

# **BENZ MINING CORP.**

## **Condensed Interim Financial Statements**

For the three and six months ended October 31, 2018

(Expressed in Canadian dollars - Unaudited)

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**NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim financial statements of Benz Mining Corp. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed interim financial statements.

# Benz Mining Corp.

## Condensed Interim Statements of Operations and Comprehensive Loss (unaudited)

	Note	Three months ended		Six months ended	
		2018	October 31, 2017	2018	October 31, 2017
<b>Operating Costs</b>					
Exploration and evaluation costs	4	\$ -	\$ 711,882	\$ -	\$ 711,882
Listing and filing fees		6,353	27,374	10,267	42,413
Management & consulting fees	5	68,944	106,380	128,848	181,930
Office and miscellaneous		30,296	24,546	41,697	51,744
Professional fees		17,329	35,931	20,329	46,740
Share-based payments	6	-	322,799	61,518	352,447
Shareholder information		27,865	199,221	101,750	208,900
Loss from operations		(150,787)	(1,428,133)	(364,409)	(1,596,056)
<b>Other income (expenses)</b>					
Interest Income		2,198	779	3,893	899
<b>Net loss and comprehensive loss</b>		<b>(148,589)</b>	<b>(1,427,354)</b>	<b>(360,516)</b>	<b>(1,595,157)</b>
<b>Loss per share - basic and diluted</b>					
		\$ (0.01)	\$ (0.07)	\$ (0.01)	\$ (0.12)
<b>Weighted average number of shares outstanding - basic and diluted</b>					
		26,039,518	19,856,878	26,039,518	13,842,139

See accompanying notes to the condensed interim financial statements

# Benz Mining Corp.

## Condensed Interim Statements of Financial Position (unaudited)

	Note	October 31, 2018	April 30, 2018
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents		\$ 1,213,217	\$ 1,444,696
Sales taxes recoverable		7,263	16,314
Prepaid expenses and deposits		64,350	158,889
		1,284,830	1,619,899
Exploration and evaluation assets	4	231,385	231,385
		\$ 1,516,215	\$ 1,851,284
<b>LIABILITIES</b>			
Current Liabilities			
Trade and other payables	5	\$ 37,091	\$ 73,162
<b>EQUITY</b>			
Common shares	6	6,399,487	6,399,487
Equity reserves		2,402,106	2,340,588
Deficit		(7,322,469)	(6,961,953)
		1,479,124	1,778,122
		\$ 1,516,215	\$ 1,851,284

Nature and Continuation of Operations (Note 1)

Approved on behalf of the board on December 31, 2018

(Signed) Miloje Vicentijevic  
Miloje Vicentijevic, President, CEO and Director

(Signed) Carlos Escribano  
Carlos Escribano, CFO and Director

See accompanying notes to the condensed interim financial statements

# Benz Mining Corp.

## Condensed Interim Statements of Cash Flows (unaudited)

	Note	October 31, 2018	October 31, 2017
<b>Cash Flow from Operating Activities</b>			
Net loss for the period		\$ (360,516)	\$ (1,651,668)
Adjustments for non-cash items:			
Share based payments	6	61,518	352,447
Changes in non-cash working capital:			
Decrease (increase) in sales taxes recoverable		9,051	(35,205)
Decrease (increase) in prepaid expenses		94,539	(439,339)
(Decrease) increase in trade and other payables		(36,071)	46,768
Net cash flows used in operating activities		(231,479)	(1,726,997)
<b>Cash Flow from Investing Activities</b>			
Additions to exploration and evaluation assets		-	(88,000)
Net cash flows used in investing activities		-	(88,000)
<b>Cash Flow from Financing Activities</b>			
Issuance of common shares for cash, net costs	6	-	3,075,959
Proceeds from the exercise of warrants	6	-	201,000
Net cash flows provided by financing activities		-	3,276,959
<b>Net change in cash and cash equivalents</b>		(231,479)	1,461,962
<b>Cash and Cash Equivalents, Beginning of Year</b>		1,444,696	434,965
<b>Cash and Cash Equivalents, End of Year</b>		\$ 1,213,217	\$ 1,896,927
<b>Supplemental Disclosures:</b>			
Interest paid		\$ -	\$ -
Income tax paid		\$ -	\$ -
<b>Non-cash Investing and Financing Activities:</b>			
Issuance of common shares for debt settlement		\$ -	\$ -
Fair value of brokers' warrants issued		-	-
Issuance of common shares for mineral properties		\$ -	\$ -

See accompanying notes to the condensed interim financial statements

# Benz Mining Corp.

## Condensed Interim Statements of Changes in Equity (unaudited)

	Note	Common Shares		Subscriptions	Equity	Deficit	Total Equity
		Number	Amount	Received	Reserves		
<b>Balance, April 30, 2017</b>		<b>7,827,402</b>	<b>\$ 4,416,599</b>	<b>\$ -</b>	<b>\$ 572,038</b>	<b>\$ (4,591,021)</b>	<b>\$ 397,616</b>
Common shares issued for cash:							
Proceeds from private placement	6	16,164,300	1,910,424	-	1,322,436	-	3,232,860
Share issuance costs	6	-	(309,284)	-	128,642	-	(180,642)
Exercise of warrants	6	1,716,498	335,363	-	(77,888)	-	257,475
Proceeds from subscription agreements	6	-	-	-	-	-	-
Shares issued for exploration and evaluation assets	6	331,318	46,385	-	-	-	46,385
Share based payments	6e	-	-	-	395,360	-	395,360
Net loss for the year		-	-	-	-	(2,370,932)	(2,370,932)
<b>Balance, April 30, 2018</b>		<b>26,039,518</b>	<b>\$ 6,399,487</b>	<b>\$ -</b>	<b>\$ 2,340,588</b>	<b>\$ (6,961,953)</b>	<b>\$ 1,778,122</b>
Share based payments	6e	-	-	-	61,518	-	61,518
Net loss for the year		-	-	-	-	(360,516)	(360,516)
<b>Balance, October 31, 2018</b>		<b>26,039,518</b>	<b>\$ 6,399,487</b>	<b>\$ -</b>	<b>\$ 2,402,106</b>	<b>\$ (7,322,469)</b>	<b>\$ 1,479,124</b>

See accompanying notes to the condensed interim financial statements

# Benz Mining Corp.

Notes to the Condensed Interim Financial Statements (unaudited)  
October 31, 2018

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## 1. NATURE AND CONTINUANCE OF OPERATIONS

Benz Mining Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on November 9, 2011. The Company is involved in the acquisition, exploration and exploitation of mineral properties located in the Americas. The Company’s head and registered offices are located at 606 - 909 Burrard Street, Vancouver, British Columbia, V6Z 2N2. The Company’s common shares are traded on the TSX-V Exchange.

The business of mining and exploring for minerals involves a high degree of risk, and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company’s ability to continue as a going concern is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing.

These condensed interim financial statements for the three and six months ended October 31, 2018 (“Financial Statements”) have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at October 31, 2018, the Company has working capital of \$1,247,739 and accumulated losses of \$7,322,469. The Company has not yet generated any revenues from its operations and is required to raise new financing through the sale of shares or issuance of debt to continue with its operations and to develop its mineral property. Although management intends to secure additional financing, there is no assurance that management will be successful in its efforts to secure additional financing, or that it will ever develop a self-supporting business. These factors together may raise significant doubt about the Company’s ability to continue as a going concern. These Financial Statements do not include any adjustments that might result from the outcome of this uncertainty.

## 2. BASIS OF PRESENTATION

### Statement of compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These Financial Statements were approved and authorized for issue by the Company’s Board of Directors on December 31, 2018.

### Basis of measurement

These Financial Statements are expressed in Canadian dollars, the Company’s functional currency, and have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

# Benz Mining Corp.

Notes to the Condensed Interim Financial Statements (unaudited)

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## **Significant Accounting Judgements and Estimates**

Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In preparing the Financial Statements, the judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited financial statements as at and for the year ended April 30, 2018.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

These Financial Statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's April 30, 2018 audited annual financial statements. These Financial Statements should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2018.

### **Changes in Accounting Standards**

#### *IFRS 9 Financial instruments ("IFRS 9")*

On January 1, 2018, the Company adopted IFRS 9 which replaced IAS 39. IFRS 9 is intended to reduce the complexity for the classification and measurement of financial instruments. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

#### *IFRS 15 Revenue from contracts with customers ("IFRS 15")*

On January 1, 2018, the Company adopted IFRS 15, which replaces IAS 18 "Revenue", IAS 11 "Construction Contracts", and related interpretations. The standard establishes a comprehensive framework for determining whether, how much, and when revenue from contracts with customers is recognized. IFRS 9 did not impact the Company as it does not currently, nor in the past, have revenues from operations.

#### *IFRS 16 Leases ("IFRS16")*

In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 Leases. IFRS 16 applies to lessees, requiring the recognition of assets and liabilities for most leases and eliminates the distinction between operating and financing leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Company has not entered into any leases as defined by IFRS 16 and will adopt this standard for any future leases entered into.

# Benz Mining Corp.

Notes to the Condensed Interim Financial Statements (unaudited)  
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## 4. EXPLORATION AND EVALUATION ASSETS

The Company has accumulated the following acquisition and exploration expenditures:

	Mel Property	Total
<b>Balance, April 30, 2017</b>	\$ 231,385	\$ 231,385
Acquisition costs	22,000	22,000
<b>Balance, April 30 and October 31, 2018</b>	<b>\$ 231,385</b>	<b>\$ 231,385</b>

### Mel Property

On March 14, 2017 ("Effective Date"), the Company entered into a Property Purchase Agreement with Silver Range Resources Ltd. ("Silver Range"), pursuant to which the Company has an option to purchase 100% of Silver Range's wholly-owned Mel zinc-lead-barite project (the "Project") located near Watson Lake in southeast Yukon for an aggregate purchase price of \$2,700,000. The Project consists of 257 claims, encompasses an area of 9,315 hectares and is located 80 kilometers east-northeast of the town of Watson Lake. The Project extends 47 km south from the main exploration targets to the Alaska Highway, following the route of a proposed haulage road.

Subject to the underlying royalties, the Company has the option to purchase a 100% interest in the Project for an aggregate of \$2,700,000. The Company, at its election, has the option to satisfy specific option payments through the issuance of common shares. The deemed value of all common shares issued in partial or full satisfaction of specific option payments shall be calculated using the volume-weighted average price of the Company's shares for the 10 trading days prior to the applicable option payment date, subject to a floor price of \$0.26 per share. The option payment schedule, along with the portion that may be paid in either cash or shares at the Company's discretion, is summarized below:

	Option Payments Payable in Cash	Option Payments Payable in Cash or Shares
Upon TSX Venture Exchange Acceptance (paid)	\$20,000	-
On or before 120 days following the Effective Date (paid)	\$80,000	-
On or before the 1 <sup>st</sup> Anniversary of the Effective Date (paid)	\$75,000	\$75,000*
On or before the 2 <sup>nd</sup> Anniversary of the Effective Date	\$150,000	\$150,000
On or before the 3 <sup>rd</sup> Anniversary of the Effective Date	\$150,000	\$450,000
On or before the 4 <sup>th</sup> Anniversary of the Effective Date	\$Nil	\$1,200,000
On or before the 5 <sup>th</sup> Anniversary of the Effective Date	\$Nil	\$350,000
<b>Total Price**</b>	<b>\$475,000</b>	<b>\$2,225,000</b>

\*Paid through the issuance of 566,037 common shares with a fair value of \$75,000.

\*\*The aggregate purchase price in cash and shares is \$2,700,000.

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The Agreement is subject to a total of 2% net smelter return royalty following the commencement of commercial production from the Project, of which 1% can be bought down for \$1,000,000. On May 19, 2017, the Company received TSX Venture Exchange acceptance of the Property Purchase Agreement.

## 5. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions are measured at the estimated fair values of the services provided or goods received. Related party transactions not disclosed elsewhere in these Financial Statements are as follows:

### a) Key Management Compensation

Key management personnel include the members of the Board of Directors and officers of the Company, who have the authority and responsibility for planning, directing, and controlling the activities of the Company. The remuneration of directors and officers for the six months ended October 31, 2018 and 2017 was as follows:

	<b>October 31, 2018</b>	<b>October 31, 2017</b>
<b>Salaries, bonuses, fees and benefits</b>		
Management fees to the Officers and Directors of the Company	\$ 121,600	\$ 104,900
Rent fees paid to a company controlled by an Officer of the Company	7,800	-
<b>Share-based payments</b>		
Officers and directors of the Company	45,355	291,036
	<b>\$ 174,755</b>	<b>\$ 395,936</b>

b) In the normal course of operations, the Company transacts with companies related to its directors or officers. The following amounts are payable to related parties, and are included in trade and other payables:

	<b>October 31, 2018</b>	<b>April 30, 2018</b>
Management fees	\$ 17,600	\$ 5,250
Expenses paid on behalf of the Company	-	23,834
	<b>\$ 27,095</b>	<b>\$ 29,084</b>

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Notes to the Condensed Interim Financial Statements (unaudited)  
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## 6. SHARE CAPITAL

a) **Authorized:** Unlimited common shares, without par value  
Unlimited preferred shares, without par value

b) **Issued:**

No shares were issued during the six months ended October 31, 2018.

### Escrow Shares

As at October 31, 2018, an amount of 222,857 common shares are held in escrow subject to an escrow agreement with Tusk Exploration Ltd. These shares continue to be held due to unmet contractual obligations.

c) **Share purchase warrants and compensation warrants**

A summary of the share purchase warrants and compensation warrants issued, exercised and expired during the six months ended October 31, 2018, and 2017, are as follows:

	<b>Underlying Shares</b>	<b>Weighted Average Exercise Price</b>
Balance, April 30, 2017	4,245,732	\$ 0.25
Issued	16,889,976	0.35
Exercised	(1,716,498)	0.15
Expired	(2,450,166)	0.15
<b>Balance, April 30 and October 31, 2018</b>	<b>16,969,044</b>	<b>\$ 0.17</b>

Details of share purchase warrants and compensation warrants outstanding as at October 31, 2018 and 2017, are:

<b>Expiry Date</b>	<b>Exercise Price per Share</b>	<b>Outstanding and Exercisable</b>	
		<b>October 31, 2018</b>	<b>October 31, 2017</b>
July 28, 2019	\$5.50	49,068	49,068
November 25, 2019	\$5.50	30,000	30,000
March 7, 2018	\$0.15	-	2,826,666
August 15, 2019	\$0.35	3,716,176	3,716,176
September 1, 2019	\$0.35	13,173,800	13,173,800
		<b>16,969,044</b>	<b>4,245,732</b>

d) **Stock option plan**

The Company's stock option plan authorizes for the granting of options to directors, officers, employees, and consultants. Pursuant to the terms of the Stock Option Plan, the Board of Directors may from time to time, in its discretion, and in accordance with Exchange policies, grant incentive stock options ("Options") to purchase the Company's common shares to directors, officers, employees, and consultants. Under the Stock Option Plan, a maximum of 10%

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Notes to the Condensed Interim Financial Statements (unaudited)  
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of the outstanding shares can be reserved for issuance. The number of shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding shares and the number of shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding shares.

Stock option activity for the six months ended October 31, 2018, and 2017, is summarized as follows:

	Underlying Shares	Weighted Average Exercise Price
Stock options outstanding, April 30, 2018	1,943,276	\$0.40
Issued	650,000	\$0.10
Expired	-	-
<b>Stock options outstanding, October 31, 2018</b>	<b>2,593,276</b>	<b>\$0.33</b>
<b>Stock options exercisable, October 31, 2018</b>	<b>2,415,957</b>	<b>\$0.30</b>

On May 4, 2018, the Company granted incentive options to directors, officers and consultants to purchase up to 650,000 common shares of the Company at an exercise price of \$0.10 per share for a term of 10 years, expiring May 4, 2028.

A summary of stock options outstanding as at October 31, 2018, is as follows:

Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Weighted Average Remaining Contractual Life (in years)	Intrinsic Value	Expiry Date
109,276	81,957	\$3.00	6.47	\$0.00	January 18, 2025
434,000	434,000	\$0.19	8.61	\$0.00	March 9, 2027
1,400,000	1,250,000	\$0.265	9.09	\$0.00	August 31, 2027
650,000	650,000	\$0.10	9.77	\$0.00	May 4, 2018
<b>2,593,276</b>	<b>2,415,957</b>		<b>9.07</b>		

## e) Share-based payments

During the six months ended October 31, 2018, the Company recorded total share-based payments of \$61,518 (2017 - \$352,447). The amounts expensed were allocated to directors, officers, and consultants as follows:

	Oct. 31, 2018	Oct. 31, 2017
Directors and officers	\$ 45,355	\$ 291,036
Consultants	16,163	61,411
	<b>\$ 61,518</b>	<b>\$ 352,447</b>

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Notes to the Condensed Interim Financial Statements (unaudited)

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Option-pricing requires the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

## 7. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements. There were no changes to the Company's capital management during the six months ended October 31, 2018.

## 8. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash and cash equivalents, and trade and other payables. The fair value of the financial instruments approximates their carrying values, unless otherwise noted.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### a) Credit risk

The Company's credit risk is mainly attributable to its liquid financial assets: cash and cash equivalents. The Company deposits cash with high credit quality financial institutions and credit risk is considered to be minimal. The Company's maximum exposure to credit risk is \$1,213,217, which is the carrying value of the Company's cash and cash equivalents.

### b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2018, the Company had a cash and cash equivalents balance of \$1,213,217 (April 30, 2018 - \$1,444,696) to settle current liabilities of \$37,091 (April 30, 2018 - \$73,162).

### c) Market risk

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

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Notes to the Condensed Interim Financial Statements (unaudited)

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**d) Interest rate risk**

The Company has cash balances and no interest-bearing term deposits. As at October 31, 2018, and 2017, the Company does not have any interest rate risk exposure.

**e) Foreign currency risk**

For the six months ended October 31, 2018 and 2017, the Company was not exposed to financial risk related to the fluctuation of the foreign exchange rate between the Canadian and US Dollars.

**f) Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.