Consolidated Interim Financial Statements  
For three months ended October 31, 2018 and 2017  
(Unaudited - expressed in Canadian dollars, except where indicated)

**Montan Mining Corp.**  
**Condensed Consolidated Interim Statements of Financial Position**

(Amounts expressed in Canadian dollars, except where indicated)

	Note	October 31, 2018	July 31, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 53,296	\$ 15,765
Other receivables	5	45,705	34,478
Prepaid expenses	5	78,165	49,399
		177,166	99,642
Property plant and equipment	7	669,645	701,637
Exploration and evaluation properties	8	1,002,112	1,010,538
Total assets		\$ 1,848,923	\$ 1,811,817
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 620,192	\$ 632,453
Loan payable	10	345,306	366,774
Promissory notes and advances	9	343,837	330,372
Total liabilities		1,309,335	1,329,599
<b>Shareholders' equity</b>			
Share capital		6,771,672	6,588,827
Reserves		2,739,332	2,630,963
Deficit		(8,971,416)	(8,737,572)
Total shareholders' equity		539,588	482,218
Total liabilities and shareholders' equity		\$ 1,848,923	\$ 1,811,817

*Nature of operations and going concern (note 1)*  
*Subsequent event (note 16)*

**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.

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Amounts expressed in Canadian dollars, except where indicated)

	Note	Three months Ended October 31,	
		2018	2017
<b>General and administration expenses</b>			
Administrative fees		\$ (63,757)	\$ (51,199)
Amortization		(26,362)	(32,785)
Consulting fee		(99,179)	(114,482)
Foreign exchange		(36,261)	(26,387)
Investor communications		(3,000)	-
Legal and professional fee		(10,355)	(21,514)
		(238,914)	(246,367)
<b>Other expense</b>			
Finance cost – accretion	9	-	(470)
Finance cost – interest expense	9,10	(7,865)	(16,014)
Other income		12,935	8,690
<b>Loss for the period</b>		\$ (233,844)	\$ (254,161)
<b>Other comprehensive (loss) income (“OCI”)</b>			
Cumulative translation adjustment		(32,467)	36,325
<b>Loss and comprehensive loss for the period</b>		\$ (266,311)	\$ (217,836)
<b>Loss per share</b>			
Basic and diluted		\$ (0.01)	\$ (0.01)
<b>Weighted average shares outstanding</b>			
Basic and diluted		62,113,521	23,045,277

## Montan Mining Corp.

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

(Amounts expressed in Canadian dollars, except where indicated)

	Notes	Shares (note 11)	Share capital	Convertible debenture equity component	Contingent Shares	Foreign currency Translation reserves	Reserves	Deficit	Total equity
<b>Balance as at July 31, 2018</b>		61,132,586	\$ 6,588,827	\$ -	\$ 154,000	\$ (38,636)	\$ 2,515,599	\$ (8,737,572)	\$ 482,218
Cumulative translation adjustment		-	-	-	-	(32,467)	-	-	(32,467)
Share issuance – private placement	11	6,942,000	182,845	-	-	-	140,836	-	323,681
Net loss for the year		-	-	-	-	-	-	(233,844)	(233,844)
<b>Balance as at October 31, 2018</b>		68,074,586	\$ 6,771,672	\$ -	\$ 154,000	\$ (71,103)	\$ 2,656,435	\$ (8,971,416)	\$ 539,588

	Notes	Shares (note 11)	Share capital	Convertible debenture equity component	Contingent Shares	Foreign currency Translation reserves	Reserves	Deficit	Total equity
<b>Balance as at July 31, 2017</b>		28,105,449	\$ 4,868,500	\$ -	\$ 154,000	\$ (93,676)	\$ 2,011,627	\$ (6,651,951)	\$ 288,500
Cumulative translation adjustment		-	-	-	-	36,325	-	-	36,325
Net loss for the period		-	-	-	-	-	-	(254,161)	(254,161)
<b>Balance as at October 31, 2017</b>		28,105,449	\$ 4,868,500	\$ -	\$ 154,000	\$ (57,351)	\$ 2,011,627	\$ (6,906,112)	\$ 70,664

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

**Montan Mining Corp.**  
**Condensed Consolidated Interim Statement of Cash Flows**

(Amounts expressed in Canadian dollars, except where indicated)

	Note	For three months ended October 31,	
		2018	2017
<b>Cash used from operating activities</b>			
Net loss for the period		\$ (233,844)	\$ (254,161)
Items not affecting cash			
Amortization		26,362	32,785
Foreign exchange		(14,556)	60,497
Finance cost – accretion expense	9	-	470
		(222,038)	(160,409)
Change in non-cash operating working capital			
Decrease (Increase) in other receivables		(11,227)	(29,225)
Decrease (Increase) in prepaid expenses		(28,767)	62,440
Increase (decrease) in accounts payable and accrued liabilities		(11,276)	105,170
Net cash used in operating activities		(273,308)	(22,024)
<b>Cash flows from financing activities</b>			
Proceeds from private placements	11	325,850	-
Repayment of promissory notes and advances	9	(106,535)	99,609
Proceeds from promissory notes and advances		120,000	-
Repayment of loan payable	10	(24,375)	(24,863)
Net cash received in financing activities		314,940	74,746
<b>Cash flows used in investing activities</b>			
Net cash from (used) in investing activities		-	-
Effect of exchange rate changes on cash		(4,101)	(68,468)
<b>Increase (decrease) in cash</b>		37,531	(15,746)
<b>Cash - beginning of year</b>		15,765	22,640
<b>Cash - end of period</b>		\$ 53,296	\$ 6,894

# Montan Mining Corp.

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2018 and 2017

(Amounts expressed in Canadian dollars, except where indicated)

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### 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 October 31, 2018, the Company had net working capital deficit of \$1,132,169 (July 31, 2018 – \$1,229,957) and had not yet achieved profitable operations. In addition the Company had accumulated losses of \$8,971,416 (July 31, 2018 – \$8,737,572) 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 unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2018.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited condensed consolidated interim 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. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended July 31, 2018.

The Board of Directors approved these condensed consolidated interim financial statements on December 31, 2018.

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

# Montan Mining Corp.

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2018 and 2017

(Amounts expressed in Canadian dollars, except where indicated)

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### *New Accounting Standards and Amendments Adopted*

IFRS 15, Revenue from Contracts with Customers was adopted on January 1, 2018. The standard introduces a single, principles-based, five-step model for the recognition of revenue when control of goods is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. As the Company does not have revenue the adoption of this standard had no impact to the Company's financial statements.

IFRS 9, In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments.

The amended standard was adopted on January 1, 2018 with no impact to the Company's financial statements. The Company adopted IFRS 9 retrospectively without restatement of comparative amounts on January 1, 2018. Future changes in the fair value of these investments will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

### **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 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 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:

# Montan Mining Corp.

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2018 and 2017

(Amounts expressed in Canadian dollars, except where indicated)

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### **(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.

### **(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,

# Montan Mining Corp.

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2018 and 2017

(Amounts expressed in Canadian dollars, except where indicated)

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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 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 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.

# Montan Mining Corp.

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2018 and 2017

(Amounts expressed in Canadian dollars, except where indicated)

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

### 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 October 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
<b>Financial assets</b>				
Cash	\$ 25,263	\$ -	\$ 28,033	\$ 53,296
Other receivables	7,514	-	38,191	45,705
	32,777	-	66,224	99,001
<b>Financial liabilities</b>				
Accounts payables and accrued liabilities	(442,842)	(106,409)	(70,941)	(620,192)
Loan payable	-	(345,306)	-	(345,306)
Promissory notes and advances	(343,837)	-	-	(343,837)
Net financial (liabilities) assets	\$ (753,902)	\$ (451,715)	\$ (4,717)	\$ (1,210,334)

# Montan Mining Corp.

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2018 and 2017

(Amounts expressed in Canadian dollars, except where indicated)

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
<b>Financial assets</b>				
Cash	\$ 6,534	\$ -	\$ 9,231	\$ 15,765
Other receivables	8,091	-	26,387	34,478
	14,625	-	35,618	50,243
<b>Financial liabilities</b>				
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 reported results will be affected by changes in the US dollar to Canadian dollar and US dollar to Peruvian Sol exchange rate. As of October 31, 2018, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial liabilities by approximately \$45,172 (July 31, 2018 - \$48,354). 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 \$472 (July 31, 2018 - \$4,222) 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.

## 5 Receivables and prepaid expenses

	October 31, 2018	July 31, 2018
GST receivable	\$ 7,514	\$ 8,090
Peruvian tax credits	38,191	26,388
Other receivables	-	-
<b>Other receivables - total</b>	<b>\$ 45,705</b>	<b>\$ 34,478</b>
<b>Prepaid expenses</b>	<b>\$ 78,165</b>	<b>\$ 49,399</b>

# Montan Mining Corp.

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2018 and 2017

(Amounts expressed in Canadian dollars, except where indicated)

### 6 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.
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 <sup>(1)</sup>	88,000
666,667 contingent shares upon an additional 2,000 ounces at \$0.165 CAD per share <sup>(2)</sup>	66,000
Forgiveness of intercompany debt	15,399
Transaction costs	24,757
<b>Total consideration</b>	<b>744,156</b>

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

<sup>(2)</sup> 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)
<b>Total consideration</b>	<b>744,156</b>

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.

# Montan Mining Corp.

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2018 and 2017

(Amounts expressed in Canadian dollars, except where indicated)

### 7 Property, plant and equipment

	Roads/ Tailings Dam	Buildings	Machinery & Equipment	Vehicles	Total
<b>Cost</b>					
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
<b>Accumulated Depreciation</b>					
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
<b>Carrying Amount</b>					
<b>Balance at July 31, 2018</b>	\$ 297,789	\$ 70,805	\$ 269,276	\$ 63,767	\$ 701,637

	Roads/ Tailings Dam	Buildings	Machinery & Equipment	Vehicles	Total
<b>Cost</b>					
Balance as at July 31, 2018	\$ 328,946	\$ 78,337	\$ 334,538	\$ 96,364	\$ 838,185
Movement in foreign exchange	(2,418)	(575)	(2,151)	(486)	(5,630)
Balance at October 31, 2018	\$ 326,528	\$ 77,762	\$ 332,387	\$ 95,878	\$ 832,555
<b>Accumulated Depreciation</b>					
Balance as at July 31, 2018	\$ 31,157	\$ 7,532	\$ 65,262	\$ 32,597	\$ 136,548
Depreciation expense	7,789	1,855	11,355	5,363	26,362
Balance at October 31, 2018	\$ 38,946	\$ 9,387	\$ 76,617	\$ 37,960	\$ 162,910
<b>Carrying Amount</b>					
<b>Balance at October 31, 2018</b>	\$ 287,582	\$ 68,375	\$ 255,770	\$ 57,918	\$ 669,645

# Montan Mining Corp.

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended October 31, 2018 and 2017

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### 8 Exploration and evaluation properties

	October 31, 2018	July 31, 2018
<b>Cost</b>		
Balance, beginning of year	\$ 1,010,538	\$ 966,723
Movement in foreign exchange	(8,427)	43,815
<b>Balance, end of the year</b>	<b>\$ 1,002,112</b>	<b>\$ 1,010,538</b>

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.

### 9 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
<b>Balance, July 31, 2017</b>	<b>\$ 28,905</b>	<b>\$ 120,000</b>	<b>\$ 10,263</b>	<b>\$ 129,070</b>	<b>\$ 91,800</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 380,038</b>
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)
<b>Balance July 31, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,985</b>	<b>\$ 91,550</b>	<b>\$ -</b>	<b>\$ 214,837</b>	<b>\$ 330,372</b>
Additional lending	-	-	-	-	-	-	-	120,000	120,000
Repayment	-	-	-	-	(14,985)	(91,550)	-	-	(106,535)
<b>Balance October 31, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 334,837</b>	<b>\$ 343,837</b>

- (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.

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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 11 d).

- (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 11 d).
- (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 11 d).
- (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). During the period ended October 31, 2018 the Company repaid \$14,985 of the advances.
- (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. During the period ended October 31, 2018 the Company repaid the full amount of principal and interest.
- (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 11 d).
- (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 period ended October 31, 2018 the advances per the promissory note totaled \$120,000 (2017 - \$608,837). During the period ended October 31, 2018, \$nil was repaid (2017 - \$394,000). During the period ended October 31, 2018 \$4,563 (July 31, 2018 - \$6,688) was recorded as interest expense.

## 10 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, \$2,612 (July 31, 2018- \$14,957) 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 October 31, 2018.

# Montan Mining Corp.

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	October 31, 2018	July 31, 2018
Opening balance, July 31, 2017	\$ 366,774	\$ 455,645
Repayment	(24,375)	(117,880)
Interest expense	2,612	14,957
Interest paid	(1,626)	(10,295)
Foreign exchange	1,921	24,347
	\$ 345,306	\$ 366,774
Short-term portion	345,306	366,774
Long-term portion	\$ -	\$ -

## 11 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 October 31, 2018 the Company had 1,000,000 (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 2019

- a) On October 18, 2018, Company 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. 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: 2.30% risk free interest rate, expected life of 1 year, 166% 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 \$117,140 was allocated to the warrant and recorded in reserves

In connection with the first tranche, the Company issued finders' fees of 425,000 units having the same terms described above 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. The fair value of the warrants issued was calculated as \$0.04 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: 2.31% risk free interest rate, expected life of 2 year, 170% annualized volatility and 0% dividend rate. The share purchase warrant's fair value of \$16,057 was recorded as transaction costs within share capital.

### Fiscal 2018

- b) 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.

# Montan Mining Corp.

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- c) 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.
- d) 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.

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

	October 31, 2018		July 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding - beginning of year	23,146,935	\$ 0.16	11,439,753	\$ 0.33
Issued	7,367,000	0.06	13,194,000	0.06
Expired	(1,566,664)	0.45	(1,486,818)	0.33
Exercised	-	-	-	-
Outstanding – as at year end	28,947,271	\$ 0.12	23,146,935	\$ 0.16

Number of warrants	Exercise price per warrant	Expiry date
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
6,942,000	\$0.06	October 18, 2019
425,000	\$0.06	October 18, 2020
28,947,271		

As at October 31, 2018, the weighted average exercise price of the warrants outstanding was \$0.12 (July 31, 2018 - \$0.16) with a weighted average remaining contractual life of 1.32 years (July 31, 2018 – 1.56 years).

# Montan Mining Corp.

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### 12 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 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 October 31, 2018 and July 31, 2018:

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

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	\$0.09	

As at October 31, 2018, the weighted average exercise price of the stock options outstanding was \$0.09 (July 31, 2018 - \$0.09) with the weighted average remaining contractual life of 3.6 years (July 31, 2018 – 3.8 years). The average fair value of options issued during the year ended July 31, 2018 was \$nil (July 31, 2018 - \$0.05).

### 13 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 period ended October 31, 2018 and 2017 are as follows:

	October 31, 2018	October 31, 2017
Consulting fees	\$ 40,500	\$ 22,500
Professional fees	7,500	7,500
Share-based payments	-	-

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As at October 31, 2018 the Company had amounts payable of \$38,325 (July 31, 2018 - \$39,800) to these parties. These amounts are unsecured and non-interest bearing.

On July 20, 2017, the Company entered into an unsecured promissory note agreement for \$120,000 with a private Canadian company controlled by a former director. The loan accrues interest at a rate of 6% per annum. The principal and interest was due on July 20, 2018. During the period ended October 31, 2018, \$nil (July 31, 2018 - \$3,866) 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).

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).

### 14 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 October 31, 2018			As at July 31, 2018		
	Canada	Peru	Total	Canada	Peru	Total
<b>Assets</b>						
Property, plant and equipment	-	669,645	669,645	-	701,637	701,637
Mineral properties	-	1,002,112	1,002,112	-	1,010,538	1,010,538

### 15 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:

	October 31, 2018	July 31, 2018
Total equity	\$ 539,588	\$ 482,218
Less: cash	(53,296)	(15,765)
	\$ 486,292	\$ 466,453

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.

# Montan Mining Corp.

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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.

### 16 Subsequent event

On December 6, 2018, the Company announced that it has agreed to acquire a 44.5 - 100% interest in a portfolio of mineral concessions which collectively constitute the Greater Las Huaquillas (GLH) project; a highly prospective precious and base metal project in northern Peru. The concessions are located to the immediate south of the border with Ecuador, where recent exploration success and corporate activity in the Ecuadorian mining sector, highlights the increasing interest in this historically underexplored region. The GLH project is interpreted by Montan Mining to be located within a key north-south trending mineralised belt that extends through southern Ecuador into northern Peru. The consideration for the acquisition is the issuance of 25,000,000 common shares and 12,500,000 warrants (\$0.08, 5 year term). The transaction is pending successful due diligence and TSX Venture approval.