

PARA RESOURCES INC.

Condensed Interim Consolidated Financial Statements
(Unaudited - expressed in Canadian Dollars)

For the Three and Nine Months Ended September 30, 2018 and 2017

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

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Para Resources Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - expressed in Canadian Dollars)

	Notes	September 30, 2018 \$	December 31, 2017 \$
ASSETS			
Current assets			
Cash		2,391,580	104,233
Short-term investment		5,825,250	-
Receivables		752,833	18,350
Inventory		265,294	162,273
Prepays and deposits		479,262	935,380
Advance royalties		23,948	-
Deferred financing costs	11	716,669	-
Total current assets		10,454,836	1,220,236
Non-current assets			
Mineral properties	5,7	27,395,692	23,842,291
Exploration and evaluation assets	8	1,714,305	1,741,451
Plant and equipment	5,9	10,195,968	9,560,462
Derivative asset	11	3,015,257	-
Total non-current assets		42,321,189	35,144,204
TOTAL ASSETS		52,776,025	36,364,440
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	1,686,351	2,075,345
Due to related parties	12	-	113,050
Loans	10	1,356,705	13,559,304
Total current liabilities		3,043,056	15,747,699
Deferred income tax liability		3,223,005	3,223,005
Loans	10	10,856,628	9,625,592
Pre-Paid Gold Purchase Agreement	11	17,944,562	-
Derivative liability	11	3,816,418	-
Total non-current liabilities		35,840,613	12,848,597
TOTAL LIABILITIES		38,883,669	28,596,296
EQUITY (DEFICIT)			
Share capital	13	26,037,352	21,032,716
Shares to be issued	13	-	765,382
Share option and warrant reserve	13	2,851,917	1,927,107
Deficit		(16,372,623)	(16,750,458)
Accumulated other comprehensive loss		(502,411)	(419,879)
Equity attributable to shareholders		12,014,235	6,554,868
Non-controlling interest		1,878,122	1,213,276
		13,892,356	7,768,144
TOTAL LIABILITIES AND EQUITY		52,776,025	36,364,440

Nature of operations and going concern (Note 1)
Subsequent events (Note 16)

Para Resources Inc.

**Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the Three and Nine Months Ended September 30, 2018 and 2017
(Unaudited - expressed in Canadian Dollars)**

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2018 \$	2017 \$	2018 \$	2017 \$
Expenses					
Business investigation		(6,838)	-	-	96,303
Consulting	12	148,019	179,972	925,885	1,031,692
Depreciation	8	5,353	6,999	19,892	39,987
Investor relations		133,932	22,500	227,608	63,210
Office and miscellaneous	12	(9,620)	675,011	407,366	1,337,370
Professional fees		149,466	270,244	391,798	485,686
Regulatory and other filing fees		29,152	3,846	46,502	28,318
Salaries	12	290,806	195,424	1,068,982	758,984
Share-based payments	12,13	364,448	47,483	743,310	627,725
Loss before other items		(1,104,718)	(1,401,479)	(3,831,343)	(4,469,275)
Interest expense	10	(621,374)	(424,738)	(2,121,069)	(1,277,994)
Gain on debt forgiveness	10	-	-	7,420,579	-
Gain (loss) on fair value of loan	10	(46,114)	-	-	24,272
Gain on derivative instruments	11	438,121	-	438,121	-
Loss from debt settlement	10	(657,711)	-	(657,711)	-
Other expenses		(287,369)	-	(287,369)	-
Other income		79,178	-	79,178	-
Net income (loss) for the period		(2,375,258)	(1,826,217)	1,040,386	(5,722,997)
Other Comprehensive Income (Loss)					
Items that may be reclassified subsequently to income or loss:					
Loss on translating foreign operations		(419,263)	(488,516)	(80,238)	(887,790)
Income (loss) and Comprehensive income (loss) for the period		(2,794,521)	(2,314,733)	960,148	(6,610,787)
Income (loss) for the period attributable to:					
Owners of the parent		(2,138,817)	(1,756,033)	377,835	(5,461,795)
Non-controlling interest		(236,441)	(70,184)	662,551	(261,202)
		(2,375,258)	(1,708,120)	1,040,386	(5,722,997)
Comprehensive income (loss) for the period attributable to:					
Owners of the parent		(2,431,868)	(2,154,315)	295,303	(6,178,019)
Non-controlling interest		(362,653)	(160,418)	664,845	(432,768)
		(2,794,521)	(2,314,733)	960,148	(6,610,787)
Basic Income (Loss) per Common Share		(0.01)	(0.01)	0.01	(0.05)
Basic and Diluted Income (Loss) per Common Share		(0.01)	(0.01)	0.00	(0.05)
Weighted Average Number of Common Shares Outstanding		164,047,044	135,355,252	145,381,634	113,904,966

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

Para Resources Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the Nine Months Ended September 30, 2018 and 2017
(Unaudited - expressed in Canadian Dollars)

	Share Capital		Share option and warrant reserve	Shares to be issued	Deficit	AOCI	NCI	Total
	Number of Shares	Amount						
		\$	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2016	105,588,074	14,698,982	1,353,316	50,000	(9,012,356)	(4,636)	1,303,515	8,388,821
Shares issued pursuant to private placement	26,915,125	5,045,525	-	(50,000)	-	-	-	4,995,525
Share issue costs	-	(72,270)	12,770	-	-	-	-	(59,500)
Shares issued pursuant to property settlement	-	337,500	-	-	-	-	-	337,500
Acquisition of Non-controlling interest	-	-	-	-	204,372	-	(204,372)	-
Share-based payments	-	-	627,725	-	-	-	-	627,725
Warrant exercise	5,280,241	1,049,979	(66,704)	-	-	-	-	439,915
Loss for the period	-	-	-	-	(5,461,795)	-	(261,202)	(5,722,997)
Other comprehensive income for the period	-	-	-	-	-	(716,224)	(171,566)	(887,790)
Balance as at September 30, 2017	137,783,440	21,059,716	1,927,107	-	(14,269,779)	(720,860)	666,375	8,662,559
Balance as at December 31, 2017	137,783,440	21,032,716	1,927,107	765,382	(16,750,458)	(419,879)	1,213,276	7,768,144
Shares issued pursuant to private placement	24,859,800	5,286,960	-	(765,382)	-	-	-	4,521,578
Share issue costs	-	(282,324)	181,500	-	-	-	-	(100,824)
Share-based payments	-	-	743,310	-	-	-	-	743,310
Income for the period	-	-	-	-	377,835	-	662,551	1,040,386
Other comprehensive income for the period	-	-	-	-	-	(82,532)	2,294	(80,238)
Balance as at September 30, 2018	162,643,240	26,037,352	2,851,917	-	(16,372,623)	(502,411)	1,878,121	13,892,356

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

Para Resources Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2018 and 2017
(Unaudited - expressed in Canadian Dollars)

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Income (loss) for the period	1,040,386	(5,722,996)
Non-cash items:		
Gain on fair value of loan	-	(24,272)
Gain on forgiveness of debt	(7,420,579)	-
Loss from debt settlement	657,711	-
Depreciation	19,892	39,987
Interest expense	2,121,069	1,194,522
Share-based payments	743,310	627,725
Unrealized foreign exchange	69,294	(330,983)
Changes in non-cash working capital items:		
Short-term investment	(5,825,250)	-
Receivables	(734,483)	(54,816)
Prepays and deposits	456,118	(339,578)
Advance royalties	(23,948)	-
Inventory	(103,021)	(7,112)
Deferred financing costs	(716,669)	-
Accounts payable and accrued liabilities	(388,994)	433,346
Due to related parties	(113,050)	(4,441)
	(10,218,214)	(4,188,618)
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(263,262)	(264,586)
Mineral property costs	(2,858,293)	(2,366,982)
Acquisition of North Otu	-	(312,000)
Acquisition of Gold Road	-	(1,314,813)
Purchase of equipment	(665,537)	(559,329)
	(3,787,091)	(4,817,710)
FINANCING ACTIVITIES		
Share issuance	4,521,578	5,333,025
Share issuance costs	(100,824)	(59,500)
Warrant exercise	-	983,275
Proceeds from loans	18,582,432	2,698,700
Repayment of loans	(6,126,163)	(324,425)
	16,877,023	8,631,075
Foreign exchange effect on cash	(584,370)	(2,057)
INCREASE (DECREASE) IN CASH DURING THE PERIOD	2,287,347	(377,310)
CASH, BEGINNING OF THE PERIOD	104,233	955,107
CASH, END OF THE PERIOD	2,391,580	577,797

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

Para Resources Inc.
Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited - expressed in Canadian Dollars)
For the Nine Months Ended September 30, 2018 and 2017

1. NATURE OF OPERATIONS AND GOING CONCERN

Para Resources Inc. (the “Company” or “Para”) is the parent company of its consolidated group and was incorporated on April 13, 2010 under the Business Corporations Act (British Columbia). The Company was a capital pool company pursuant to the policies of the TSX Venture Exchange (“Exchange”). On April 30, 2012 the Company completed its Qualifying Transaction by acquiring all of the issued and outstanding shares of Angra Metals Mineração Ltda. (“Angra”) from Goldsource Mines Inc. (formerly Eagle Mountain Gold Corp.) (“Goldsource”) after obtaining approval from the Exchange. Effective May 2, 2012, the Company was classified as a Mineral Exploration and Development company and is currently listed on the Exchange under the trading symbol “PBR”.

The Company’s principal business activity is the acquisition, exploration and development of mineral properties.

The registered office of the Company is 1000-840 Howe Street, Vancouver, British Columbia, Canada, V6Z 2M1 and its head office is 450-1090 Georgia Street, Vancouver, British Columbia, V6C 3V7.

The condensed interim consolidated financial statements were prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development and to place these properties into production, renewal of underlying titles to the mining properties and/or future proceeds from the disposition thereof.

In assessing whether the going concern assumption is appropriate, management considers all available information about the future which is at least, but not limited to, twelve months from the end of the reporting year. Management is aware in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern, as explained in the following paragraph.

The Company has not yet generated income or positive cash flows from operations. As at September 30, 2018, the Company had an accumulated deficit of \$16,372,623 (2017 – \$16,750,458). For the nine months ended September 30, 2018, the Company had net income of \$1,040,386 (for the nine months ended 2017 – net loss of \$5,722,997), had negative cash flow from operations amounting to \$10,218,214 (2017 – 4,188,618) and had a working capital surplus of \$7,411,780 (2017 – working capital deficit of \$14,527,463). The Company will require additional financing, through various means including but not limited to equity financing and cash flow generated from operations, to continue the exploration program and to meet its future option payment obligations and all of its general and administrative costs. Management intends to raise additional necessary financing through the issuance of common shares and cash flow generated from operations. There is no assurance that the Company will be successful in raising the additional required funds or generate sufficient cash flow from operations to meet its financing needs.

Although these condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, the above noted conditions raise significant doubt regarding the Company’s ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

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2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual consolidated financial statements for the fifteen months ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the period ended December 31, 2017 except as outlined below. These condensed interim consolidated financial statements were approved by the board of directors for use on November 16, 2018.

3. ADOPTION OF NEW ACCOUNTING STANDARDS AND STANDARDS NOT YET EFFECTIVE

The following accounting standards were adopted during the nine months ended September 30, 2018:

IFRS 9, Financial Instruments

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and became effective for the Company on January 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities, impairment methodology for financial instruments, and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the income statement. The adoption of this standard did not have a material measurement or disclosure impact on the Company’s consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

This standard was issued in May 2014 and establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. IFRS 15 became effective for the Company on January 1, 2018. The adoption of this standard did not have a material measurement or disclosure impact on the Company’s consolidated financial statements.

The following standard has been issued but is not yet effective:

IFRS 16, Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact the new guidance is expected to have on its consolidated financial statements.

4. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were

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the same as those that applied to the consolidated financial statements for the year ended December 31, 2017.

5. ACQUISITION OF GOLD ROAD

On August 23, 2017, the Company finalized an agreement to acquire an 88% interest in all of the assets comprising the Gold Road Mine ("Gold Road") located in Oatman Arizona. The assets include all of the patented and unpatented claims, the existing mill site and water rights claims, the mining and milling equipment consisting of a 500 tonnes per day cyanide leach facility, the related buildings, vehicles and all assets comprising the facility. Gold Road was last an operating mine in June 2016. The Company accounted for the acquisition as an asset acquisition as Gold Road does not constitute a business. It is a set of separate inputs that will require several processes to allow for these inputs to be converted into a business. This is represented by the Preliminary Economic Assessment that has been commissioned and rehabilitation work to the Mill and Mine that will be required, to allow for start-up.

The consideration for the assets is as follows:

- US\$767,540 paid on closing (\$963,416)
- US\$6,000,000 promissory note with annual principal repayments of US\$1,000,000, maturing on August 23, 2023. Interest on the loan is only accrued if the Company defaults on a payment, at which time the interest rate would be 10% per annum. The Company measured the note using a discount rate of 10% and determined the fair value to be US\$4,354,577 (\$5,465,865). The Company repaid the promissory note on August 3, 2018 and recognized a loss from settlement of \$628,664 in the statement of income (loss).
- The Company has also granted a 2% NSR on all Gold Road mined products and a 1% NSR on all Gold Road processed products.

The Company incurred US\$279,953 (\$351,398) of acquisition costs which are capitalized. The allocation of the total purchase price of \$6,780,679 is as follows:

Allocation of Purchase Price	\$
Mining equipment	4,040,865
Gold Road mineral property	3,664,451
Non-controlling interest	(924,637)
Total	6,780,679

The Company has recorded the mining equipment as plant and equipment.

6. PREPAIDS AND DEPOSITS

As at September 30, 2018 the Company's prepaids and deposits consist of the following:

	September 30, 2018	December 31, 2017
	\$	\$
Investor relations	235,634	291,467
Advances to suppliers	35,560	545,447
Other advances	10,353	93,466
Consulting	24,013	
Reclamation	153,945	-
Insurance	19,757	5,000
Total prepaids and deposits	479,262	935,380

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7. MINERAL PROPERTIES

The Company's mineral properties balance consists solely of mines under construction.

As at September 30, 2018 the Company's mineral properties balance consisted of the following

	El Limon	North Otu	Gold Road	Total
	\$	\$	\$	\$
Balance, September 30, 2016	15,189,475	-	-	15,189,475
Acquisition of Gold Road	-	-	3,664,451	3,664,451
Acquisition cost North Otu	-	312,000	-	312,000
Transfer from Exploration assets	-	973,895	-	973,895
Development costs	4,164,773	72,500	24,994	4,262,267
Foreign exchange translation	(531,889)	(25,864)	(2,044)	(559,797)
Balance, December 31, 2017	18,822,359	1,332,531	3,687,401	23,842,291
Development costs	1,665,000	-	1,193,292	2,928,551
Foreign exchange translation	499,768	71,371	123,969	624,850
Balance, September 30, 2018	20,987,127	1,403,902	5,004,662	27,395,692

El Limon

As part of the acquisition of Colombia Milling ("CML") the Company acquired the El Limon gold mine held in Four Points Mining ("Four Points"). The mine is subject to a 3% NSR payable quarterly on gold production of at least 100 ton per day for 30 consecutive days, to a maximum of US\$2,000,000. Upon reaching the US\$2,000,000 NSR threshold, the NSR decreases to 0.05% payable to a maximum of US\$1,000,000.

North Otu Properties

On July 7, 2016, the Company announced through its newly incorporated 100% Colombian subsidiary, Zara Holdings S.A.S. ("Zara"), that it had entered into a Definitive Agreement (the "Agreement") with OTU Gold Ltd ("OTU") to acquire certain mining titles, as well as several mining applications, which are located within the Republic of Colombia, (collectively the "North Otu Properties"). The acquisition of the mining titles was recorded as an asset acquisition at cost. The mining titles and application of the North Otu Properties are the only assets of Zara.

The purchase of the North Otu Properties and the assignment and transfer to Zara of these properties includes all the rights and interests of OTU except for the rights pertaining to non-metallic minerals on the North Otu Properties. The purchase price is US\$1,000,000 (the "Purchase Price") and will be paid to OTU as follows:

- US\$500,000 non-refundable deposit (paid)
- US\$250,000 payable July 7, 2017 (paid - \$312,000)
- The issuance of 1,270,000 common shares of the Company. The shares were issued on September 9, 2016 and fair valued at \$317,500

Additionally, Zara will pay a 2% NSR royalty from the sale of minerals produced from the North Otu Properties. The NSR will be calculated from the results of direct exploitation, through formalization contracts, or subcontracts of operations, or any figure that allows economic benefit as a result of the exploitation of minerals in these areas. Zara may, at its discretion at any time until June 28, 2021, reduce the NSR from 2% to 1%, paying the amount of US\$1,000,000 to OTU. This amount will be constituted by US\$750,000 in cash and US\$250,000 by the issuance of that number of common shares of Para calculated based on the volume weighted average closing price of Para's shares on the Exchange for the five trading days immediately before reduction of the NSR.

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During the period ended December 31, 2017 the Company transferred \$973,895 from exploration and evaluation specifically related to the North Otu properties to Mineral Properties. This transfer gave effect to the fact that ore that will be processed on the North Otu Properties and sold and processed at El Limon through the formalization contract process.

8. EXPLORATION AND EVALUATION ASSETS

Tucumã gold project:

The Company owns a 100% interest in the Tucumã copper/gold exploration project, which is located in the Carajas metallogenic province in the State of Pará, Brazil. The annual fees for the concessions are approximately \$16,500. Prior to a concession expiring, the Company must present to the authority a technical report on the concession, which serves a basis for determining a renewal.

	September 30, 2018	December 31, 2017
	\$	\$
Acquisition Cost		
Balance, beginning of period	1	1
Addition, during the period	-	-
Impairment charge	-	-
Balance, end of the period	1	1
Deferred Exploration Costs		
Balance, beginning of the period	1,741,451	1,509,409
Addition during the period		
Assays	-	1,468
Consulting	109,751	213,487
Field supplies	12,499	56,627
Licenses	21,363	22,392
Personnel	30,626	59,552
Project administration	43,762	93,933
Vehicle expenses	6,300	23,947
Foreign exchange on mineral property	(355,009)	(239,365)
Total additions during the period	(130,708)	232,041
Balance, end of the period	1,610,743	1,741,450
Total Acquisition Cost and Deferred Exploration Costs	1,610,744	1,741,451

Cumaru-Gradaus Gold project:

On May 11, 2015, the Company executed an agreement with Mineracao Irajá S/A (the "Vendor") bringing into effect a Mineral Rights Purchase and Sale Agreement (the "Agreements").

On December 30, 2016, the Company announced that it and Angra, its wholly owned Brazilian subsidiary, have entered into a Mutual Release Agreement and Amendment Agreement to the Mutual Release Agreement (together the "Settlement Agreements") with Sercor Ltd. ("Sercor"), Mineração Irajá S/A (the "Vendor") and Mineracao Gradaus Ltda and Brason Consultoria Inportacao Exportacao Ltda (together the "Royalty Holders"), under which the parties have terminated the Mineral Rights Purchase and Sale Agreement dated September 8, 2014 (the "Acquisition Agreement") whereby the Company through Angra was to acquire a 100% right, title and interest in and to the Cumaru-Gradaus Gold Project located in Para

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State, Brazil (the "Project"), as well as subsequent acknowledgement agreement (the "Acknowledgment Agreement") with Sercor, under which the Vendor assigned to Sercor its right to receive the share consideration from the Company under the Acquisition Agreement. The Company issued 1,250,000 common shares in connection with the settlement; the shares were fair valued at \$337,500 and recorded as a loss on property settlement.

Gold Road Project

On April 4, 2018, the Company entered into option agreements to acquire parcels of land adjacent to the Gold Road mine. The terms of option agreements are shown below:

Agreement	Max Term (Years)	License Fee Year 1, US\$	License Fee Year 2, US\$	License Fee Year 3, US\$	License Fee Year 4, US\$	Termination Date, US\$	Purchase Price¹ US\$
United Western to Telluride²	4	50,000	75,000	100,000	200,000	4/3/2022	4,179,535
Blue Ridge	3	5,000	5,000	5,000	n/a	4/3/2021	347,490
United Western Extension	3	5,000	5,000	5,000	n/a	4/3/2021	365,910
Gold Ore	3	5,000	5,000	5,000	n/a	4/3/2021	375,000
Gold Road	3	5,000	5,000	5,000	n/a	4/3/2021	240,000
Silver Creek	2	5,000	5,000	n/a	n/a	4/3/2020	327,000
		75,000	100,000	120,000	200,000		5,834,935

1 – Purchase prices are subject to adjustment based on acreages as determined by surveys.

2 – Exercise and closing contingent upon completion of acquisition of Oatman Water Company LLC.

The option agreements also provide, in aggregate, of up to 2,500,000 share purchase warrants of the Company, exercisable at the Company's discretion under a particular option agreement. The issuance of the share purchase warrants is subject to approval of the TSX Venture Exchange.

The Company paid the license fees of \$103,561 (US\$75,000 equivalent) on April 4, 2018.

9. PLANT AND EQUIPMENT

Cost	Buildings and construction	Machinery	Office equipment	Vehicles	Construction in progress	Total
	\$	\$	\$	\$	\$	\$
Balance, September 30, 2016	760,232	4,751,719	47,414	104,685	-	5,664,050
Additions	97,767	4,570,441	32,934	3,094	-	4,704,236
Foreign exchange	(32,501)	(200,140)	(3,044)	(4,083)	-	(239,768)
Balance, December 31, 2017	825,498	9,122,020	77,304	103,696	-	10,128,518
Additions	35,302	81,648	4,782	42,509	403,471	567,712
Foreign exchange	121,325	174,165	2,801	14,611	13,080	325,983
Balance, September 30, 2018	982,126	9,377,833	84,887	160,816	416,551	10,815,360

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	Buildings and construction	Machinery	Office equipment	Vehicles	Construction in progress	Total
Accumulated Depreciation	\$	\$	\$	\$	\$	\$
Balance, September 30, 2016	19,072	238,578	6,296	520	-	264,466
Depreciation	38,221	231,276	21,402	33,304	-	324,203
Foreign exchange	(2,430)	(14,705)	(1,361)	(2,117)	-	(20,613)
Balance, December 31, 2017	54,863	455,149	26,337	31,707	-	568,056
Depreciation	30,875	186,409	14,022	7,524	-	238,830
Foreign exchange	2,061	15,419	970	942	-	19,392
Balance, September 30, 2018	87,799	656,977	41,329	40,173	-	826,278
Net Book Value						
December 31, 2017	770,635	8,666,871	50,967	71,989		9,560,462
September 30, 2018	828,560	9,107,090	45,239	70,968		10,195,935

During the nine months ended September 30, 2018, \$217,284 (2017 - \$89,686) of depreciation was capitalized to mineral properties and \$21,546 (2017 - \$39,987) was recorded as depreciation expense.

10. LOANS

a) Gold Secured Loan

On December 15, 2016, the Company entered into a Gold Secured Loan ("Gold Loan") in the amount of US\$1,000,000 to be repaid over 12 months in gold deliveries commencing September 15, 2017. As per the terms of the agreement the Company will deliver 104 ounces of gold at each delivery date, assuming a gold price of \$1,160, or the cash equivalent. The amount of each gold delivery will be based on the closing gold price at each delivery date and therefore the lender will not be exposed to any future gold price fluctuations. During the period ended December 31, 2017, the Company entered into an amended agreement to extend the gold repayments from September 15, 2017 to September 15, 2018.

On August 3, 2018, the Company restructured Conterra, Conex and gold secured loans through consolidation and replacement with the convertible subordinated note; see Note 10(h) for more details.

b) Conex Loans

On April 7, 2016, the Company entered into a Credit Facility Agreement (the "facility") with Conex, whereby Conex has made available to the Company a revolving credit line in the amount of up to \$3,000,000. The facility bears interest at 12% annually and each drawdown on the facility will be secured by a promissory note in favour of Conex. All of the Company's outstanding loans, which amounted to \$3,038,813, with Conex were transferred into the facility on April 7, 2016, bearing interest at 12% per annum, with the principal and accrued interest due on August 31, 2018. The Company issued 2,200,000 bonus common shares for the facility; the shares were fair valued at \$704,000 and recorded as a financing cost to be accreted over the life of the loan using an effective interest rate of 24.5%.

During the period ended December 31, 2017, the Company received additional loans from Conex in the amount of \$535,650; the loans are repayable on December 31, 2019 and bear interest at 12% per annum. There were no financing costs associated with the loans. The Company measured the loans using a discounted cash flow model using a discount rate of 24.5%, the loan was recorded at a value of \$451,934 and the Company recorded a \$83,716 gain on the fair value of the loan.

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During the nine months ended September 30, 2018 the Company received an additional \$2,746,210 of loans from Conex. On August 3, 2018, the Company restructured Conterra, Conex and gold secured loans through consolidation and replacement with the convertible subordinated note; see Note 10(h) for more details.

The loans payable at September 30, 2018 and December 31, 2017, and the changes for the periods then ended are as follows:

	\$
Balance, September 30, 2016	2,866,689
Fair value loan received	451,934
Interest and accretion	1,049,158
Balance, December 31, 2017	4,367,781
Fair value loan received	2,961,396
Interest and accretion	907,286
Repayment	(1,906,050)
Restructuring	(4,993,899)
Balance, September 30, 2018	1,336,514

c) Helm Bank Loan

As at December 31, 2017, Four Points had an outstanding interest-bearing loan of US\$3,500,000, due on demand, with the Helm Bank Colombia with a 5% annual interest rate. During the nine months ended September 30, 2018 the debt was forgiven and the Company recorded a gain on debt forgiveness of \$5,914,370.

	\$
Balance, September 30, 2016	5,739,451
Interest	263,947
Foreign exchange on translation of loan	(250,979)
Balance, December 31, 2017	5,752,419
Interest	55,335
Foreign exchange on translation	106,616
Gain on forgiveness of debt	(5,914,370)
Balance, September 30, 2018	-

d) RedRock Resources Loan

As part of the consideration paid by CML to acquire Four Points, CML issued a promissory note for US\$1,000,000 with an annual interest rate of 5% payable on May 15, 2018. The Company measured the loan using an effective interest of 24.5% and determined the fair value of the loan to be \$952,818. The Company repaid \$1,026,163 during the nine months ended September 30, 2018 to settle the debt, the Company recorded a gain of \$79,030 on the settlement of the debt.

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	\$
Balance, September 30, 2016	987,568
Payment	(324,425)
Interest and accretion	339,809
Foreign exchange on translation of loan	(41,107)
Balance, December 31, 2017	961,845
Interest and accretion	106,406
Foreign exchange on translation of loan	36,942
Payment	(1,026,163)
Gain on debt forgiveness	(79,030)
Balance, September 30, 2018	-

e) Rayforte Loan

Upon completing the acquisition of CML the Company assumed its loan payable to Rayforte of US\$960,623 with an interest rate of 3% and an April 1, 2018 maturity date. The Company fair valued the loan using an effective interest of 24.5% and determined the fair value of the loan to be \$852,105. The debt was forgiven during the nine months ended September 30, 2018 and the Company recorded a gain on debt forgiveness of \$1,427,179

	\$
Balance, September 30, 2016	963,386
Interest and accretion	434,855
Foreign exchange on translation of loan	(66,823)
Balance, December 31, 2017	1,331,418
Interest and accretion	99,702
Foreign exchange translation	(3,941)
Gain on forgiveness of debt	(1,427,179)
Balance, September 30, 2018	-

f) Conterra Loan

On August 4, 2017, the Company, through its subsidiary Gold Road, entered into a loan agreement for US\$2,000,000 with an annual interest rate of 12%, maturing on August 4, 2019. The Company received an additional US\$1,000,000 on October 16, 2017 with an annual interest rate of 12%, maturing on August 4, 2019. The Company measured the loans at US\$3,000,000 using a 12% discount rate. On August 3, 2018, the Company restructured Conterra, Conex and gold secured loans through consolidation and replacement by the convertible subordinated note; see Note 10(h) for more details.

	\$
Balance, September 30, 2016	-
Additions	3,763,500
Interest	167,199
Balance, December 31, 2017	3,930,699

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Interest and accretion	297,750
Foreign exchange on translation of loan	140,718
Restructuring	(4,369,167)
Balance, September 30, 2018	-

g) Gold Road Loan

As part of the consideration for the Gold Road Mine acquisition the Company issued a US\$6,000,000 promissory note with annual principal repayments of US\$1,000,000 maturing on August 23, 2023. Interest on the loan is only accord if the Company defaults on a payment, at which time the interest rate would be 10% per annum. The Company measured the note using a discount rate of 10% and determined the value to be US\$4,354,577 (\$5,465,865). The Company repaid the note on August 3, 2018 and recognized a loss of \$628,664. The loan payable at September 30, 2018 and December 31, 2017 and the changes for the periods then ended are as follows:

	\$
Balance, September 30, 2016	-
Additions	5,465,865
Interest	127,186
Foreign exchange on translation of loan	(6,817)
Balance, December 31, 2017	5,586,234
Interest and accretion	207,125
Foreign exchange on translation of loan	197,461
Repayment	(5,990,820)
Balance, September 30, 2018	-

h) Convertible Subordinated Note

On August 3, 2018, the Company restructured the Conex loans, Conterra loan and Gold secured loan, whereby all outstanding loans and accrued interest, previously made to the Company and to its subsidiary Gold Road Mining Corp. were converted into a five-year Convertible Subordinated Note, convertible into common shares of the Company. The interest is compounded monthly at 12% and principal and compounded interest are repayable at the end of the term to Conex Services Inc., a related party. The Company recognized a loss of \$29,047 from debt extinguishment due to transaction costs incurred.

	\$
Balance, December 31, 2017	-
Additions	10,652,533
Interest	204,095
Balance, September 30, 2018	10,856,628

11. PRE-PAID FORWARD GOLD PURCHASE AGREEMENT

On August 3, 2018, the Company, along with its subsidiaries, Z79 Gold (USA) Corp. and Gold Road Mining Corp. has entered into a pre-paid forward gold purchase agreement (the "PPG Agreement"), with PPG Arizona Holdings LP, an entity affiliated with Pandion Mine Finance LP ("Pandion"). Under the PPG Agreement, Pandion has advanced US\$14,450,000 (equivalent of \$18,800,000) to the Company, as pre-

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payment for the purchase of 44,100 ounces of gold from Para and its subsidiaries (the “Gold Financing”). No gold is required to be delivered by the Company during the first 12 months. Pandion would pay to the Company, together with each delivery of gold, an amount per ounce of gold equal to the market price at the time, less a specified discount. During the term of the PPG Agreement, Pandion also participates in the upside of any increase in the price of gold. Pandion may elect to reduce the Contract Quantity by up to 2,000 ounces in exchange for the issuance of up to 6,352,683 common shares of the Company. Under the terms of the PPG Agreement, the Company’s obligations are secured by a first priority charge in favour of Pandion on all the assets of the Company and its subsidiary companies, Z79 Gold (USA) Corp., Gold Road Mining Corp., as well as pledges of the shares of Z79 Gold (USA) Corp. and Gold Road Mining Corp.

The use of proceeds of the gold prepayment amount under the PPG Agreement is to finance (i) re-payment of US\$5,100,000 to Mojave Desert Minerals, LLC to extinguish the secured notes used in the acquisition of the Gold Road mine and processing facility in Arizona, U.S.A., (ii) the development and restart of the Gold Road mine, (iii) general working capital, and (iv) the payment of certain outstanding liabilities and/or debt of Para. Pandion has an option to extend the term of financing from 54 to 66 months and an option to pay an additional prepayment amount up to US\$5,550,000 in exchange for an additional tranche of gold quantities in its sole discretion.

PPG Arizona Holdings LP as lender withheld US\$450,000 from Para in satisfaction of the non-refundable origination fee. This non-refundable origination fee along with other transaction costs incurred were classified as deferred financing costs and are amortized on a straight-line basis over the term of financing. Deferred financing costs were \$716,669 as at September 30, 2018.

Pre-Paid Gold Purchase Agreement was accounted for as a financial instrument with embedded derivatives. The host liability is measured at amortized cost and embedded derivatives are measured at fair value through profit and loss (“FVTPL”). The Pre-Paid Gold Purchase Agreement and derivatives balances for the nine months ended September 30, 2018 were as follows:

	Pre-Paid Gold Purchase Agreement	Derivative asset	Derivative liabilities
	\$	\$	\$
Balance, December 31, 2017	-	-	-
Additions	(17,520,200)	3,001,140	(4,240,422)
Interest accretion	(479,094)	n/a	n/a
Revaluation of derivative	n/a	14,117	424,004
Foreign exchange translation	54,732	-	-
Balance, September 30, 2018	(17,944,562)	3,015,257	(3,816,418)

12. RELATED PARTY TRANSACTIONS

Transactions with related parties are measured at the exchange amount of consideration established and agreed to by the related parties. The Company paid or accrued remunerations to its directors and officers during the three and nine months ended September 30, 2018 and 2017 are as follows:

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	Three months ended September 30,		Nine months ended September 30,	
	2018 \$	2017 \$	2018 \$	2017 \$
Consulting fees	68,243	113,502	204,728	378,025
Salaries	112,004	77,912	336,011	321,866
Share-based payments	29,786	90,342	490,716	90,342
	210,033	281,756	1,031,456	790,233

As at September 30, 2018 the Company had \$252,946 (2017 - \$113,050) in amounts owing to related parties. These amounts consisted of the following:

- \$4,739 (2017 - \$52,908) was owing to a private company controlled by the executive, the amount owing bear interest at 1% per month, compounded monthly and due on demand. During the period ended September 30, 2018 the Company also paid \$29,898 of office rent to a Company controlled by CEO (2017 - \$nil).
- \$19,199 (2017 - \$19,199) was owing to Goldsource Mines Inc., a company with common directors and officers.
- \$23,252 (2017 - \$23,252) was owing to a private company which is controlled by the director of the Company.
- \$205,756 (2017 - \$70,730) was due to the executive and director of the Company, the amounts owing are non-interest bearing and due on demand.

Compensation paid to key management personal for the periods ended September 30, 2018 and 2017 is identical to the table above. The Company paid \$29,995 to directors of the Company in the form of share-based payments during the nine months ended September 30, 2018.

13. SHARE CAPITAL

Authorized

Unlimited common shares without par value.

On February 15, 2018, the Company closed a non-brokered private placement (the "Private Placement") for total gross proceeds of \$1,557,160. The Private Placement consisted of 7,785,800 units at a price of \$0.20 per unit (each a "Unit"). Each Unit is comprised of one common share of the Company and one-half common share purchase warrant (each whole such warrant a "Warrant"). Each Warrant entitles the holder to acquire one common share of the Company for a period of 18 months at a price of \$0.30, subject to an accelerated expiry if the closing trading price of the Company's shares is greater than \$0.40 for a period of 10 consecutive trading days. The Company fair valued the warrants at \$nil using the residual method, first allocating value to the common shares.

On June 5, 2018, the Company closed the first tranche of a non-brokered private placement consisting of 14,049,000 units (each a "PP Unit") at \$0.20 per PP Unit for gross proceeds of \$2,809,800.

On June 29, 2018, the Company closed the second tranche consisting of 3,025,000 PP Units at \$0.20 per PP Unit for gross proceeds of \$605,000. Each PP Unit consists of one common share of the Company and one share purchase warrant. Each warrant is exercisable for a period of 3 years from the date of issuance at an exercise price of \$0.30, subject to certain acceleration clauses. The Company fair valued the warrants at

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\$60,500 using the residual method, first allocating value to the Common shares. The Company incurred cash financing costs of \$100,824.

On July 10, 2018, the Company closed the third tranche of a non-brokered private placement consisting of 1,575,000 PP Units at \$0.20 per PP Unit for gross proceeds of \$315,000.

Stock options

The Board of Directors of the Company may, from time to time, at its discretion, grant to directors, officers, and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10 percent of the issued and outstanding common shares exercisable for a period not to exceed five years from the Company's listing date. The Company's stock options outstanding as at September 30, 2018 and December 31, 2017 and the changes for the periods then ended are as follows:

	Number of Options	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years)
Balance outstanding and exercisable at December 31, 2017	5,265,000	0.18	2.54
Granted	6,225,000	0.28	4.58
Balance, September 30, 2018	11,490,000	0.21	3.25

During the nine months ended September 30, 2018 the Company granted 6,225,000 (the nine months ended 2017 – 3,440,000) options to employees, directors and consultant. The Company fair valued the options at using the Black-Scholes option pricing model using the following inputs for various grants:

	February 23, 2018	May 10, 2018	July 3, 2018*
Risk free rate	2.04%	2.33%	2.04%
Expected life	5 years	5 years	5 years
Expected volatility	131.0%	132.7%	131.7%
Forfeiture rate	Nil	Nil	Nil
Expected dividends	Nil	Nil	Nil

*These stock options were granted to a consultant and are re-measured at each reporting period.

Stock options outstanding and exercisable at September 30, 2018 are as follows:

Number of Options	Exercise Price \$	Expiry Date
2,000,000	0.22	October 28, 2019
340,000	0.20	December 19, 2019
600,000	0.05	December 30, 2019
300,000	0.25	July 1, 2020
925,000	0.09	January 28, 2021
800,000	0.22	October 28, 2021
300,000	0.18	January 10, 2022
1,725,000	0.15	December 14, 2022

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2,000,000	0.23	February 23, 2023
500,000	0.23	May 10, 2023
1,000,000	0.30	July 3, 2023
1,000,000	0.40	July 3, 2023
11,490,000	0.21	

The Company recognized share-based payments of \$364,448 (2017 - \$47,483) and \$743,310 (2017 - \$627,725) during the three and nine months ended September 30, 2018.

Warrants

The Company's warrants outstanding as at September 30, 2018 and December 31, 2017 and the changes for the nine months ended September 30, 2018 are as follows:

	Number of Warrants	Exercise Price \$
Balance, December 31, 2017	13,585,313	0.30
Issued	25,055,900	0.30
Balance, September 30, 2018	38,641,213	0.30

Warrants outstanding as at September 30, 2018 were as follows:

Outstanding Warrants	Exercise Price \$	Expiry Date
4,147,688	0.30	October 28, 2018
1,825,000	0.30	November 19, 2018
7,612,625	0.30	December 15, 2018
3,892,900	0.30	August 15, 2019
14,049,000	0.30	June 5, 2021
3,025,000	0.30	June 28, 2021
1,589,000	0.30	July 11, 2021
2,500,000	0.20	April 4, 2023
38,641,213	0.30	

Weighted average remaining contractual life is 1.74 years.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its mineral properties to commercial production.

To date, the Company has depended on external financing to fund its activities. The capital structure of the Company currently consists of equity attributable to shareholders of \$12,014,235 (December 31, 2017 - \$6,554,868). The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or sell assets to fund operations. Management reviews its capital management approach on

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a regular basis and there have been no changes to the Company's approach during the nine months ended September 30, 2018. The Company is not subject to externally imposed capital requirements.

15. SEGMENTED DISCLOSURE

The Company manages its operating segments by reviewing each individual resource project and segregates the projects between properties under development and exploration properties.

Operating segment

The Company has identified the following operating segments: the Colombian mines under development consisting of El Limon and North Otu, Gold Road property as mine under development and exploration and evaluation assets. The performance of the Company's operating segments for the three and nine months ended September 30, 2018 and 2017 and as at September 30, 2018 and December 31, 2017 is as follows.

As at and for the three and nine months ended September 30, 2018:

	Colombian Mines	Gold Road	Exploration and evaluation	Corporate and other	Total
	\$	\$	\$	\$	\$
Net income (loss) for the three months	(20,903)	5,368,548	(5,676)	(7,717,227)	(2,375,258)
Net income (loss) for the nine months	6,425,060	4,481,677	(5,676)	(9,860,675)	1,040,386
Total assets	23,255,845	9,770,726	2,070,601	17,678,853	52,776,025
Total liabilities	(1,249,241)	(88,913)	(26,603)	(37,518,912)	(38,883,669)

As at December 31, 2017 and for the three and nine months ended September 30, 2017:

	Colombian Mines	Gold Road	Exploration and evaluation	Corporate and other	Total
	\$	\$	\$	\$	\$
Net loss for the three months	(394,896)	(412,072)	-	(1,019,249)	(1,826,217)
Net loss for the nine months	(1,380,152)	(412,072)	-	(3,930,773)	(5,722,997)
Total assets	26,691,012	7,943,137	1,753,648	(23,357)	36,364,440
Total liabilities	(10,643,736)	(10,827,314)	(48,224)	(7,077,023)	(28,596,296)

16. SUBSEQUENT EVENTS

Warrant Expiry

During the month of October 2018, a total of 4,147,688 expired and in November 2018, a total of 1,825,000 expired. This has resulted in a reduction in the outstanding warrants of 5,972,688.