



Plata Latina Minerals Corporation

**Consolidated Financial Statements
For the Year Ended December 31, 2018**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Plata Latina Minerals Corporation

Opinion

We have audited the accompanying consolidated financial statements of Plata Latina Minerals Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1, of the consolidated financial statements, which indicates that the Company incurred a net loss of \$1,113,979 during the year ended December 31, 2018 and, as of that date, the Company's total deficit was \$10,925,497. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 2, 2019

Plata Latina Minerals Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash	\$ 265,682	\$ 172,557
Amounts receivable (Note 3)	16,045	33,846
Prepaid expenses	7,597	7,463
	<u>289,324</u>	<u>213,866</u>
Non-current assets		
Deposit (Note 8)	19,686	-
Exploration and evaluation assets (Note 4)	1,198,136	2,446,785
Equipment (Note 5)	41,040	-
	<u>1,258,862</u>	<u>2,446,785</u>
Total assets	\$ 1,548,186	\$ 2,660,651
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 28,411	\$ 391,003
Loan payable (Note 7)	-	313,958
Other liabilities (Note 8)	135,739	-
	<u>164,150</u>	<u>704,961</u>
Non-current liabilities		
Other liabilities (Note 8)	18,923	-
Deferred tax liability (Note 15)	129,335	170,673
	<u>148,258</u>	<u>170,673</u>
Shareholders' equity		
Share capital (Note 9)	11,490,446	11,072,622
Reserves (Note 9)	670,829	523,913
Deficit	(10,925,497)	(9,811,518)
	<u>1,235,778</u>	<u>1,785,017</u>
Total liabilities and shareholders' equity	\$ 1,548,186	\$ 2,660,651

Nature of operations (Note 1)
Commitments (Note 11)

Approved by the Board of Directors on March 28, 2019:

/s/ Gilmour Clausen
Director

/s/ W. Durand Eppler
Director

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

Plata Latina Minerals Corporation

Consolidated Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars)

	Year ended December 31, 2018	Year ended December 31, 2017
Expenses		
Salaries and benefits (Note 10)	\$ 168,832	\$ 51,975
Directors' fees (Note 10)	45,000	60,000
Professional fees (Note 10)	256,402	232,861
Office administration	45,301	35,128
Investor relations	8,990	6,647
Filing fees and transfer agent	16,816	13,197
Travel	2,703	8,287
Property evaluations (Note 4)	35,941	38,773
Share-based compensation	-	1,664
Depreciation (Note 5)	13,528	327
	(593,513)	(448,859)
Other income and expenses		
Interest income	266	5,369
Foreign exchange (loss) gain	(25,188)	16,063
Interest expense (Note 7)	-	(21,875)
Gain on debt settlement (Notes 6 and 7)	127,384	-
Gain on settlement of management fees (Note 6)	123,560	-
Impairment on exploration and evaluation assets (Note 4)	(798,069)	(629,644)
Loss before income tax	(1,165,560)	(1,078,946)
Income tax recovery (Note 15)	51,581	-
Loss for the year	\$ (1,113,979)	\$ (1,078,946)
Other comprehensive loss		
Items that may be reclassified to profit or loss:		
Foreign currency translation adjustment	146,916	(7,167)
Comprehensive loss for the year	\$ (967,063)	\$ (1,086,113)
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted	72,423,664	67,432,826

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

Plata Latina Minerals Corporation

Consolidated Statements of Changes in Shareholders' Equity (Expressed in Canadian Dollars)

	Share Capital (Note 9)		Reserves			Deficit	Total Shareholders' Equity
	Number of Shares	Amount	Accumulated other comprehensive income (loss)	Options and Warrants	Total Reserves		
Balance, December 31, 2017	67,432,826	\$ 11,072,622	\$ (1,096,603)	\$ 1,620,516	\$ 523,913	\$ (9,811,518)	\$ 1,785,017
Shares issued for loan settlement	6,976,845	279,074	-	-	-	-	279,074
Shares issued for settlement of directors' fees	4,025,000	120,750	-	-	-	-	120,750
Shares issued for settlement of management fees	600,000	18,000	-	-	-	-	18,000
Loss for the year	-	-	-	-	-	(1,113,979)	(1,113,979)
Foreign currency translation adjustment	-	-	146,916	-	146,916	-	146,916
Balance, December 31, 2018	79,034,671	\$ 11,490,446	\$ (949,687)	\$ 1,620,516	\$ 670,829	\$ (10,925,497)	\$ 1,235,778

	Share Capital (Note 9)		Reserves			Deficit	Total Shareholders' Equity
	Number of Shares	Amount	Accumulated other comprehensive loss	Options and Warrants	Total Reserves		
Balance, December 31, 2016	67,432,826	\$ 11,072,622	\$ (1,089,436)	\$ 1,618,852	\$ 529,416	\$ (8,732,572)	\$ 2,869,466
Share-based compensation	-	-	-	1,664	1,664	-	1,664
Loss for the year	-	-	-	-	-	(1,078,946)	(1,078,946)
Foreign currency translation adjustment	-	-	(7,167)	-	(7,167)	-	(7,167)
Balance, December 31, 2017	67,432,826	\$ 11,072,622	\$ (1,096,603)	\$ 1,620,516	\$ 523,913	\$ (9,811,518)	\$ 1,785,017

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

Plata Latina Minerals Corporation

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended December 31, 2018	Year ended December 31, 2017
Operating activities		
Loss for the year	\$ (1,113,979)	\$ (1,078,946)
Items not affecting cash:		
Share-based compensation	-	1,664
Depreciation	13,528	327
Interest expense	-	21,875
Gain on debt settlement	(127,384)	-
Gain on settlement of management fees	(123,560)	-
Impairment on exploration and evaluation assets	798,069	629,644
Income tax recovery	(51,581)	-
Changes in non-cash working capital:		
Amounts receivable	20,237	207,580
Prepaid expenses and deposit	(134)	(66)
Accounts payable and accrued liabilities	22,898	52,157
Other liabilities	(165,284)	-
Cash used in operating activities	(727,190)	(165,765)
Investing activities		
Exploration and evaluation expenditures	(111,336)	(385,659)
Option receipts on exploration and evaluation assets	646,442	523,102
Cash received on assumption of other liabilities	248,273	-
Cash provided by investing activities	783,379	137,443
Effect of foreign exchange on cash	36,936	34,161
Increase in cash during the year	93,125	5,839
Cash, beginning of the year	172,557	166,718
Cash, end of the year	\$ 265,682	\$ 172,557

Supplemental cash flow information (Note 12)

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

Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Expressed in Canadian Dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

Plata Latina Minerals Corporation ("Plata" or the "Company") was incorporated on April 1, 2010 under the laws of British Columbia, Canada. Plata's registered and records office is 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6. The consolidated financial statements as at December 31, 2018, consisted of Plata and its five wholly owned subsidiaries: Plaminco S.A. de C.V. ("Plaminco"), Minera Central Vaquerias S.A. de C.V. ("MCV"), Minera Exploradora del Centro S.A. de C.V. ("MEC"), Servicio PLMC ("Servicio") and Plata Latina US Ltd. ("Plata US"), which are collectively referred to as the "Company". Plaminco, MCV, MEC and Servicio are organized under the laws of Mexico and Plata US is organized under the laws of Colorado, U.S. On April 11, 2012, Plata began trading on the TSX Venture Exchange under the symbol "PLA".

The Company is in the business of acquiring, exploring and evaluating mineral property assets. Plata has not yet determined whether its properties contain mineral reserves that are economically recoverable. Recoverability of the exploration and evaluation costs is dependent upon: the discovery of economically viable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing to carry out exploration and development of its mineral properties, future profitable production or proceeds from the disposition of the mineral properties.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operations and meet its obligations as they become due. Plata has incurred ongoing losses and will continue to incur further losses in the course of developing its business. Plata has not yet generated revenue from operations as it is in the exploration stage. At December 31, 2018, Plata had a deficit of \$10,925,497 and working capital of \$125,174. Plata recognizes that it will require to raise further funding through equity financing, debt financing and/or loans from related parties. However, there is no assurance that Plata will be able to obtain such additional funding or on acceptable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not give effect to adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements are presented in Canadian dollars. The functional currency of Plata is the Canadian dollar, the functional currency of Plaminco, MCV, MEC, and Servicio is the Mexican peso, and the functional currency of Plata US is the United States dollar.

Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

These consolidated financial statements include the accounts of Plata and its wholly owned subsidiaries, Plaminco, MCV, MEC, Servicio and Plata US. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the five subsidiaries are included in the consolidated financial statements from the date which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

Critical accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make certain judgments, estimates and assumptions that impact the Company's reported financial position. Actual outcomes could differ from these estimates. Revisions to these estimates are recognized in the period in which the estimates are revised and in future periods affected.

The significant judgments and estimates that affect these consolidated financial statements are as follows:

a) *Carrying value of exploration and evaluation assets*

The carrying values and assessment of impairment of exploration and evaluation assets are based on costs incurred and management's estimate of net recoverable value. Estimates may not necessarily reflect actual recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to achieve commercial production. The recoverable amount of the Naranjillo project is dependent on the probabilities assigned to the various option payments and discount rates used in the discounted cash flows calculation (Note 4).

b) *Going concern*

The Company uses judgment in assessing its ability to continue as a going concern for the next twelve months. In considering the factors affecting its going concern as disclosed in Note 1, the Company concluded that there is a material uncertainty that may cast significant doubt on its ability to continue as a going concern.

c) *Income taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) *Options and warrants*

The fair value of options and warrants is determined on the grant date. To compute the fair value, the Company uses the Black-Scholes option pricing model which requires management to make certain assumptions in relation to the expected life of options and warrants, future volatility of the stock price, expected dividend yield, risk-free interest rate and future forfeiture rate of options.

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of Plata and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates ("IAS 21").

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation of non-monetary items are recognised in profit or loss.

Foreign operations

A subsidiary that has a functional currency other than Canadian dollars translates its results of operations to Canadian dollars at the average rate during the period. Assets and liabilities are translated at exchange rates prevailing at period end rates of exchange. The resulting changes are recognized in accumulated other comprehensive income (loss) within reserves in shareholders' equity.

For the purpose of foreign currency translation, the net investment in a foreign operation is determined inclusive of foreign currency intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future. The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is recognized in profit or loss at the time of disposal.

Amounts receivable

Amounts receivable are stated at carrying value less provision for impairment, which approximates fair value due to their short terms to maturity. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due accordingly.

Equipment

Equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation is calculated on a straight-line basis over the following term:

Computer hardware	2 years
Office furniture and equipment	5 years

Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation costs expensed

Until the Company acquires the permit, license or the right to explore the mineral properties, costs incurred are expensed as property investigations in the period in which they are incurred.

Exploration and evaluation assets

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized, unless the Company concludes that a future economic benefit is not likely to be realized, in which case the expenditures will be charged to profit or loss as incurred. These costs include, but are not limited to, drilling costs, payments made to contractors, materials and fuels used and surveying costs.

At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to profit or loss at the time of abandonment or when it has been determined that there is evidence of impairment.

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 financing to complete development of the properties, and on future production or proceeds of disposition.

Decommissioning and restoration provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability is recognized at its present value in the period in which it is incurred, which is generally when an environmental disturbance occurs or a constructive obligation is determined. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using the unit of production method.

Following the initial recognition of a decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes in the estimated provision resulting from revisions to the estimated timing and amount of cash flows, or changes in the discount rate. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the decommissioning liability and the decommissioning asset. At December 31, 2018 and 2017, the Company did not have any decommissioning liabilities.

Impairment of long-lived assets

At the end of each reporting period, the Company assesses each long-lived asset or cash generating unit ("CGU") to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risk of a specific asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

Common shares issued are recorded in share capital at the value of proceeds received, net of issue costs. The fair value of common shares issued as consideration for exploration and evaluation assets or other non-cash consideration is based on the trading price of these shares on the date they are issued.

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the quoted market price of the common shares at the time the units are priced, then to warrants on a residual value basis.

Share-based compensation

The Company recognizes share-based compensation on stock option grants. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and each tranche is recognized using the graded vesting method over the period during which the options vest. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

For directors, officers and employees, the fair value of the options is measured at the date of grant, and the options are recognized over the vesting period. For non-employees, share-based compensation is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The fair value is recorded at the earlier of the vesting date, or the date the goods or services are received.

The offset to the recorded cost is to reserve. Consideration received on the exercise of stock options is recorded as share capital and the related reserves are transferred to share capital.

Loss per share

Loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The Company calculates the dilutive effect on loss per share by presuming the exercise of outstanding options and warrants. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the years presented. Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

Financial instrument classification and measurement

Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. On initial recognition, a financial asset is classified as: amortized cost, fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- it is held with the objective of collecting contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.

All financial assets not classified as amortized cost or FVOCI are classified as and measured at FVPL. This includes all derivative assets. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as FVPL, directly attributable transaction costs. Measurement of financial assets in subsequent periods depends on whether the financial asset has been classified as amortized cost, FVPL or FVOCI. Measurement of financial liabilities subsequent to initial recognition depends on whether they are classified as amortized cost or FVPL. Financial assets and financial liabilities classified as amortized cost are measured subsequent to initial recognition using the effective interest method.

Loss allowances for 'expected credit losses' are recognized on financial assets measured at amortized cost, contract assets and investments in debt instruments measured at FVOCI, but not to equity investments. A loss event is not required to have occurred before a credit loss is recognized.

The Company has classified and measured its financial instruments as described below:

- Cash, amounts receivables are classified as and measured at amortized cost.
- Accounts payable and accrued liabilities, loan payable and other liabilities are classified as and measured at amortized cost.

Income taxes

i) Current income tax

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

ii) Deferred income tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable profit or loss. Deferred tax is also not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes of the same taxable entity and levied by the same taxation authority. Deferred income tax assets and liabilities are presented as non-current.

Plata Latina Minerals Corporation

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other comprehensive income (loss)

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on FVOCI investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to foreign operations.

The Company's comprehensive income (loss) and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

New and amended accounting pronouncements

The Company adopted the following new standard and interpretations issued by the IASB or International Financial Reporting Interpretation Committee ("IFRIC") as of January 1, 2018.

IFRS 9 Financial Instruments

On January 1, 2018, Plata adopted IFRS 9, which replaced IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"), on a retrospective basis using certain available transitional provisions. In accordance with the transitional provisions, the comparative information for prior periods have not been restated and the information presented for 2017 reflects the requirements of IAS 39 rather than IFRS 9.

The nature and effect of the changes to IFRS 9 are as follows:

i) *Financial instrument classification and measurement*

IFRS 9 mainly retains the requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 had no significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments.

IFRS 9 provides a revised model for the classification and measurement of financial assets that eliminates the previous categories of financial assets under IAS 39 of "available-for-sale", "held-to-maturity", or "loans and receivables." Under IFRS 9, on initial recognition, a financial asset is classified as and measured at: amortized cost, fair value through profit or loss ("FVPL"), or fair value through other comprehensive income ("FVOCI"). The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held.

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is available on an investment-by-investment basis.

The following table summarizes the impact of transition from IAS 39 to IFRS 9:

Asset/Liability	Measurement Original (IAS 39)	Measurement New (IFRS 9)	Subsequent measurement
Cash	Amortized cost	Amortized cost	Amortized cost
Amounts receivables	Loans and receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	Amortized cost
Other liabilities	Not applicable	Amortized cost	Amortized cost

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(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Impairment of financial assets

IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets classified as and measured at amortized cost, contract assets and investments in debt instruments measured at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The adoption of the ECL model under IFRS 9 did not have an impact on the carrying values of any of the Company's financial assets on the transition date.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

On January 1, 2018, the Company adopted IFRIC 22, which clarifies the date that should be used for translation when a foreign currency transaction involves an advance payment or receipt. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of the advance consideration.

The adoption of IFRIC 22 did not have a material impact on the Company's financial statements. As such, no adjustment was recognized on transition.

IFRS 16 Leases

IFRS 16 addresses accounting for leases and lease obligations and replaces the leasing guidance in IAS 17, *Leases*. The standard requires lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019. Under this standard, the present value of lease commitments will be shown as a liability on the statement of financial position together with an asset representing the right of use, including those leases classified as operating leases under the current standard IAS 17. This implies higher amounts of depreciation expense and interest expense on lease liabilities will be recorded in profit or loss in 2019 and future years. Additionally, a corresponding reduction in general and administrative costs is expected.

The Company is in the process of completing its review and analysis of IFRS 16 and will apply IFRS 16 using the cumulative catch-up approach where the additional right-of-use assets and lease liabilities will be recorded from that date forward and will not require restatement of prior years' comparative information. The Company will provide the quantitative impact of adopting IFRS 16 in its first quarter 2019 unaudited condensed consolidated interim financial statements.

3. AMOUNTS RECEIVABLE

	December 31, 2018	December 31, 2017
Mexican value added tax ("IVA") recoverable	\$ 12,224	\$ 24,528
Good and services tax receivable	3,821	4,150
Other receivable	-	5,168
	<u>\$ 16,045</u>	<u>\$ 33,846</u>

4. EXPLORATION AND EVALUATION ASSETS

The Company holds interest in its mineral properties through its wholly owned subsidiary, Plaminco.

Naranjillo Project

The Naranjillo project consists of three mineral concession licenses, La Sibila, La Sibila I and La Sibila II, issued by the Mexican General Directorate of Mines ("GDM") on April 20, 2011, September 23, 2011 and August 26, 2011, respectively. These licenses are valid for fifty years until 2061.

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4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Naranjillo Project (continued)

On February 8, 2017, Plata entered into an option agreement (the “Naranjillo Option Agreement”) with a wholly owned subsidiary of Fresnillo PLC (“Fresnillo”). The Naranjillo Option Agreement (which superseded the Letter of Intent signed on July 12, 2016) granted Fresnillo the option to explore the Naranjillo Property for a total cash payment of US \$1,650,000 over three years (the “Option Payment”). In addition, Fresnillo is required to spend US \$3,000,000 in exploration on the Naranjillo Property over the three-year period. If Fresnillo fails to meet the obligations of the Naranjillo Option Agreement, it will forfeit all rights to the Naranjillo Property.

The schedule of the cash payments is as follows:

Commitment Timeline	Due Date	Cash in US\$	
Letter of Intent signed on July 12, 2016	July 29, 2016	\$100,000	(received - CAD\$120,961)
	September 12, 2016	\$100,000	(received - CAD\$120,962)
Option Agreement signed on February 8, 2017	April 5, 2017	\$200,000	(received - CAD\$232,490)
	August 8, 2017	\$250,000	(received - CAD\$290,612)
	February 8, 2018	\$250,000	(received - CAD \$328,985)
	August 8, 2018	\$250,000	(received - CAD \$317,457)
	February 8, 2019	\$250,000	(received - CAD \$328,750 subsequent to December 31, 2018)
	August 8, 2019	\$250,000	
	Total	\$1,650,000	

At the end of the three-year period, if Fresnillo wishes to acquire 100% of the Naranjillo Property, it will pay the Company an additional US \$500,000 and grant the Company a 3% net smelter return royalty (“Royalty”) on the Naranjillo Property. Fresnillo will be required to pay advance royalty payments to the Company of US \$100,000 annually (the “Advanced Royalty Payment”), until the earlier of (a) a maximum of US \$1,000,000 in the Advance Royalty Payments having been paid, or (b) commercial production of minerals commences from the Naranjillo Property. Fresnillo has the option to reduce the Royalty to 2% by paying an additional US \$1,000,000, and, thereafter, may reduce the remaining 2% Royalty to nil by paying an additional US \$5,000,000. The respective additional payments of US \$500,000, US \$1,000,000 and US \$5,000,000 are collectively referred to as the “Additional Option Payments”.

Impairment assessments on the Naranjillo Project

During the year ended December 31, 2016, the Company assessed impairment on the Naranjillo Property based on the terms of the Naranjillo Option Agreement. The assessment determined that the carrying value of the Naranjillo Property was lower than its recoverable amount, which is the greater of the its value in use (the “VIU”) and its fair value less cost to sell (the “FVLCS”). The recoverable amount was determined to be the FVLCS. In calculating the FVLCS, the Company used significant assumptions and estimates (the “Assumptions and Estimates”) as follows: i) discount rate of 15%, and ii) probability-weighted cash flows from the Option Payment, the Advanced Royalty Payments, and the Additional Option Payments. As a result of the impairment assessment, the Company recognized \$3,305,263 of impairment in profit or loss of 2016.

During the years ended December 31, 2018 and 2017, the Company reviewed the estimated probabilities of the remaining Option Payments, Advanced Royalty Payments and Additional Option Payments of the Option Agreement. Based on Fresnillo’s active exploration programs on the Naranjillo Property in 2017 and 2018, the Company concluded that Fresnillo will continue its commitments and obligations under the Naranjillo Option Agreement. As such, the Company determined that the Assumptions and Estimates used in the impairment assessment in 2016 remained the same and no impairment was resulted in 2018. In fiscal year 2017, the Company incurred \$82,810 in exploration expenditures. As these costs were not recoverable under the Option Agreement, the amount of \$82,810 was written off as impairment in profit or loss of 2017.

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(Expressed in Canadian Dollars, unless otherwise stated)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Vaquerias Project

On June 30, 2011, the Company entered into the Vaquerias Option Agreement with the vendors of the Vaquerias license. The Vaquerias Option Agreement gave the Company the right to purchase the Vaquerias license for US \$530,000 until December 31, 2017, with the vendors retaining a 2% net smelter return (the "Vaquerias Option"). In addition, the Company had the option to purchase the 2% net smelter return for US \$500,000 within the eighteen months of exercising the Vaquerias Option.

As at December 31, 2017, the Company had paid the vendors US \$200,000 (CAD \$213,195) on the Vaquerias license. In October 2017, the Company completed a small drilling program on the optioned Vaquerias property. The assay results showed minimal potential on the Vaquerias vein within the small optioned license. As a result, on November 20, 2017, the Company terminated the Vaquerias Option Agreement, and the final option payment of US \$330,000 was cancelled accordingly. Upon the termination of the Vaquerias Option Agreement, the Company recognized an impairment loss of \$546,834 which represented the total capitalized costs related to the optioned Vaquerias property, in profit or loss of 2017.

Besides the optioned Vaquerias property, the Company also holds two titled adjacent concessions: Sol and Luna. The Sol and Luna licenses were issued by the GDM on December 13, 2011 and December 8, 2011, respectively and are valid until 2061. The project costs as at December 31, 2017, represented the total capitalized costs related to these two licenses.

During the year ended December 31, 2018, the Company assessed the carrying value of the Vaquerias project and recognized impairment of \$579,740 in profit or loss of 2018 (2017 - \$546,834) as the Company has no exploration work planned on the property.

Palo Alto Project

The Palo Alto project consists of three licenses: Catalina, Catalina II, and Catalina III. The Catalina, Catalina II and Catalina III licences were issued by the GDM on November 22, 2012, November 4, 2011, and November 30, 2011, respectively and are valid until 2061 to 2062.

The Palo Alto project falls within a Protected Natural Area in the state of Aguas Calientes and requires the submission of an environmental impact assessment ("EIA") and Federal permission to drill. The Company has applied and been waiting for the regulatory approval of a drilling permit.

During the year ended December 31, 2018, the Company performed impairment assessment on the carrying value of the Palo Alto project, as the approval for a permit to explore on the property was uncertain, the Company recognized impairment of \$218,329 in profit or loss of 2018 (2017 - \$nil).

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4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

At December 31, 2018, the cumulative expenditures on exploration and evaluation assets were as follows:

	Naranjillo	Vaquerias	Palo Alto	Total
Balance, December 31, 2017	\$ 1,775,223	\$ 494,574	\$ 176,988	\$ 2,446,785
<i>Drilling phase</i>				
Drilling and assaying	-	-	-	-
Contractor and general labour	-	14,749	-	14,749
Camp costs, supplies and other	-	3,279	-	3,279
Travel and vehicle costs	-	2,230	-	2,230
Claims, taxes and acquisitions costs	-	27,474	29,408	56,882
	-	47,732	29,408	77,140
Option payments ⁽¹⁾	(646,442)	-	-	(646,442)
Foreign exchange movements	69,353	37,435	11,934	118,722
Impairment on exploration and evaluation assets	-	(579,740)	(218,329)	(798,069)
	(577,089)	(494,573)	(176,987)	(1,248,649)
Balance, December 31, 2018	\$ 1,198,134	\$ 1	\$ 1	\$ 1,198,136
	Naranjillo	Vaquerias	Palo Alto	Total
Balance, December 31, 2016	\$ 2,325,035	\$ 942,261	\$ 149,771	\$ 3,417,067
<i>Field work phase</i>				
Assaying	-	-	1,309	1,309
Contractor and general labour	-	-	2,196	2,196
Travel and vehicle costs	-	-	2,528	2,528
Geophysical	-	-	795	795
<i>Drilling phase</i>				
Drilling and assaying	-	28,888	-	28,888
Contractor and general labour	22,162	23,331	-	45,493
Camp costs, supplies and other	7,367	7,130	-	14,497
Travel and vehicle costs	2,080	3,195	-	5,275
Claims, taxes and acquisitions costs	-	48,531	19,180	67,711
Salaries and benefits	45,045	3,465	3,465	51,975
Legal fees	6,156	446	-	6,602
	82,810	114,986	29,473	227,269
Option payments ⁽¹⁾	(523,102)	-	-	(523,102)
Foreign exchange movements	(26,710)	(15,839)	(2,256)	(44,805)
Impairment on exploration and evaluation assets	(82,810)	(546,834)	-	(629,644)
	(549,812)	(447,687)	27,217	(970,282)
Balance, December 31, 2017	\$ 1,775,223	\$ 494,574	\$ 176,988	\$ 2,446,785

⁽¹⁾ Option payments of \$646,442 (US \$500,000) (2017 - \$523,102 (US \$450,000)) were related to the Naranjillo Option Agreement with Fresnillo completed on February 8, 2017.

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4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Property Evaluations

The Company holds title to the La Carmen license for its La Joya project. The La Carmen license was issued by the GDM on December 21, 2010 and is valid until December 20, 2060.

The La Joya project surrounds a third-party license. The Company has been negotiating with the interior license owners before advancing to drilling on the property. The Company carries out reconnaissance work on and around the licensed areas and such related costs are expensed as property investigations.

The reconnaissance costs incurred on the La Joya project and outside the licensed area for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Assaying	\$ 1,121	\$ 4,192
Claims and land taxes	11,190	5,626
Contractor, labour and camp costs	16,062	18,657
Travel and vehicle costs	7,568	10,298
\$	35,941	\$ 38,773

5. EQUIPMENT

On June 8, 2018, the Company entered into an asset purchase and assumption agreement with Brio Gold USA Inc. ("Brio") and Leagold Acquisition Corp. II (Leagold) whereby the Company purchased office assets from Leagold (as a successor in interest to Brio). The assets acquired included computer hardware of \$40,926 (US \$30,000) and office furniture and equipment of \$13,642 (US \$10,000) (Note 8).

Cost	Computer Hardware	Office Furniture and Equipment	Total
Balance, December 31, 2017	\$ -	\$ -	\$ -
Addition	40,926	13,642	54,568
Balance, December 31, 2018	\$ 40,926	\$ 13,642	\$ 54,568
Accumulated depreciation			
Balance, December 31, 2017	\$ -	\$ -	\$ -
Depreciation	(11,937)	(1,591)	(13,528)
Balance, December 31, 2018	\$ (11,937)	\$ (1,591)	\$ (13,528)
Net book value			
Balance, December 31, 2017	\$ -	\$ -	\$ -
Balance, December 31, 2018	\$ 28,989	\$ 12,051	\$ 41,040

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017
Trade payables	\$ 8,011	\$ 81,193
Accrued liabilities	20,400	309,810
\$	28,411	\$ 391,003

In October 2018, the Company settled accrued liabilities of \$231,250 by issuing 4,625,000 common shares at \$0.03 per share, realizing a gain on debt settlement totalling \$92,500. The accrued liability settled consisted of \$201,250 due to the directors with respect to the directors' fees and \$30,000 due to the former officer with respect to a portion of her management fees. For the remaining management fee of 123,560, the former officer had agreed to renounce (Notes 9 and 10).

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7. LOAN PAYABLE

In May 2015, the Company received a \$250,000 loan from a director of the Company bearing interest at 10% per annum. In March 2016, the term of the loan was extended to December 31, 2016 and in November 2016, the term was further extended to December 31, 2017. In November 2017, the director waived interest charges on the loan as of November 16, 2017.

On March 12, 2018, the director agreed to settle the loan and accrued interest totalling \$313,958 with the issuance of 6,976,845 common shares. On May 31, 2018, upon receiving the approvals of both the shareholders and the TSX Venture Exchange, the Company issued 6,976,845 shares to the director at \$0.04 per share, resulting in a gain on debt settlement of \$34,884 (Notes 9 and 10). At December 31, 2018, loan payable was \$nil (2017 - \$313,958) and interest expense on the loan for the year ended December 31, 2018 was \$nil (2017- \$21,875).

8. OTHER LIABILITIES

On June 8, 2018, the Company's subsidiary, Plata US entered into an Asset Purchase and Assumption Agreement (the "Assumption Agreement") with Brio Gold USA Inc. ("Brio US") and Leagold Acquisition Corp. II ("Leagold") after Leagold's amalgamation with Brio Gold Inc. ("Brio") on May 24, 2018.

Leagold, as successor in interest to Brio, was obligated to continue covering Brio's executives' benefits ("Benefit Obligations") according to Brio's executive employment agreements ("Executive Employment Agreements") for periods ("Coverage Periods") specified in the Executive Employment Agreements. Details of the Benefit Obligations are:

	<u>CAD</u>	<u>USD</u>
Health, dental and vision - 2018	\$ 92,487	\$ 70,237
Health, dental and vision - 2019	77,529	58,877
Health, dental and vision - 2020	18,266	13,871
	<u>\$188,282</u>	<u>\$ 142,985</u>

In addition to the Benefit Obligations, Brio US had an office lease in Denver, U.S. ("Office Lease") committed to November 30, 2021 and owned office assets in that office. As Plata US does not have an office in U.S., the Company agreed to purchase the office assets and assume the Office Lease and Benefit Obligations from Leagold. In assuming the obligations, the Company received from Leagold, on June 8, 2018, a payment of \$252,288 (US \$191,592) which included:

	<u>CAD</u>	<u>USD</u>
Office rent (June 2018 to May 2019)	\$135,679	\$ 103,037
Security deposit on office lease	(19,001)	(14,430)
Benefit obligations (see above)	188,282	142,985
	<u>304,960</u>	<u>231,592</u>
<i>Less the purchase of:</i>		
Computer hardware	(39,504)	(30,000)
Office furniture and equipment	(13,168)	(10,000)
	<u>\$252,288</u>	<u>\$ 191,592</u>

Leagold's payment was recorded under other liabilities. Payments on rent and executives' benefits have been amortized over the periods under other liabilities. As at December 31, 2018, other liabilities comprised:

<u>Other liabilities - current</u>	<u>CAD</u>	<u>USD</u>
Deferred rent	\$ 59,124	\$ 43,340
Deferred health benefit	72,584	53,206
Deferred dental benefit	3,212	2,355
Deferred vision benefit	819	600
	<u>\$135,739</u>	<u>\$ 99,501</u>
<u>Other liabilities - non-current</u>		
Deferred health benefit	<u>\$ 18,923</u>	<u>\$ 13,871</u>

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9. SHARE CAPITAL AND RESERVES

a) *Share capital*

Authorized - unlimited number of common shares without par value

b) *Share issuance*

On May 31, 2018, the Company issued 6,976,845 common shares at \$0.04 per share for a loan settlement of \$313,958 due to a director (Notes 7 and 10).

On October 30, 2018, the Company issued 4,625,000 common shares at \$0.03 per share to settle indebtedness of \$231,250 owing to its directors and a former officer (Notes 6 and 10).

c) *Foreign currency translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the foreign operations, from the foreign operations' functional currency to the Company's presentation currency, as well as from the translation of inter-group loans that form the Company's net investment in its foreign subsidiaries.

d) *Stock options*

The Company has a stock option plan which provides directors, officers, employees and consultants the opportunity to acquire an ownership interest in the Company. The maximum number of options granted is 10% of the total number of common shares issued and outstanding at the grant date. Options granted have a five-year term and the exercise prices and the vesting periods are determined by the Board of Directors.

The Company's outstanding stock options at December 31, 2018 and 2017 were as follows:

	2018		2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the year	550,000	\$0.06	1,365,000	\$0.35
Expired	-	-	(890,000)	(\$0.50)
Granted	-	-	75,000	\$0.06
Outstanding, end of the year	550,000	\$0.06	550,000	\$0.06

At December 31, 2018, the Company's outstanding and exercisable options were as follows:

Expiry date	Exercise price	Options outstanding and exercisable	Weighted average remaining contractual life (year)
March 3, 2020	\$0.06	225,000	1.17
May 25, 2020	\$0.06	75,000	1.40
June 9, 2020	\$0.06	75,000	1.44
August 1, 2021	\$0.06	100,000	2.58
June 5, 2022	\$0.06	75,000	3.43
		550,000	1.80

During the year ended December 31, 2018, the Company did not grant any option whereas in 2017 it granted 75,000 options with an exercise price of \$0.06 per share for five years from the date of grant. The fair value of the options granted in 2017 was calculated using the Black-Scholes option pricing model which requires judgment and assumptions on the expected life of options, expected volatility, expected dividend yield and the risk-free interest rate. The assumptions used in the 2017 option grant were: expected life of 5 years, annualized volatility of 95%, risk-free interest rate of 0.94% and zero dividend yield.

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9. SHARE CAPITAL AND RESERVES (CONTINUED)

For the year ended December 31, 2018, the Company recognized share-based compensation of \$nil (2017 - \$1,664). No amount was capitalized to exploration and evaluation assets for both fiscal years 2018 and 2017.

Warrants

At December 31, 2018 and 2017, no warrants were outstanding.

10. RELATED PARTY TRANSACTIONS

Compensation of Key Management

Key management includes the Company's directors and officers. Their compensation paid or accrued for the years ended December 31, 2018 and 2017 was as follows:

	2018	2017
Salaries and benefits	\$ 84,138	\$ 51,975
Salaries capitalized to exploration and evaluation assets	-	51,975
Directors' fees	45,000	60,000
Professional fees	60,000	59,000
Share-based compensation	-	1,664
Total	\$ 189,138	\$ 224,614

On October 30, 2018, the Company settled accrued directors' fees of \$201,250 owing to its directors and \$30,000 being a portion of accrued management fees owing to its former officer by issuing a total of 4,625,000 common shares at \$0.03 per share. The balance of accrued management fees of \$123,560 was renounced by the former officer (Notes 6 and 9). At December 31, 2018, included in accounts payable and accrued liabilities were \$nil due to the directors (2017 - \$156,250) and \$nil to the former officer (2017 - \$153,560). Amounts due to related parties are non-interest bearing and due on demand.

In May 2015, a director of the Company provided a \$250,000 loan to the Company bearing interest at 10% per annum. On May 31, 2018, the Company settled the loan and accrued interest totalling \$313,958 with the issuance of 6,976,845 common shares at \$0.04 per share (Notes 7 and 9).

11. COMMITMENTS

On June 8, 2018, the Company's subsidiary, Plata US entered into an asset purchase and assumption agreement (the "Assumption Agreement") with Brio Gold USA Inc. ("Brio US") and Leagold Acquisition Corp. II ("Leagold"). Pertaining to the Assumption Agreement, Plata assumed Brio's office lease in Denver, Co., U.S. ("Office Lease") which expires on November 30, 2021. Leagold, in transferring the Office Lease, provided the Company one year's rent of \$135,679 (US \$103,037).

The annual office lease commitments net of the first year's rent payment from Leagold are:

2019	\$ 82,995	(US \$60,838)
2020	144,787	(US \$106,133)
2021	134,963	(US \$98,932)
	<u>\$ 362,745</u>	

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12. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
Exploration and evaluation assets in accounts payable and accrued liabilities	\$ 5,310	\$ 39,506
Shares issued for settlement of accounts payable and accrued liabilities	138,750	-
Shares issued for loan settlement	279,074	
Other cash flow information:		
Interest paid	\$ -	\$ -
Income tax paid	2,086	-

See Note 8 for assumption of other liabilities.

13. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

Fair value

The carrying values of cash, amounts receivable, accounts payable and accrued liabilities, and current portion of other liabilities approximate their fair values due to the short-term maturity of these financial instruments. Long term portion of other liabilities are measured at amortized cost.

The Company classifies its financial instruments into three levels of the fair value hierarchy according to the relative reliability of the inputs used to measure the fair values. The fair value hierarchy is as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – quoted prices in inactive markets or inputs are observable directly or indirectly for the asset or liability; and

Level 3 – inputs that are unobservable as there are little or no market activities

Risk management

The Company is exposed to financial instrument related risks arising from its normal operations. The Company manages and mitigates these risk exposures as follows:

Foreign currency risk

The Company operates in Canada, United States and Mexico. It maintains Mexican Peso ("MXN") and US Dollar (US\$) bank accounts in Mexico and USA and is subject to currency gains or losses from these two currencies against the Canadian Dollar. The Company has no hedging against its foreign currency risk exposure.

For the years ended December 31, 2018 and 2017, the Company was exposed to currency risk through the following assets and liabilities denominated in US\$:

	2018	2017
Cash	US\$ 181,305	US\$ 99,639
Accounts payable and accrued liabilities	(1,197)	(272)
	US\$ 180,108	US\$ 99,367

For the years ended December 31, 2018 and 2017, the Company was exposed to currency risk through the following assets and liabilities denominated in MXN:

	2018	2017
Cash	MXN 37,597	MXN 512,451
Accounts payable and accrued liabilities	(76,475)	(761,301)
	MXN (38,878)	MXN (248,850)

A 10% change of the Canadian dollar against the US\$ at December 31, 2018 would have increased or decreased net loss by \$20,930 (2017 – \$12,380) and would have increased or decreased the comprehensive loss by \$38,203 (2017 – \$1,229). A 10% change of the Canadian dollar against the MXN at December 31, 2018 would have increased or decreased the comprehensive loss by \$270 (2017 – \$1,588). This analysis assumes that all other variables, in particular interest rates, remain consistent.

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13. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company's financial assets are insufficient to meet its financial liabilities. The Company manages liquidity risk with budgets and cash forecasts to ensure there is sufficient cash to meet its obligations. At December 31, 2018, the Company had cash of \$265,682 (2017 - \$172,557) to settle current liabilities of \$164,150 (2017 - \$704,961). The Company will require additional funding to continue as a going concern.

Commodity Price risk

While no resource estimate has yet been prepared for the Company's core mineral resource properties, the market value of the Company is subject to the fluctuations of the prices of precious metals and their outlooks.

Credit risk

Credit risk arises from cash held with financial institutions, as well as credit exposure on amounts receivable. Credit risk exposure on cash is limited through maintaining the Company's balances with high-credit quality financial institutions and assessing institutional exposure. As at December 31, 2018, the Company's maximum exposure to credit risk was the carrying value of its cash and amounts receivable.

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 continue the exploration of mineral properties and to maintain flexible capital which optimizes the costs of capital at an acceptable risk level.

In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity. The Company manages its 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 issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. No changes were made in the objectives, policies or procedures during the year ended December 31, 2018.

In order to maximize funds available for its exploration efforts, the Company does not pay out dividends. The Company is not subject to any externally imposed capital requirements.

14. SEGMENT INFORMATION

The Company operates in one reportable and operating segment, being the exploration and evaluation of mineral resources properties in Mexico. Geographic information for the years ended below was as follows:

	Canada	Mexico	United States	Total
Non-current assets as at:				
December 31, 2018	\$ -	\$ 1,198,136	\$ 60,726	\$ 1,258,862
December 31, 2017	\$ -	\$ 2,446,785	\$ -	\$ 2,446,785

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15. INCOME TAXES

Income tax expense

The major components of income tax expense for the years ended December 31, 2018 and 2017 are:

	2018	2017
Current income tax:		
Current income tax charge	\$ 2,086	\$ -
Deferred income tax (recovery):		
Relating to Mexican Special Mining Duty	(53,667)	-
Income tax recovery	<u>\$ (51,581)</u>	<u>\$ -</u>

A reconciliation between tax expense and accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Net loss before tax	\$ (1,165,560)	\$ (1,078,946)
Statutory tax rate	27%	26%
Income tax benefit	(314,701)	(280,526)
Reconciling items:		
Difference between statutory and foreign tax rate	(28,716)	(26,739)
Difference between statutory and future tax rates	-	(4,865)
Tax losses not recognized in the period that the benefit arose	289,298	399,183
Non-deductible expenses	(1,738)	(70,549)
Other	4,276	(16,504)
Income tax recovery	<u>\$ (51,581)</u>	<u>\$ -</u>

Deferred taxes

Deferred income taxes result primarily from temporary differences in the recognition of certain revenue and expense items from financial and income tax reporting purposes. The approximate tax effect of each item that gives rise to the Company's recognised deferred income tax assets and liabilities as at December 31, 2018 and 2017 are as follows:

	2018	2017
Mexican Special Mining Duty	(129,335)	(170,673)
Deferred income tax liabilities, net	<u>\$ (129,335)</u>	<u>\$ (170,673)</u>

The deferred tax expense and associated deferred tax liability of \$129,335 (2017 - \$170,673) are non-cash items. In future if the exploration properties are anticipated to be brought into production, the currently unrecognized deferred tax assets may be used to offset the deferred tax liabilities.

The movement in the net deferred income tax position is as follows:

	2018	2017
Beginning of the year	\$ (170,673)	\$ (174,150)
Income statement charge	53,667	-
Foreign exchange impact in equity	(12,329)	3,477
End of the year	<u>\$ (129,335)</u>	<u>\$ (170,673)</u>

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15. INCOME TAXES (CONTINUED)

The Company's unrecognized unused tax losses and other deductible temporary differences for which no deferred tax asset is recognized consists of the following:

	2018	2017
Non-capital losses and other future tax deductions	\$ 9,136,300	\$ 8,575,800
Exploration and evaluation assets	1,812,380	1,348,481
Property, plant and equipment	-	40,400
	<u>\$ 10,948,680</u>	<u>\$ 9,964,681</u>

No deferred tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is not probable. The unrecognized available to be deducted difference will be deducted from taxable income in future years.

As at December 31, 2018, the Company has Canadian loss carry forwards of \$5,526,000 (2017 – \$5,429,000) and US loss carry forwards of \$39,000 (2017 - \$nil), and Mexican loss carry forwards of \$3,442,000 (2017 – \$3,158,000) available to reduce future years' income tax for tax purposes. The tax losses carry forwards expire at various times between 2020 and 2038.