

Condensed Consolidated Interim Financial Statements
(Unaudited)

(Stated in Canadian Dollars)



(An Exploration Stage Company)

For the three months ended September 30, 2018



NOTICE TO SHAREHOLDERS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Mexican Gold Corp. were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Only changes in accounting policies have been disclosed in these unaudited condensed consolidated interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

In accordance with National Instrument 51-102 released by the Canadian Securities Administration, the Corporation discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the period ended September 30, 2018.



(Incorporated under the laws of Ontario)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
FINANCIAL POSITION**
(Stated in Canadian Dollars)
(Unaudited)

As at	September 30 2018 \$	June 30 2018 \$
ASSETS		
Current assets		
Cash and cash equivalents	49,493	185,658
Investments	25,000	25,000
Accounts receivable	152,071	166,647
Prepays and deposits	273,807	426,179
Total current assets	500,371	803,484
Total assets	500,371	803,484
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	216,583	158,305
EQUITY		
Share capital [note 6]	24,583,020	24,590,926
Equity settled employee benefits [note 6]	3,505,851	3,411,766
Foreign currency translation	(28,604)	(33,100)
Deficit	(27,776,479)	(27,324,413)
Total equity	283,788	645,179
Total liabilities and equity	500,371	803,484

Nature of Business and Going Concern [note 1]

Commitments [note 9]

Subsequent events [note 12]

See accompanying notes to the condensed consolidated interim financial statements

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on November 21, 2018.

They are signed on the Corporation's behalf by:

"Brian Robertson"
Director

"Ali Zamani"
Director



(Incorporated under the laws of Ontario)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF LOSS AND
COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED SEPTEMBER 30**

(Stated in Canadian Dollars)
(Unaudited)

	2018	2017
	\$	\$
EXPENSES		
Exploration and evaluation <i>[note 5]</i>	98,436	175,587
General and administrative <i>[note 8]</i>	253,494	224,233
Professional fees	6,050	18,074
Share-based payments <i>[note 6]</i>	94,086	178,823
Total expenses	452,066	596,717
Other income		
Interest income	-	908
Loss for the period	(452,066)	(595,809)
Exchange differences on translation of foreign operations	4,496	149,943
Comprehensive loss for the period	(447,570)	(445,866)
Basic and diluted loss per share <i>[note 7]</i>	(0.01)	(0.01)

See accompanying notes to the condensed consolidated interim financial statements



(Incorporated under the laws of Ontario)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
CASH FLOW
FOR THE THREE MONTHS ENDED SEPTEMBER 30**

(Stated in Canadian Dollars)
(Unaudited)

	2018 \$	2017 \$
OPERATING ACTIVITIES		
Loss for the period	(452,066)	(595,809)
Add charges to earnings not involving a current payment of cash		
Share-based payments	94,086	178,823
	(357,980)	(416,986)
Changes in non-cash working capital balances related to operations		
Accounts receivable	14,576	(130,759)
Prepays and deposits	157,371	(10,058)
Accounts payable and accrued liabilities	58,278	179,333
Cash used in operating activities	(127,755)	(378,470)
FINANCING ACTIVITIES		
Proceeds from the exercise of share purchase warrants	-	22,001
Share issue costs	(12,906)	-
Cash provided by (used in) financing activities	(12,906)	22,001
Decrease in cash and cash equivalents during period	(140,661)	(356,469)
Cash and cash equivalents, beginning of period	185,658	834,057
Effect of exchange rate on cash held	4,496	149,943
Cash and cash equivalents, end of period	49,493	627,531

See accompanying notes to the condensed consolidated interim financial statements



(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(Stated in Canadian Dollars)
(Unaudited)

Issued and outstanding:	Share Capital		Warrants	Reserves			Deficit	Total Equity
	Number of Shares	Share Capital		Equity Settled Employee Benefits	Foreign currency translation			
Balance as at June 30, 2017	34,175,229	22,328,103	166,960	2,591,608	1,462	(23,829,503)	1,258,630	
Expiry of warrants	166,431	22,001	6,190	-	87,345	-	115,536	
Share-based payments	-	-	-	178,823	-	-	178,823	
Loss and comprehensive loss for the period	-	-	-	-	149,943	(595,809)	(445,866)	
Balance as at September 30, 2017	34,341,660	22,350,104	173,150	2,770,431	238,750	(24,425,312)	1,107,123	
Private placements [note 6]	3,489,833	1,046,950	-	-	-	-	1,046,950	
Exercise of warrants	4,716,834	1,198,815	(6,190)	-	-	-	1,192,625	
Share issue costs	-	(24,943)	-	-	-	-	(24,943)	
Share-based payments	-	-	-	474,375	-	-	474,375	
Shares issued as compensation	78,431	20,000	-	-	-	-	20,000	
Loss and comprehensive loss for the period	-	-	-	-	(271,850)	(2,899,101)	(3,170,951)	
Balance as at June 30, 2018	42,626,758	24,590,926	166,960	3,244,806	(33,100)	(27,324,413)	645,179	
Share-based payments	-	-	-	94,086	-	-	94,086	
Share issue costs	-	(12,906)	-	-	-	-	(12,906)	
Loss and comprehensive loss for the period	-	-	-	-	4,496	(452,066)	(447,570)	
Balance as at September 30, 2018	42,626,758	24,578,020	166,960	3,338,892	(28,604)	(27,776,479)	278,789	

See accompanying notes to the condensed consolidated interim financial statements



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

1. NATURE OF BUSINESS AND GOING CONCERN

Mexican Gold Corp. (formerly Source Exploration Corp.) (the "Corporation") was incorporated under the Business Corporation's Act (Alberta) on October 5, 2006, and is engaged in the acquisition, exploration, and evaluation of mineral properties. On January 17, 2011 the Corporation received all necessary approvals to continue into the jurisdiction of Ontario.

The Corporation is in the process of exploring and evaluating its mineral properties and, on the basis of the information to date, has not yet determined whether any of the properties contain economically recoverable reserves. The recovery of expenditures on the mineral properties is dependent upon the existence of economically recoverable mineralization, the Corporation securing and maintaining title and beneficial interest in the properties, and the ability of the Corporation to obtain the necessary financing to complete the exploration and development and future profitable production or, alternatively, on the sufficiency of proceeds from disposition.

Going concern

At September 30, 2018 the Corporation had not yet achieved profitable production, had accumulated losses of \$27,776,479, had a current working capital balance of \$283,788 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Corporation's ability to continue as a going concern. The Corporation will require additional financing in order to complete its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they become due. These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The Corporation's ability to continue as a going concern is dependent upon its ability to fund its exploration and evaluation programs. Management plans to secure the necessary financing through the issue of new equity. Nevertheless, there is no assurance that these initiatives will be successful.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended June 30, 2018.

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Corporation's consolidated financial statements for the year ended June 30, 2018, with the exception of certain amendments to accounting standards issued by the IASB, which were effective January 1, 2014. These amendments did not have a significant impact on the Corporation's audited condensed consolidated interim financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

amounts of the Corporation's assets and liabilities are accounted for prospectively. The critical judgements and estimates applied in the preparation of the Corporation's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in note 2 to the Corporation's consolidated financial statements for the year ended June 30, 2018.

The unaudited condensed consolidated interim financial statements of the Corporation for the period ended September 30, 2018 were approved and authorized by the Board of Directors on November 21, 2018.

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of Consolidation

The Corporation's financial statements consolidate those of the parent Corporation and its subsidiary undertakings drawn up to September 30, 2018. Subsidiaries are all entities over which the Corporation has the power to control the financial and operating policies. The Corporation obtains and exercises control through more than half of the voting rights.

	Percentage of ownership	Jurisdiction	Principal activity
Roca Verde Exploracion Mexico, S.A. de C.V. ("Roca Verde")	100%	Mexico	Mineral exploration

All transactions and balances between the Corporation and its subsidiary are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of its subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation.

Profit or loss and other comprehensive income or loss of a subsidiary acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements have been prepared on the basis of all IFRS and interpretations effective as at September 30, 2018.

Change in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after June 30, 2017. The following new standards have been adopted:

IAS 7, Statement of Cash Flows ("IAS 7")

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. On July 1, 2017, the Company adopted the amendments to IAS 7 and there was no material impact on the Company's consolidated financial statements.

IAS 12, Income Taxes ("IAS 12")



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. On July 1, 2017, the Company adopted the amendments to IAS 12 and there was no material impact on the Company's consolidated financial statements.

New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for future accounting periods beginning after July 1, 2018. Those pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the below. The following have not yet been adopted and are being evaluated to determine the impact on the Company.

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. IFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Based on a preliminary evaluation, this standard is not expected to have a material impact on the Company.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple element arrangements. The standard will also address accounting for loyalty programs and breakage.

Application of IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 and is to be applied using the retrospective or the modified transition approach. Early adoption is permitted. The Corporation will evaluate the impact of IFRS 15 on its consolidated financial statements if and when revenues from operations should commence.

IFRS 16, Leases ("IFRS 16")

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer ("lessee") and the supplier ("lessor"). This will replace IAS 17, Leases ("IAS 17") and related interpretations. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right of use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value, and depreciation of lease assets separately from interest on lease liabilities in the income statement. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts with Customers. As the Company has contractual obligations in the form of operating leases under IAS 17, there may be an increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Corporation is currently evaluating the impact of this standard and amendments on its



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

consolidated financial statements.

4. SEGMENTED INFORMATION

The Corporation currently operates in one operating segment, the exploration of mineral properties in Mexico. Management of the Corporation makes decisions about allocating resources based on the one operating segment. A geographic summary of identifiable assets, liabilities, and operating activities by country is as follows:

For the period ended September 30, 2018

	Canada \$	Mexico \$	Total \$
Segmented Assets	342,727	157,644	500,371
Segmented Liabilities	(162,858)	(53,725)	(216,583)
Operating activities			
Depreciation	-	-	-
Exploration and evaluation	23,734	74,702	98,436
General and administrative	253,497	(3)	253,494
Professional fees	6,050	-	6,050
Share-based payments	94,086	-	94,086
Recovery of Value Added Tax	-	-	-
Total	377,367	74,699	452,066

For the period ended September 30, 2017

	Canada \$	Mexico \$	Total \$
Segmented Assets	1,100,976	321,669	1,422,645
Segmented Liabilities	(215,038)	(100,484)	(315,522)
Operating activities			
Exploration and evaluation	59,865	115,722	175,587
General and administrative	152,685	71,548	224,233
Professional fees	18,074	-	18,074
Share-based payments	178,823	-	178,823
Total	409,447	187,270	596,717



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

5. EXPLORATION AND EVALUATION

Accumulated costs with respect to the Corporation's interest in mineral properties owned, leased or under option, consist of the following:

	Las Minas and La Miqueta	Period ended September 30, 2018	Year ended June 30, 2018	Inception to date total
	\$	\$	\$	\$
Analytical	-	-	-	376,149
Geological and consulting	91,752	91,752	583,273	3,934,508
Transportation and accommodation	6,684	6,684	-	183,858
Drilling	-	-	719,041	6,333,021
Geophysical	-	-	22,819	97,498
Operational support	-	-	133,424	409,390
Other	-	-	1,067	402,026
Subtotal	98,436	98,436	1,459,624	11,736,450
Acquisition costs / Option payments	-	-	167,990	2,004,688
Total expenditures	98,436	98,436	1,627,614	13,741,138

Las Minas and La Miqueta

On October 13, 2010, the Corporation's 100% owned Mexican subsidiary Roca Verde Exploracion de Mexico entered into exclusive Letters of Intent to acquire the Las Minas and La Miqueta properties, collectively named the Las Minas Project. The project is comprised of five privately held mineral concessions in the core of the Las Minas district in the State of Veracruz, Mexico.

Pursuant to the terms of the original Las Minas property agreement the Corporation was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US\$190,000 plus VAT over the next 36 months and a final payment of US\$1,000,000 plus VAT upon exercising the option. The Vendors retained a 1.5% Net Smelter Return ("NSR") subject to an exclusive buyback provision allowing the Corporation to purchase one third or a 0.5% NSR for US\$500,000. The Corporation retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Corporation also agreed to complete a work program which required \$200,000 in expenditures to maintain the concessions in good standing during the three year term of the agreement.

Pursuant to the terms of the original La Miqueta property agreement the Corporation was granted the right to enter into an exclusive purchase and sale agreement to earn a 100% interest in three concessions by making staged cash payments totaling US\$95,000 plus VAT over 36 months beginning October 13, 2010 and a final payment of US\$500,000 plus VAT upon exercising the option. The Vendors retained a 1.5% NSR subject to an exclusive buyback provision that allowed the Corporation to purchase one third or a 0.5% NSR for US\$500,000. The Corporation retained a Right of First Refusal to buy the remaining 1.0 % NSR. The Corporation also agreed to keep the property in good standing with respect to concession taxes. During 2012, an extension agreement was executed to extend the deadline for the final payment by 12 months.



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

Option agreement extended to 2016

On June 6, 2013, the Corporation extended the option agreement to acquire the Pepe, Pepe Tres, and San Jose concessions located at the Las Minas property in Veracruz State, Mexico, and further revised on November 20, 2013. The amended agreement extended the term of the option agreement by an additional two years to December 5, 2015. Scheduled payments as per the terms of the amended agreement were US \$130,000 over a 6 month period ending May 5, 2014, US \$150,000 on December 5, 2014, with a final payment of US \$1,300,000 on December 5, 2015. All payments are subject to VAT. The Corporation also retained the right to exercise the option at the latest on December 5, 2013 upon payment of US \$1,000,000 as per the terms of the original option agreement on October 13, 2010.

On October 1, 2015, the Corporation announced the successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property. These concessions are part of the six concessions held under option or wholly owned by Mexican Gold at Las Minas, Veracruz State, Mexico.

The new agreement extended the term of the option agreement by an additional one year to December 5, 2016. The payment for granting the extension was US\$165,000, payable in equal monthly installments over a six month period and commencing at the latest on December 7, 2015.

On November 21, 2016, the Corporation announced another successful negotiation of a one year extension to its option agreement to acquire the Pepe, Pepe Tres and San Jose concessions located at its Las Minas property.

The new agreement extends the term of the option agreement by an additional one year to December 5, 2017 for consideration equal to US\$180,000, payable in equal monthly installments over a six month period and commencing no later than December 7, 2016 (\$246,482).

All other terms of the original agreement of November 30, 2010 and prior extension agreement of May 21, 2013 remained unchanged.

Extension of Las Minas option agreement to 2017

On April 23, 2015, the Corporation signed a two year extension to its option agreement to acquire the Pueblo Nuevo and La Luz 1 concessions located at its Las Minas property. These concessions are part of the concessions held under option or wholly owned by Roca Verde, (the wholly owned subsidiary of Mexican Gold) at Las Minas, Veracruz State, Mexico.

The new agreement extends the term of the option agreement by an additional two years to May 3, 2017. Scheduled payments per the terms of the agreement are as follows:

- US \$12,500 (paid) cash consideration and \$12,500 (issued) in common shares of Mexican Gold as soon as is practicable following acceptance of the extension of the option agreement by the TSXV;
- US \$12,500 (paid) cash consideration and US \$12,500 (issued) in common shares of Mexican Gold on April 22, 2016; and
- Final option payment due on May 3, 2015 extended to May 3, 2017 and reduced from US \$500,000 to US \$150,000 (paid) (Cdn\$195,723).

All payments are subject to VAT. All other terms of the original agreement remain unchanged.

Acquisition of Pepe, Pepe Tres and San Jose concessions

On June 8, 2017, the Corporation through its wholly-owned subsidiary, Roca Verde, entered into a definitive purchase and sale agreement (the "Purchase Agreement") to acquire a 100% interest in the Pepe, Pepe Tres and



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

San Jose concessions (the "Concessions") at its Las Minas property from the current owners (the "Owners"). The Concessions form the core of the Las Minas property and encompass six highly mineralized zones, including the El Dorado/Juan Bran and Santa Cruz zones.

Pursuant to the terms of the Purchase Agreement, Roca Verde has agreed to acquire the Concessions in consideration for the following payments to the Owners:

- an initial payment of US\$433,333 (Cdn\$553,288) plus Value Added Tax, payable upon execution of the Purchase Agreement (the "Initial Payment") (paid);
- six equal payments of US\$22,000 plus Value Added Tax, payable monthly commencing on December 5, 2017 with the final payment due on May 7, 2018 (the "Monthly Payments") (paid); and
- a final payment of US\$866,666 plus Value Added Tax, payable on or before December 5, 2018 (the "Final Payment" and, together with the Initial Payment and the Monthly Payments, the "Consideration").

The Initial Payment has been paid in full. If the Final Payment is made prior to the date on which any of the Monthly Payments are due, any Monthly Payment that would have been due after the date upon which the Final Payment is made shall no longer be payable. Upon payment of the Consideration, ownership and full title to the Concessions shall be automatically transferred to Roca Verde.

Pursuant to the terms of the Purchase Agreement, upon the transfer of the Concessions, the Owners shall retain a 1.5% NSR (the "Royalty"), of which one third may be purchased by Roca Verde for US\$500,000 plus Value Added Tax. Roca Verde has a right of first refusal on the Royalty in the event that the Owners intend to transfer all or part of the Royalty.



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

6. CAPITAL AND RESERVES

i. Authorized

The Corporation is authorized to issue an unlimited number of common shares.

ii. Details of share issuances

(i) On August 9, 2017, the Corporation issued 78,431 shares with a deemed value of \$20,000 as compensation.

(ii) On April 10, 2018, the Corporation closed a non-brokered private placement of 3,489,833 common shares (each a "Unit") at a price of \$0.30 for gross proceeds of \$1,046,950. Each Unit consists of one common share of the Corporation and one common share purchase warrant, exercisable at a price of \$0.60 for a period of thirty-six months. Share issue costs of \$24,943 were deducted from equity.

iii. Warrants

The following table reflects the continuity of warrants as at September 30, 2018:

Expiry Date	Exercise Price \$	Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	Closing Balance #
November 30, 2018	0.250	4,197,812	-	-	-	4,197,812
November 30, 2018*	0.250	270,920	-	-	-	270,920
March 03, 2019	0.250	8,213,068	-	-	-	8,213,068
March 03, 2019*	0.250	72,000	-	-	-	72,000
May 15, 2019	2.000	1,025,717	-	-	-	1,025,717
May 15, 2019*	2.000	51,738	-	-	-	51,738
May 25, 2019	0.450	5,990,270	-	-	-	5,990,270
May 25, 2019*	0.450	75,950	-	-	-	75,950
April 10, 2021	0.600	3,489,833	-	-	-	3,489,833
		23,387,308	-	-	-	23,387,308
Weighted average exercise price		0.390	0.600	0.25	-	0.440

* Finder's warrants.



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

The following table reflects the continuity of warrants as at June 30, 2018:

Expiry Date	Exercise Price \$	Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	Closing Balance #
November 30, 2018	0.250	4,987,172	-	(789,300)	-	4,197,872
November 30, 2018*	0.250	270,920	-	-	-	270,920
March 03, 2019	0.250	12,307,033	-	(4,093,965)	-	8,213,068
March 03, 2019*	0.250	72,000	-	-	-	72,000
May 15, 2019	2.000	1,025,717	-	-	-	1,025,717
May 15, 2019*	2.000	51,738	-	-	-	51,738
May 25, 2019	0.450	5,990,270	-	-	-	5,990,270
May 25, 2019*	0.450	75,950	-	-	-	75,950
April 10, 2021	0.600	-	3,489,833	-	-	3,489,833
		24,780,800	3,489,833	(4,883,265)	-	23,387,368
Weighted average exercise price		0.390	0.600	0.25	-	0.440

** Finder's warrants.

The fair value of the finder's warrants were estimated using the Black-Scholes option pricing model, with the following assumptions:

	2018	2017
Risk-free interest rate	-	1.5979 %
Annualized volatility****	-	170.32%
Expected dividend	NIL	NIL
Expected warrant life in years	-	5

**** Volatility was estimated based on the historical share price of the Corporation.



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

iv. Share purchase option compensation plan

The Corporation has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The following table reflects the stock options outstanding as at September 30, 2018:

Expiry Date	Exercise Price \$	Opening Balance #	Granted #	Exercised #	Expired/ Cancelled #	Closing Balance #
June 20, 2019	1.350	290,000	-	-	-	290,000
March 20, 2020	0.800	184,000	-	-	-	184,000
May 24, 2022	0.350	400,000	-	-	-	400,000
May 29, 2022	0.360	100,000	-	-	-	100,000
March 07, 2027	0.300	1,250,000	-	-	-	1,250,000
May 29, 2027	0.360	950,000	-	-	-	950,000
May 29, 2027	0.550	250,000	-	-	-	250,000
November 20, 2027	0.360	200,000	-	-	-	200,000
December 12, 2027	0.350	167,466	-	-	-	167,466
April 20, 2028	0.390	174,000	-	-	-	174,000
May 16, 2028	0.370	100,000	-	-	-	100,000
		4,065,466	-	-	-	4,065,466
Weighted average exercise price		0.440	-	-	-	0.440

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, \$94,086 was recorded as compensation for the options vested during the period (2017 - \$178,823 was recorded as compensation during the period). As of September 30, 2018 there are 1,624,800 unvested stock options, (2017- 2,450,000 unvested). Weighted average remaining life is 8.3 years.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	2018	2017
Risk-free interest rate	2.0%	-
Annualized volatility*	174.17% - 174.35%	-
Expected dividend	NIL	NIL
Expected option life in years	10	-

*Volatility was estimated based on the historical share price of the Corporation.



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

7. LOSS PER SHARE

The basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Fully diluted loss per share is the same as basic loss per share. The effect of common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

The following table sets forth the computation of basic and diluted loss per share:

	2018	2017
<u>Numerator:</u>		
Net loss	(447,570)	(445,866)
<u>Denominator:</u>		
Weighted average number of common shares	42,626,758	34,341,660
Weighted average loss per share	(0.01)	(0.01)

8. RELATED PARTY TRANSACTIONS

The Corporation's related parties include directors and key management personnel and entities over which they have control or significant influence as described below.

	Nature of transactions
DRAX Services Limited	Corporate secretarial and filing services

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

- [a] Included in general and administrative expenses are amounts totaling \$5,750 (2017 - \$5,750) for corporate secretarial and filing services provided by DRAX Services Limited, a company related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation.

Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	September 30, 2018	September 30, 2017
	\$	\$
Salary and wages	39,815	31,708
Share-based payments	85,246	174,732
Other compensation	1,864	1,244
	126,925	207,684

(i) As at September 30, 2018, the directors and key management were owed \$99,630 (June 30, 2018 \$49,169) and this amount was included in accounts payable and accrued liabilities.



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

9. COMMITMENTS

The Corporation has commitments relating to property payments related to the Concessions held by the Corporation's subsidiary. The annual payments for the next fiscal years are as follow:

	\$
2019	1,141,266
	1,141,266

10. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Corporation's operations include the acquisition and exploration of mineral properties in Mexico. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

[a] Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i) Cash and cash equivalents

In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

[b] Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. At September 30, 2018 the Corporation had a working capital balance of \$283,788. The Corporation will require additional financing in order to complete its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they become due.

Accounts payable and accrued liabilities are due within the current operating period.



(Incorporated under the laws of Ontario)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

For the three months ended September 30, 2018
(with comparative figures for the year ended June 30, 2018)

[c] 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 risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates.

[d] Currency risk

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Corporation is the Canadian dollar. The functional currency of the subsidiary is the Mexican Peso. As at September 30, 2018, there are no significant financial instruments denominated in Mexican Pesos. Changes in the currency exchange rates between the Canadian dollar relative to Mexican Pesos could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations. At September 30, 2018 a 100 basis point decrease/increase in the Mexican Peso would result in a foreign exchange gain/loss of \$4,825. The Corporation does not invest in derivatives to mitigate these risks.

11. MANAGEMENT OF CAPITAL RISK

The Corporation manages its common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going-concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation 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 Corporation may attempt to issue new shares and, acquire or dispose of mineral properties.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.

12. SUBSEQUENT EVENT

Private placement

On October 22, 2018, the Corporation announced that it intends to complete a non-brokered private placement (the "Private Placement") of up to \$3,000,000 at a price of \$0.20 per unit ("Unit") with a small group of investors. The Company may, in its sole discretion increase the size of the Private Placement by up to 25% for aggregate gross proceeds of up to \$3,750,000 at the price of \$0.20 per Unit at any time prior to the closing of the Private Placement. Each Unit will consist of one common share of the Company and one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to purchase one transferable common share of the Company for a period of thirty-six months from the closing date of the Private Placement at a price of \$0.30 per common share.