

PARA RESOURCES INC.

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

For the Twelve Months Ended September 30, 2017 and Thirteen Months
ended September 30, 2016

**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, 2017 \$	September 30, 2016 \$
ASSETS			
Current assets			
Cash		577,797	955,107
Receivables		61,783	46,039
Inventory		279,130	209,288
Prepays	6	762,642	418,878
Total current assets		1,681,352	1,629,312
Non-current assets			
Mineral property	7	20,327,045	15,189,475
Exploration and evaluation assets	8	1,706,434	2,483,305
Plant and equipment	9	9,633,846	5,399,584
Total non-current assets		31,667,325	23,072,364
TOTAL ASSETS		33,348,677	24,701,676
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	16	1,693,340	1,150,389
Due to related parties	16	112,918	105,623
Loan Helm Bank	12	5,686,214	5,739,451
Loan Rayforte	14	1,143,218	963,386
Loan Redrock Resources	13	26,000	27,291
Total current liabilities		8,661,690	7,022,754
Deferred income tax liability		3,512,692	3,616,852
Gold secured loan	10	1,248,000	-
Loan Gold Road		3,724,895	-
Loans payable	11	4,120,657	2,866,689
Loan Conterra	15	2,518,156	-
Loan Redrock Resources	13	900,028	960,277
Total non-current liabilities		16,024,428	8,407,204
TOTAL LIABILITIES		24,686,118	15,429,958
EQUITY (DEFICIT)			
Share capital	16	21,059,716	14,361,482
Shares to be issued	16	-	50,000
Share option and warrant reserve	16	1,927,107	1,353,316
Deficit		(14,269,779)	(8,758,585)
Accumulated other comprehensive loss		(720,860)	(84,564)
Equity attributable to shareholders		7,996,184	6,921,649
Non-controlling interest	2	666,375	2,350,069
		8,662,559	9,271,718
TOTAL LIABILITIES AND EQUITY (DEFICIT)		33,348,677	24,701,676

Nature of operations and going concern (Note 1)
Subsequent events (Note 21)

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

Para Resources Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - expressed in Canadian Dollars)

	Notes	Twelve Months Ended September 30, 2017 \$	Thirteen Months Ended September 30, 2016 \$
Expenses			
Business investigation		96,303	206,540
Consulting	17	1,236,598	416,624
Depreciation	9	58,929	6,750
Investor relations		97,835	500,393
Office and miscellaneous	17	1,542,796	405,679
Professional fees		572,887	219,888
Regulatory and other filing fees		32,450	79,831
Salaries	17	928,823	230,507
Share-based compensation		627,725	72,608
Loss before other items		(5,194,346)	(2,138,820)
Interest expense	11-15	(1,646,192)	(790,872)
Gain on step acquisition	2	-	879,754
Gain on fair value of loan	11	83,716	-
Loss on property settlement	8	(337,500)	-
Transaction costs		-	(74,352)
Loss for the period before tax		(7,094,322)	(2,124,290)
Deferred income tax expense		-	(3,766)
Loss for the period after tax		(7,094,322)	(2,128,056)
Other Comprehensive Income (Loss)			
Items that may be reclassified subsequently to profit or loss:			
Loss on translating foreign operations		(736,862)	(76,877)
Loss and Comprehensive Loss for the period		(7,831,184)	(2,204,933)
Loss for the period attributable to:			
Owners of the parent		(6,737,422)	(1,905,547)
Non-controlling interest		(356,900)	(222,509)
		(7,094,322)	(2,128,056)
Comprehensive loss for the period attributable to:			
Owners of the parent		(7,373,717)	(1,966,301)
Non-controlling interest		(457,466)	(238,632)
		(7,831,183)	(2,204,933)
Basic and Diluted Loss per Common Share		(0.06)	(0.04)
Weighted Average Number of Common Shares Outstanding		117,562,612	58,208,712

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 Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016
(Unaudited - expressed in Canadian Dollars)

	Share Capital		Share option and warrant reserve	Contributed Surplus	Shares to be issued	Deficit	AOCI	NCI	Total
	Number of Shares	Amount							
		\$	\$	\$	\$	\$	\$	\$	\$
Balance as at August 31, 2015	25,923,825	2,771,654	301,482	3,146,108	-	(6,788,526)	(23,810)	-	(593,092)
Shares issued pursuant to private placement	34,261,665	3,084,667	1,026,733	-	-	-	-	-	4,111,400
Issue costs	-	(115,162)	46,777	-	-	-	-	-	(68,385)
Shares issued for debt settlement	1,666,666	183,333	16,667	-	-	-	-	-	200,000
Bonus shares issued for credit facility	2,200,000	704,000	-	-	-	-	-	-	704,000
Shares issued for deferred acquisition	1,270,000	317,500	-	-	-	-	-	-	317,500
Shares to be issued	-	-	-	-	50,000	-	-	-	50,000
Shares issued pursuant to warrant exercise	23,970,435	3,556,104	-	-	-	-	-	-	3,556,104
Shares issued pursuant to option exercise	1,832,143	157,214	-	-	-	-	-	-	157,214
Transfer value on option exercise	-	66,638	(66,638)	-	-	-	-	-	-
Transfer value on warrant exercise	-	464,332	(464,332)	-	-	-	-	-	-
Acquisition of Colombia Milling	13,213,340	3,171,202	420,019	(3,146,108)	-	(64,512)	-	2,588,701	2,969,302
Share-based payments on options granted	-	-	72,608	-	-	-	-	-	72,608
Loss for the period	-	-	-	-	-	(1,905,547)	-	(222,509)	(2,128,056)
Other comprehensive income for the period	-	-	-	-	-	-	(60,754)	(16,123)	(76,877)
Balance as at September 30, 2016	104,338,074	14,361,482	1,353,316	-	50,000	(8,758,585)	(84,564)	2,350,069	9,271,718

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 (cont.)
For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016
(Unaudited - expressed in Canadian Dollars)

Share Capital								
	Number of Shares	Amount	Share option and warrant reserve	Shares to be issued	Deficit	AOCI	NCI	Total
		\$	\$	\$	\$	\$	\$	\$
Balance as at September 30, 2016	104,338,074	14,361,482	1,353,316	50,000	(8,758,585)	(84,564)	2,350,069	9,271,718
Shares issued pursuant to private placement	26,915,125	5,383,025	-	(50,000)	-	-	-	5,333,025
Cash finder's fee	-	(59,500)	-	-	-	-	-	(59,500)
Finders warrants	-	(12,770)	12,770	-	-	-	-	-
Shares issued pursuant to property settlement	1,250,000	337,500	-	-	-	-	-	337,500
Acquisition of Non-controlling interest	-	-	-	-	1,226,228	-	(1,226,228)	-
Share-based payments	-	-	627,725	-	-	-	-	627,725
Warrant exercise	5,280,241	983,275	-	-	-	-	-	983,275
Transfer value on warrant exercise	-	66,704	(66,704)	-	-	-	-	-
Loss for the period	-	-	-	-	(6,737,422)	-	(356,900)	(7,094,322)
Other comprehensive income for the period	-	-	-	-	-	(636,296)	(100,566)	(736,862)
Balance, September 30, 2017	137,783,440	21,059,716	1,927,107	-	(14,269,779)	(720,860)	666,375	8,662,559

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 Twelve Months Ended September 30, 2017 and Thirteen Months ended September 30, 2016****(Unaudited - expressed in Canadian Dollars)**

	September 30, 2017 \$	September 30, 2016 \$
OPERATING ACTIVITIES		
Loss for the period	(7,094,321)	(2,128,056)
Non-cash items:		
Gain on fair value of loan	(83,716)	-
Gain on step acquisition	-	(879,754)
Share-based payments	627,725	72,608
Loan inducement	-	704,000
Loss on property settlement	337,500	-
Depreciation	58,929	6,750
Interest on loan	1,562,720	751,363
Income tax expense	-	3,766
Unrealized foreign exchange	(399,304)	(83,722)
Changes in non-cash working capital items:		
Receivables	(15,744)	(35,861)
Prepaid expenses	(343,763)	(37,978)
Accounts payable and accrued liabilities	542,951	(2,206)
Due from related parties	4,054	6,336
Inventory	(69,842)	-
	(4,872,811)	(2,326,754)
FINANCING ACTIVITIES		
Issuance of shares	5,333,025	4,111,400
Issue costs	(59,500)	(68,385)
Shares to be issued	-	50,000
Loans payable	535,650	1,124,391
Interest paid	-	(64,710)
Option exercise	-	157,214
Warrant exercise	983,275	3,556,105
Gold Secured Loan	1,313,800	-
Loan Conterra	2,527,600	-
Loan payment	(324,425)	-
	10,309,425	8,866,015
INVESTING ACTIVITIES		
Cash acquired on acquisition of Colombia Milling Ltd.	-	294,546
Cash paid to acquire Colombia Milling Ltd.	-	(2,369,763)
Deferred acquisition costs	-	(731,004)
Expenditures on exploration and evaluation assets	(365,584)	(1,089,553)
Mineral property costs	(3,038,853)	(1,500,784)
Acquisition of North Out	(312,000)	-
Acquisition of Gold Road	(1,314,813)	-
Purchase of equipment	(781,139)	(224,083)
	(5,812,389)	(5,620,641)
Foreign exchange effect on cash	(1,535)	13,605
INCREASE IN CASH DURING THE PERIOD	(377,310)	932,225
CASH, BEGINNING OF THE PERIOD	955,107	22,882
CASH, END OF THE PERIOD	577,797	955,107

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 Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

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 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. During the period ended September 30, 2017 the Company changed its fiscal year end to December 31, 2017.

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 cash flows from operations. As at September 30, 2017, the Company had an accumulated deficit of \$14,269,779 (September 30, 2016 – \$8,758,585). For the period ended September 30, 2017, the Company incurred a loss of \$6,737,421 (September 30, 2016 - \$1,905,547), had negative cash flow from operations amounting to \$4,872,811 (September 30, 2016 – \$2,326,754) and had a working capital deficit of \$6,980,338 (September 30, 2016 - deficit of \$5,393,442). 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 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.

Although these 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.

Para Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

2. ACQUISITION OF COLOMBIA MILLING

On July 20, 2015, the Company announced it had entered into a shareholders' agreement ("Shareholders' Agreement"), subscribing for common shares of Colombia Milling Limited, a Belize incorporated Company. Pursuant to the Shareholders' Agreement, the Company would receive common shares of CML on the basis of 1 common share for every USD \$1,000 of contributions. The contributions are considered to be receivable and due on demand. CML's only assets were its 62% ownership of Four Points Mining SAS ("Four Points") a Colombian company and holder of certain mineral licenses in northern Colombia, which contain the El Limon mine. The El Limon mine is a gold mine that is currently in pre-production.

On March 31, 2016, through contributions to CML, the Company increased its ownership to 63% and was given control of the board, effectively giving the Company control over CML and Four Points. The transaction was accounted for as a business combination achieved in stages, rather than an asset acquisition, as the operations of CML met the definition of a business. As the transaction was accounted for a business combination, transaction costs of \$74,352 were expensed.

As the transaction was accounted for as a business combination achieved in steps, on acquiring control of CML the Company revalued its previous interest at fair value on the date of control and recognized a gain on step acquisition. The determination of the gain was as follows:

	\$
Fair value of 100% at March 31, 2016	5,146,393
Fair value of 46% carrying interest at March 31, 2016	2,367,341
Less carrying value of 46% prior to control	(1,487,586)
Gain on step acquisition	879,754

The consideration paid to acquire control was determined to be the fair value of the carrying interest in CML at March 31, 2016 of \$2,367,341 and the additional cash consideration of \$1,787,944. The consideration was allocated to the fair value of the net assets of CML and Four points at March 31, 2016, the date of control. The Company has not allocated any value to goodwill as the entirety of the value associated with CML arises from the El Limon mine, any residual amounts have been allocated to mineral property. The non-controlling interest was determined as the proportionate share of the net identifiable assets of CML and Four Points that the Company did not control.

Purchase Price Allocation	\$
Cash	294,546
Prepays	805,127
Inventory	214,959
El Limon mine	13,351,267
Equipment	5,386,430
Liabilities	(10,005,968)
Deferred income tax liability	(4,020,214)
	6,026,147
Consideration	
Cash	1,787,944
Fair value of carrying interest in CML	2,367,341
Non-controlling interest	1,870,862
	6,026,147

Para Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

The deferred income tax liability on acquisition relates to the adjustment of the equipment to fair value on the date of acquisition. The liabilities assumed on acquisition included the Loan to Redrock Resources of \$952,818 and the Loan to Rayforte of \$852,105, both of which were fair valued on the date of acquisition using a discounted cash flow model and the loan payable to Helm Bank of \$5,569,794 which is accounted for as due on demand with the carrying value approximating fair value

On June 21, 2016 the Company received approval for the acquisition of the final 37% of CML held by James Randall Martin ("Martin") and SAEF Exploration Inc. ("SAEF"). In addition to the shares of CML the Company would also receive any amounts owing to SAEF and Martin from CML, which amounted to \$1,680,256. The acquisition of 100% of the shares of CML brought the Company's total indirect interest in the El Limon Mine to 62%.

The terms of the agreement with SAEF were as follows:

- Cash consideration of USD\$250,000 at closing (paid)
- An unsecured note in the amount of USD\$170,000, payable six months from the closing date, along with accrued interest at a rate of 7% per annum. (paid)

The terms of the agreement with Martin were as follows:

- The Company will issue 13,213,340 units at a deemed price of \$0.09 per unit, each unit consists of one common share of the Company and one half of one share purchase warrant, each whole warrant entitles the holder to purchase an additional common share of the Company for a period of 18 months from the date of issuance at an exercise price of \$0.20 per share.

The total consideration paid to acquire the final 37% of CML was \$4,173,038 consisting of the loans and cash consideration to SAEF and the units to Martin. The common shares in the units were fair valued at \$0.24 and the warrants were fair valued at \$420,019 using the Black Scholes model. Upon obtaining 100% control of CML the Company adjusted its non-controlling interest to reflect the 38% of Four Points that was not controlled by the Company. The acquisition of the 37% was accounted for as follows:

Purchase Price Allocation	\$
Loans from CML	1,680,256
Change in NCI	(717,839)
Amount attributed to equity of Para	3,210,621
	4,173,038

The non-controlling interest was determined as the proportionate share of the net identifiable assets of Four Points that the Company did not control either directly or indirectly through CML. As the increase in ownership did not result in a change in control the Company did not adjust for any changes in fair value at June 21, 2016.

The operating results for both CML and Four points have been recognized in the consolidated statement of comprehensive loss beginning on March 31, 2016, the effective date of control.

On December 31, 2016 the Company increased its ownership of Four Points to 77%. The increase in ownership was based on the cash payments made by the Company to fund operations of Four Points. The Company recorded a decrease in non-controlling interest of \$1,021,856, as there was no consideration paid to the non-controlling interest the amount was recorded against the equity of the parent. On July 1, 2017 the Company increased its ownership to 80% and recorded a decrease to non-controlling interest of \$204,372.

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Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

3. 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 thirteen months ended September 30, 2016, 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 September 30, 2016 except as outlined below. These condensed interim consolidated financial statements were approved by the board of directors for use on November 28, 2017.

Accounting standards development

The following standards have been issued but not yet applied:

- In the annual period beginning September 1, 2018, the Company will be required to adopt IFRS 9, *Financial Instruments*, which is the result of the first phase of the IASB’s project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Management is currently evaluating the impact that this standard will have on the consolidated financial statements.
- IFRS 15, *Revenue from Contracts with Customers*, 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. The required adoption date for IFRS 15 is the annual period beginning on or after January 1, 2018, with early adoption permitted. The Company has not completed its assessment of the impact of this standard.
- IFRS 16, *Leases*, 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

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Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

Estimates

Useful life of depreciable assets

Management reviews its estimate of useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Mineral resource estimate

The life of the El Limon mine is determined from the ore reserves that are available to be extracted at the end of each reporting period. The Company initially estimates the ore reserve available based on the findings of qualified, independent, mining professionals. These estimates are updated from time to time as additional technical and economic information becomes available. Factors that impact the computation of reserves available include the geological data on the size, depth and shape of the ore body, the prevailing and expected market price for the underlying metals to be extracted and the expected costs to extract and process the mined material. Changes in the mineable ore reserve available may impact the carrying value of mine property, exploration and evaluation properties, plant and equipment, site closure and reclamation provision and changes in the recognition of deferred tax amounts in addition to changes in the recognition of depreciation and depletion.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Judgments

Business combination

On the acquisition of a subsidiary, the Company must determine whether the acquisition is a business combination by applying the definition in IFRS 3 *Business Combinations*. If the assets and liabilities assumed do not constitute a business the transaction would be accounted for as an asset acquisition. Management

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Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

has determined that the acquisition of CML constituted a business combination as CML met the definition of a business. A business consists of inputs to which processes are applied resulting in outputs that provide a return to the Company and its shareholders.

Business combinations are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition.

Exploration and evaluation assets

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

Although the Company has taken steps to ensure the title to mineral property interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

Commencement of Commercial Production

The Company assesses the stage of each mine under construction to determine when a property reaches the stage when it is substantially complete and ready for its intended use. Criteria used to assess when a property has commenced commercial production include, among other considerations:

- the level of capital expenditures incurred relative to the expected costs to complete;
- the completion of a reasonable period of testing of the mine plant and equipment;
- the ability to produce saleable metals;
- the attainment of relevant permits;
- the ability to sustain ongoing production; and
- the achievement of pre-determined production targets.

When management determines that a property has reached commercial production, costs capitalized during development are amortized.

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 involves certain judgements to determine the primary economic environment of an entity. The Company re-evaluates the functional currency of its entities when there is a change in events and conditions which previously determined the primary economic environment of an entity.

Para Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

Impairment of exploration and evaluation assets

The application of the Company's accounting policy for determining whether it is likely that costs incurred on exploration and evaluation assets will be recovered through successful exploration and development also requires significant judgment. Management evaluates impairment with consideration of the economic and political environments and current mining codes of the countries where they perform exploration.

5. ACQUISITION OF GOLD ROAD

On August 23, 2017 the Company finalized an agreement to acquire all of the assets comprising the "Gold Road Mine ("Gold Road") located in Oatman Arizona. The assets include all the patented and unpatented claims, the existing mill site and water rights claims, the mining and milling equipment consisting of a 500 tons 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.

The consideration for the assets is as follows:

- \$767,540 USD paid on closing (\$963,416)
- \$6,000,000 USD promissory note with annual principal repayments of \$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 fair valued the note using a discount rate of 24.5% and determined the fair value to be \$2,984,692 USD (\$3,746,385)
- 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 \$279,953 USD (\$351,397) of acquisition costs which are capitalized. The allocation of the total purchase price of \$5,061,198 is as follows:

Allocation of Purchase Price	\$
Mining Equipment	4,040,865
Gold Road mineral property	1,020,333
	5,061,198

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

6. PREPAIDS

As at September 30, 2017 the Company's prepaid amounts consist of the following:

	September 30, 2017	September 30, 2016
	\$	\$
Investor relation	450,463	101,238
Advances to suppliers	26,097	98,918
Advances to employees	-	127,379
Other advances	56,082	91,343
	762,642	418,878

Para Resources Inc.**Notes to the Condensed Interim Consolidated Financial Statements**

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016**7. MINERAL PROPERTY**

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

As at September 30, 2017 the Company's mineral property balance consisted of the following

	El Limon	North Otu	Gold Road	Total
	\$	\$	\$	\$
Balance, August 31, 2015	-	-	-	-
Acquisition of CML	13,351,267	-	-	13,351,267
Development costs	1,758,434	-	-	1,758,434
Foreign exchange translation	79,774	-	-	79,774
Balance, September 30, 2016	15,189,475	-	-	15,189,475
Acquisition of Gold Road	-	-	1,020,333	1,020,333
Acquisition cost North Otu	-	312,000	-	312,000
Transfer from Exploration assets	-	973,895	-	973,895
Development costs	3,230,087	72,500	24,864	3,327,451
Foreign exchange translation	(461,130)	(28,503)	(6,476)	(496,109)
Balance, September 30, 2017	17,958,432	1,329,892	1,038,721	20,327,045

El Limon

As part of the acquisition of CML the Company acquired the El Limon gold mine held in 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 USD\$2,000,000. Upon reaching the USD\$2,000,000 NSR threshold, the NSR decreases to 0.05% payable to a maximum of USD\$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.

Para Resources Inc.**Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited - expressed in Canadian Dollars)****For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016**

During the period ended September 30, 2017 the Company incurred \$72,500 of development costs and considers the North Otu a mine under development. The mine is not yet in commercial production, all revenues associated with the mine will be capitalized as development costs.

Nicaragua Milling

On January 18, 2017 the Company announced that it has entered into a non-binding Letter of Intent to acquire an 80% interest in Nicaragua Milling Company Ltd. (“NML”), a Belize company with mining interests in the Republic of Nicaragua. The aggregate consideration payable to the Vendors for the NML Shares shall consist of 40,000,000 common shares in the capital of Para at a deemed price of C\$0.20 per share and 4,000,000 share purchase warrants of Para. Each Warrant will be exercisable to acquire one common share of Para at a price of C\$0.30 for three years from the date of issue.

NML is owned by Randy Martin, Sergio Rios and a third minority shareholder (together, the “Vendors”). Mr. Martin is an Officer, Director and major shareholder of Para. Following the Transaction, and subject to TSXV approval, Sergio Rios will be appointed a Director of Para. Mr. Martin abstained from voting on the Company’s approval of the Letter of Intent by virtue of his conflict of interest.

During the month of September 2017, the Company terminated the agreement with NML citing limited NML production capacity and that the transaction would have a highly dilutive effect to the Company’s shareholders.

8. EXPLORATION AND EVALUATION ASSETS**Tucumã gold project:**

The Company owns a 100% interest in the Tucumã copper/gold exploration project, which consists of six mineral concessions covering a total of 11,456 hectares 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, 2017	September 30, 2016
	\$	\$
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	1,509,409	1,074,694
Addition during the period		
Assays	1,048	3,989
Consulting	154,836	172,583
Drilling	-	-
Environmental	-	-
Field supplies	51,728	79,102
Licenses	22,218	17,637
Miscellaneous	-	413
Personnel	48,764	50,535
Project administration	71,060	81,336

Para Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

Vehicle expenses	15,930	27,563
Foreign exchange on mineral property	(168,560)	1,557
Total additions during the period	197,024	434,715
	1,706,433	1,509,409
Balance, end of the period	1,706,434	1,509,410

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 its wholly owned Brazilian subsidiary Angra Metals Mineração Ltda 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 Importacao 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 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.

9. PLANT AND EQUIPMENT

	Buildings and construction	Machinery	Office equipment	Vehicles	Total
Cost	\$	\$	\$	\$	\$
Balance, August 31, 2015	-	-	-	-	-
Acquired through CML	707,428	4,651,638	26,538	826	5,386,430
Additions	45,618	55,167	20,428	102,870	224,082
Foreign exchange	7,186	44,914	448	990	53,538
Balance September 30, 2016	760,232	4,751,719	47,414	104,685	5,664,050
Additions	270,373	482,194	25,495	3,078	781,139
Foreign exchange	(42,834)	(217,531)	(3,030)	(4,479)	(267,874)
Balance, September 30, 2017	987,771	5,016,381	69,879	103,284	6,177,315
	Buildings and construction	Machinery	Office equipment	Vehicles	Total
Accumulated Depreciation	\$	\$	\$	\$	\$
Balance, August 31, 2015	-	-	-	-	-
Depreciation	19,072	238,578	6,296	520	264,466
Balance September 30, 2016	19,072	238,578	6,296	520	264,466

Para Resources Inc.**Notes to the Condensed Interim Consolidated Financial Statements**

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

Depreciation	41,290	222,444	27,344	18,428	309,505
Foreign exchange	(1,710)	(9,210)	(1,132)	(763)	(12,815)
Balance, September 30, 2017	58,653	451,812	32,507	18,185	561,156

Net Book Value					
September 30, 2016	741,160	4,513,141	41,119	104,165	5,399,584
September 30, 2017	929,118	4,564,570	37,372	85,099	5,616,160

During the period ended September 30, 2017 \$250,576 of depreciation was capitalized to mineral properties and \$58,929 was recorded as depreciation expense.

The Company is currently in the process of making additions to the equipment acquired in the Gold Road acquisition to bring it into use. As at September 30, 2017 balance of the equipment is as follows:

	\$
Balance, September 30, 2016	-
Equipment acquired	4,040,865
Foreign exchange	(23,179)
Balance, September 30, 2017	4,017,686

10. GOLD SECURED LOAN

On December 15, 2016 the Company entered a Gold Secured Loan ("Gold Loan") in the amount of \$1,000,000 USD 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 September 30, 2017 the Company entered into an amended agreement to extend the gold repayments from September 15, 2017 to September 15, 2018.

As the Company's expected future production of gold ounces will be sufficient to meet the repayment terms and the Company's intention is to make each payment via gold delivery and not cash payments, the loan is not considered a financial instrument and is accounted for as a prepayment of future gold delivery.

11. LOAN PAYABLE AND CREDIT FACILITY

During the period ended August 31, 2015 the Company entered into a loan agreement with Conex Services Inc. ("Conex") whereby Conex would advance the Company \$250,000, received in multiple tranches, for working capital purposes. The loan is secured with a promissory note and each tranche has a term of 12 months from the date of the advance, bearing interest at 1% per month. As part of the consideration for the loan, on February 3, 2015, the Company issued 855,237 bonus shares to Conex. The shares were recorded at fair value on the date of issuance at \$64,143 as a financing cost and the Company will amortize the cost using an effective interest rate of 30.1%.

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 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

Para Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

credit 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 September 30, 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 fair valued the loans using a discounted cash flow model using a discount rate of 24.5%, the loan was recorded at a fair value of \$451,934 and the Company recorded a \$83,716 gain on the fair value of the loan. On January 28, 2017 Conex increased the facility to a maximum of \$5,000,000 for no additional consideration.

The loan payable at September 30, 2017 and September 30, 2016, and the changes for the periods then ended are as follows:

	\$
Balance, August 31, 2015	1,978,067
Loans received	1,124,391
Less financing costs	(704,000)
Interest and accretion	468,231
Balance, September 30, 2016	2,866,689
Fair value loan received	451,934
Interest and accretion	802,034
Balance, September 30, 2017	4,120,657

12. HELM BANK LOAN

As at September 30, 2016 Four Points had an outstanding interest-bearing loan of USD\$3,500,000 with the Helm Bank Colombia with a 5% annual interest rate and is due on demand. As at September 30, 2017 the Company has accrued interest payable of USD\$1,056,261.

	\$
Balance, August 31, 2015	-
Loan assumed on acquisition of CML	5,569,794
Interest	113,435
Foreign exchange on translation of loan	56,222
Balance, September 30, 2016	5,739,451
Interest	218,750
Foreign exchange on translation	(271,986)
Balance, September 30, 2017	5,686,214

Para Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

13. LOAN PAYABLE REDROCK RESOURCES

As part of the consideration paid by CML to acquire Four Points, CML issued a promissory note for USD \$1,000,000 with an annual interest rate of 5% payable on May 15, 2018. The Company fair valued the loan using an effective interest of 24.5% and determined the fair value of the loan to be \$952,818. The loan payable at September 30, 2017 and September 30, 2016, and the changes for the periods then ended are as follows:

	\$
Balance, August 31, 2015	-
Loan assumed on acquisition of CML	952,818
Interest and accretion	59,683
Interest paid	(64,710)
Foreign exchange on translation of loan	39,777
Balance, September 30, 2016	987,568
Payment	(324,425)
Interest and accretion	297,676
Foreign exchange on translation of loan	(34,791)
Balance, September 30, 2017	926,028

14. LOAN PAYABLE RAYFORTE

Upon completing the acquisition of CML the Company assumed its loan payable to Rayforte of USD \$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 loan payable at September 30, 2017 and September 30, 2016 and the changes for the periods then ended are as follows:

	\$
Balance, August 31, 2015	-
Loan assumed on acquisition of CML	852,105
Interest and accretion	101,739
Foreign exchange on translation of loan	9,542
Balance, September 30, 2016	963,386
Interest and accretion	241,017
Foreign exchange translation	(61,184)
Balance, September 30, 2017	1,143,219

15. LOAN CONTERRA

On August 4, 2017 the Company, through its wholly owned subsidiary Gold Road, entered into a loan agreement for \$2,000,000 USD with an annual interest rate of 12%, maturing on August 4, 2020. As at September 30, 2017 the Company had accrued interest of \$22,291.

Para Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

16. SHARE CAPITAL

Authorized

Unlimited common shares without par value.

On April 28, 2017 the Company closed the first tranche of its non-brokered private placement issuing 8,295,375 units (each individual "Unit") at \$0.20 per Unit, for gross proceeds of \$1,659,075. Each Unit consists of one common share of the Company and one-half common share purchase warrant with each whole warrant entitling the holder to acquire one common share of the Company for a period of 18 months at \$0.18 per warrant. The Company values warrants using the residual method and allocated a nil value to the warrants.

On May 19, 2017 the Company closed the 2nd tranche of its non-brokered private placement issuing 3,650,000 Units at \$0.20 per Unit, for gross proceeds of \$730,000. The Company values warrants using the residual method and allocated a nil value to the warrants.

On June 15, 2017 the Company closed the 3rd and final tranche of its non-brokered private placement issuing 14,969,750 Units at \$0.20 per Unit, for gross proceeds of \$2,993,950. The Company values warrants using the residual method and allocated a nil value to the warrants.

The Company incurred \$59,500 of cash financing costs and issued 127,750 finders' warrants. The finders' warrants were fair valued at \$12,770 using the Black-Scholes option pricing model using the following assumptions: expected life 1.5 years; expected dividend nil; volatility 117%; risk free rate 1.09%; expected forfeiture rate nil.

During the period ended May 31, 2016 the Company completed the following financings:

On December 8, 2015 the Company issued 2,953,333 units at \$0.12 per unit for gross proceeds of \$354,400 and 1,666,666 units to settle debt of \$200,000. Each unit consists of one common share of the Company and one half-warrant, with each full warrant entitling the holder to acquire one common share of the Company at a price of \$0.18 for a period of 18 months from their date of issuance. The Company fair valued the warrants at \$46,200 using the residual method. No gain on debt settlement was recorded. The Company issued 87,000 finders warrants that were fair valued at \$5,005 using an option pricing model. The assumptions used were; Risk free rate of 0.48%; volatility 143%, forfeiture rate nil; expected dividend nil; expected useful life 1.5 years.

On January 29, 2016 the Company issued 24,430,000 units to settle \$2,931,600 of debt (Note 6). Each unit consists of one common share of the Company and one half-warrant, with each full warrant entitling the holder to acquire one common share of the Company at a price of \$0.18 for a period of 18 months from their date of issuance. The shares were fair valued at \$0.08 and the warrants were valued using an option pricing model and fair valued at \$447,665. The assumptions used were; Risk free rate of 0.42%; volatility 143%, forfeiture rate nil; expected dividend nil; expected useful life 1.5 years. The Company recorded a gain on debt settlement of \$529,535.

On February 22, 2016 the Company issued 500,000 units at \$0.12 per unit for gross proceeds of \$60,000. The units were identical to those issued on December 8, 2015 and the warrants were fair valued at \$20,000 using the residual method. The Company issued 20,000 finders warrants that were fair valued at \$722 using an option pricing model. The assumptions used were; Risk free rate of 0.45%; volatility 141%, forfeiture rate nil; expected dividend nil; expected useful life 1.5 years. The Company incurred \$29,334 of cash issue costs.

Para Resources Inc.**Notes to the Condensed Interim Consolidated Financial Statements**

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On March 17, 2016 the Company closed its previously announced private placement issuing 6,378,332 units at \$0.12 per unit for gross proceeds of \$765,400. Each unit consisted of one common share of the Company and one half common share purchase warrant. Each full warrant entitles the holder to acquire an additional common share of the Company at a price of \$0.18; the warrants expire on September 17, 2017. The Company fair valued the warrants at \$nil using the residual method. The Company paid \$30,450 in cash financing costs and issued an additional 362,500 finders warrants. The finder's warrants were fair valued at \$41,050 using an option pricing model. The assumptions used were; Risk free rate of 0.45%; volatility 146%, forfeiture rate nil; expected dividend nil; expected useful life 1.5 years

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 ten percent of the issued and outstanding common shares exercisable for a period not to exceed five years from the Company's listing date. The following is a continuity schedule of outstanding options for the reporting period.

The Company's stock options outstanding as at September 30, 2017 and September 30, 2016 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 August 31, 2015	2,705,243	0.17	2.46
Granted	1,025,000	0.09	
Expired	(8,100)	0.50	
Exercised	(1,832,143)	0.09	
Balance, September 30, 2016	1,890,000	0.21	3.24
Granted	3,740,000	0.22	
Expired	(365,000)	0.75	
Balance, September 30, 2017	5,265,000	0.18	2.62

During the period ended September 30, 2017 the Company issued 3,740,000 (September 30, 2016 – 1,025,000) options to directors and consultants, vesting immediately. The Company fair valued the options at \$627,725 (September 30, 2016 - \$72,608) using the Black-Scholes option pricing model using the following inputs:

	2017	2016
Risk free rate	0.79%	0.68%
Expected life	3 – 5 years	5 years
Expected volatility	126%	143%
Forfeiture rate	Nil	Nil
Expected dividends	Nil	Nil

Para Resources Inc.**Notes to the Condensed Interim Consolidated Financial Statements**

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For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

Stock options outstanding and exercisable at September 30, 2017 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
5,265,000	0.18	

Warrants

The Company's warrants outstanding as at September 30, 2017 and September 30, 2016 and the changes for the periods then ended are as follows:

	Number of Warrants	Exercise Price \$
Balance, August 31, 2015	9,728,494	0.10
Issued	25,040,336	0.19
Exercised	(23,970,435)	0.15
Balance, September 30, 2016	10,798,395	0.19
Issued	13,585,313	0.30
Expired	(1,538,334)	0.18
Exercised	(5,280,241)	0.19
Balance, September 30, 2017	17,565,133	0.28

Warrants outstanding as at September 30, 2017 were as follows:

Outstanding Warrants	Exercise Price \$	Expiry Date
3,979,820	0.20	December 20, 2017
4,147,688	0.30	October 28, 2018
1,825,000	0.30	November 19, 2018
7,612,625	0.30	December 15, 2018
17,565,133		

Weighted average remaining contractual life is 0.95 years.

17. RELATED PARTY TRANSACTIONS

All amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment unless otherwise stated. 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

Para Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016

remunerations to its directors and officers during periods ended September 30, 2017 and September 30, 2016 are as follows:

	September 30, 2017	September 30, 2016
	\$	\$
Consulting fees paid to a director	523,514	366,709
Administrative fees paid to a company controlled by a director	-	49,309
Share-based payments	90,342	-
Salaries	441,774	-
	965,288	416,018

As at September 30, 2017, \$52,908 (September 30, 2016 - \$46,138) was owing to a director and a private company controlled by him, and \$19,199 (September 30, 2016 - \$19,199) was owing to Goldsource Mines Inc., a company with common directors and officers.

As at September 30, 2017, loans totaling \$40,812 (September 30, 2016 - \$233,562) were due to a director, a private company which he is a director of, and a private company controlled by him. Loans amounting to \$23,252 are unsecured and non-interest bearing and loans amounting to \$17,560 bear an interest rate of 1% per month compounded monthly and are due on demand.

Compensation paid to key management personal for the periods ended September 30, 2017 and September 30, 2016 is identical to the table above.

18. 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 \$7,996,184 (September 30, 2016 - (\$6,898,631)). 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. 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 a regular basis and there have been no changes to the Company's approach during the period ended September 30, 2017. The Company is not subject to externally imposed capital requirements.

Para Resources Inc.**Notes to the Condensed Interim Consolidated Financial Statements**

(Unaudited - expressed in Canadian Dollars)

For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016**19. FINANCIAL RISK MANAGEMENT**

The carrying values of the Company's financial instruments are classified into the categories below. Fair values are determined either directly by reference to published price quotations in an active market, or from valuation techniques using observable inputs.

	September 30, 2017	September 30, 2016
	\$	\$
Loans and Receivables:		
Cash	577,797	955,107
Other financial liabilities		
Accounts payable and accrued liabilities	1,693,340	1,150,389
Due to related parties	112,918	105,623
Loan payable	4,120,657	2,866,689
Loan Helm Bank	5,686,214	5,739,451
Loan Rayforte	1,143,218	963,386
Loan Conterra	2,518,156	-
Loan Gold Road	3,724,895	-
Loan Redrock Resources	926,028	987,568

Fair value measurements

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates;

Level 3: valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The carrying value of cash, accounts receivable, accounts payable, loan to Helm Bank, the interest portion of the loan to Redrock Resources and due to related parties approximate their fair values because of their short-term nature.

The Company's non-current liabilities are considered level two financial instruments and fair valued using a discounted cash flow model and effective interest rate of 24.5%. Non-current liabilities include the loan payable of \$4,120,657, the loan to Redrock Resources of \$900,028, the loan to Rayforte of \$1,143,218 and the loan to Gold Road of \$3,724,895.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of risks including interest rate risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by the officers of the Company and discussed with the Board of Directors. The officers of the Company are charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the expectations of the Board of Directors.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk with respect to its

Para Resources Inc.**Notes to the Condensed Interim Consolidated Financial Statements**

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cash; however, the risk is minimal because of their short-term maturity. All of the Company's interest-bearing debt instruments have fixed interest rates and are not subject to interest rate cash flow risk.

Credit risk

Credit risk is the risk of a loss if a customer or third party to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk arises from cash and accounts receivable. The Company mitigates this risk by placing its cash in large reputable Canadian financial institution. The Company considers the credit risk related to cash and accounts receivable to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company develops forecasts and budgets to better manage its obligations while supporting ongoing operations and capital expenditures. The Company relies on debt and equity offerings to raise the financing it needs to meet its ongoing requirements. The Company's cash is available on demand.

Foreign currency risk

The Company has operations in Canada, Brazil and Colombia and is exposed to foreign exchange risk due to fluctuations in the US dollar, Brazilian real and Colombian peso. Foreign exchange risk arises from financial assets and liabilities denominated in these foreign currencies. The sensitivity of the Company's net loss to a 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$234,000.

The Company's financial assets and liabilities as at September 30, 2017 are denominated in Canadian dollars, Brazilian real, Colombian Peso and US dollars as follows:

	Canadian dollar	US dollar	Colombian Peso	Brazilian real	Total
	\$	\$	\$	\$	\$
Financial assets					
Cash	106,256	401,265	64,051	6,224	577,797
Accounts receivable	61,783	-	-	-	61,783
	141,039	401,265	64,051	6,224	639,580
Financial liabilities					
Accounts payable and accrued liabilities	318,653	-	1,340,551	34,136	1,693,340
Due to related party	112,918	-	-	-	112,918
Loan payable	4,120,657	-	-	-	4,120,657
Loan Rayforte	-	1,143,218	-	-	1,143,218
Loan Red Rock Resources	-	926,028	-	-	926,028
Loan Conterra	-	2,518,156	-	-	2,518,156
Loan Gold Road	-	3,724,895	-	-	3,724,895
Loan Helm Bank	-	5,686,214	-	-	5,686,214
	4,552,228	13,998,511	1,340,551	34,136	21,173,426

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The Company's financial assets and liabilities as at September 30, 2016 are denominated in Canadian dollars and Brazilian real as follows:

	Canadian dollar	US dollar	Colombian Peso	Brazilian real	Total
	\$	\$	\$	\$	\$
Financial assets					
Cash	720,449	1,286	232,130	1,242	955,107
Accounts receivable	8,099	-	22,953	14,987	46,039
	<u>728,548</u>	<u>1,286</u>	<u>255,083</u>	<u>16,229</u>	<u>1,001,146</u>
Financial liabilities					
Accounts payable and accrued liabilities	90,504	385,579	643,031	31,275	1,150,389
Due to related party	105,623	-	-	-	105,623
Loan payable	2,866,689	-	-	-	2,866,689
Loan Rayforte	-	963,386	-	-	963,386
Loan Red Rock	-	987,568	-	-	987,568
Loan Helm Bank	-	5,739,451	-	-	5,739,451
	<u>3,062,816</u>	<u>8,075,984</u>	<u>643,031</u>	<u>31,275</u>	<u>11,813,106</u>

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

Para Resources Inc.

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20. 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 twelve months ended September 30, 2017 and thirteen months ended September 30, 2016 and as at September 30, 2017 and September 30, 2016 is as follows.

As at and for the twelve months ended September 30, 2017

	Colombian Mines	Gold Road	Exploration and evaluation	Corporate and other	Total
	\$	\$	\$	\$	\$
Loss for the period	1,631,989	412,072	-	5,050,260	7,094,321
Salaries	415,318	6,361	-	507,144	928,823
Consulting	-	22,191	-	1,019,347	1,236,598
Interest expense	757,443	-	-	866,558	1,646,192
Depreciation	58,929	-	-	-	58,929
Current assets	599,147	410,565	6,225	665,415	1,681,352
Non-current assets	24,904,484	5,056,407	1,706,434	-	31,667,325
Total assets	24,517,127	5,466,972	1,712,659	665,415	33,348,677
Current liabilities	8,169,983	-	34,136	457,571	8,661,690
Non-current liabilities	2,148,028	6,243,051	-	7,633,349	16,024,428
Total liabilities	10,318,011	6,243,051	34,136	8,090,920	24,686,118

September 30, 2016

	El Limon	Exploration and evaluation	Corporate and other	Total
	\$	\$	\$	\$
Loss for the period	548,321	-	1,575,969	2,124,290
Salaries	230,507	-	-	230,507
Consulting	-	-	416,624	416,624
Investor relations	-	-	500,393	500,393
Interest expense	265,760	-	525,112	790,872
Depreciation	6,750	-	-	6,750
Current assets	783,298	16,229	829,785	1,629,312
Non-current assets	20,589,059	2,483,305	-	23,072,364
Total assets	21,372,356	2,499,534	829,785	24,701,676
Current liabilities	6,795,352	31,275	196,127	7,022,754
Non-current liabilities	1,923,663	-	6,483,541	8,407,204
Total liabilities	8,719,015	31,275	6,679,668	15,429,958

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For the Twelve Months Ended September 30, 2017 and Thirteen Months Ended September 30, 2016**Geographic segment:**

The Company's assets and liabilities as at September 30, 2017 and September 30, 2016 and the Company's expenses by geographic area for the periods ended September 30, 2017 and September 30, 2016 are as follows:

	As at and for the twelve months ended September 30, 2017				
	Colombia	USA	Brazil	Canada	Total
	\$	\$	\$	\$	\$
Current assets	599,278	410,565	6,225	665,284	1,681,352
Exploration and evaluation asset	-	-	1,706,434	-	1,706,434
Plant and equipment	5,616,160	4,017,686	-	-	9,633,846
Mineral properties	19,288,324	1,038,721	-	-	20,327,045
Total assets	25,503,762	5,466,972	1,712,659	665,284	33,348,677
Current liabilities	8,195,982	-	34,136	431,571	8,661,690
Non-current liabilities	3,048,056	6,243,051	-	6,733,321	16,024,428
Total liabilities	11,244,038	6,243,051	34,136	7,164,892	24,686,118
Expenses	1,581,827	389,881	-	3,222,637	5,194,345
Other expenses	757,443	22,191	-	1,120,342	1,899,976
Net loss	2,339,271	412,072	-	4,342,978	7,094,321

	September 30, 2016			
	Colombia	Brazil	Canada	Total
	\$	\$	\$	\$
Current assets	783,298	16,229	829,785	1,629,312
Exploration and evaluation asset	973,895	1,509,410	-	2,483,305
Plant and equipment	5,399,584	-	-	5,399,584
Mineral properties	15,189,475	-	-	15,189,475
Total assets	22,346,252	1,525,639	829,785	24,701,676
Current liabilities	6,795,352	31,275	196,127	7,022,754
Non-current liabilities	1,923,663	-	6,483,541	8,407,204
Total liabilities	8,719,015	31,275	6,679,668	15,429,958
Expenses	282,560	-	1,856,260	2,138,820
Other expenses	265,760	-	(280,290)	(14,530)
Net loss	548,321	-	1,575,968	2,124,290

Para Resources Inc.

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21. SUBSEQUENT EVENTS

- On October 11, 2017 the Company announce that it has engaged RPM Global USA, Inc. ("RPM") to provide the following for the Gold Road Mine in Oatman, Arizona:
 - A Report on the Gold Road mill including an assessment of the condition of the mill and the requirements for refurbishing the mill to operational status.
 - A Report on the trade-off study between decline haulage and the construction of a small diameter shaft hoist.
 - A Report on the evaluation of the proposed modified shrink stope mining method proposed by Gold Road Mine and other mining methods that may be applicable to the Gold Road vein.
 - A Report with recommendations for work necessary to bring the historical data forward to a current NI 43-101 mineral resource estimate for Para.
 - A Preliminary Economic Assessment NI 43-101 Technical Report.

- On November 16, 2017 the Company announced that effective January 1, 2018, Mr. Timothy Lallas, CPA, CMA will join Para as Chief Financial Officer of Para. Mr. Lallas has extensive senior level experience in the mining industry and provides the depth of knowledge the Company needs at this critical point in the Company's growth.

- On November 16, 2017 the Company announced that it commenced with a drilling program on the El Limon project to twin 3 historic diamond drilling holes completed 1997 and 1998 and to drill four other off set holes in the same formation. The program is set to been completed in two stages with the goal of replicating the results attained in the 1997-98 drilling program and to determine the width and breadth of the formations encountered there. The Company believe that there are many different systems at play on the Company's El Limon and Otu properties.