
AGUILA AMERICAN GOLD LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
APRIL 30, 2018 AND 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aguila American Gold Limited

We have audited the accompanying consolidated financial statements of Aguila American Gold Limited, which comprise the consolidated statements of financial position as at April 30, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in (deficiency) equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aguila American Gold Limited as at April 30, 2018 and 2017, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company is dependent upon its ability to secure new sources of financing and establish future profitable production. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia
August 24, 2018

AGUILA AMERICAN GOLD LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	April 30, 2018 \$	April 30, 2017 \$
ASSETS			
Current assets			
Cash		9,265	5,473
GST receivable		12,357	9,701
Prepays		<u>3,490</u>	<u>4,333</u>
TOTAL ASSETS		<u>25,112</u>	<u>19,507</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	451,728	421,104
Loan and advances	6	<u>105,000</u>	<u>107,357</u>
TOTAL LIABILITIES		<u>556,728</u>	<u>528,461</u>
SHAREHOLDERS' (DEFICIENCY) EQUITY			
Share capital	7	25,846,799	25,810,881
Share-based payments reserve		1,477,619	1,477,619
Deficit		<u>(27,856,034)</u>	<u>(27,797,454)</u>
TOTAL SHAREHOLDERS' (DEFICIENCY) EQUITY		<u>(531,616)</u>	<u>(508,954)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY		<u>25,112</u>	<u>19,507</u>

Nature of Operations and Going Concern - see Note 1

Event after the Reporting Period - see Note 12

These consolidated financial statements were approved for issue by the Board of Directors on August 24, 2018 and are signed on its behalf by:

/s/ Blair Way
Blair Way
Director

/s/ Nick DeMare
Nick DeMare
Director

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

AGUILA AMERICAN GOLD LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended April 30	
		2018 \$	2017 \$
Mineral exploration costs	5	-	60,553
Expenses			
Accounting and administration	8(a)	17,533	47,192
Audit		7,500	13,500
Depreciation		-	10,146
Legal		-	9,999
Management services	8(a)	-	36,000
Office and administration		3,172	3,133
Professional fees	8	48,000	48,000
Regulatory fees		10,666	9,572
Share-based compensation	7(e)	15,918	23,364
Shareholder costs		900	1,603
Transfer agent		4,708	5,448
Travel allowance and expenses	8(a)	-	35,667
		<u>108,397</u>	<u>243,624</u>
Loss from operations		<u>(108,397)</u>	<u>(304,177)</u>
Other items			
Interest income		180	124
Foreign exchange gain (loss)		1,617	(13,769)
Financing expense	6(a)	-	(32,761)
Impairment of property, plant and equipment		-	(2,538)
Impairment of exploration and evaluation assets	4	-	(1,318,408)
Recovery of costs previously incurred		-	278,815
Reversal of prior years expenses		7,107	-
Gain on disposition	2	40,913	-
		<u>49,817</u>	<u>(1,088,537)</u>
Net loss and comprehensive loss for the year		<u>(58,580)</u>	<u>(1,392,714)</u>
Basic and diluted loss per common share		<u>\$(0.02)</u>	<u>\$(0.62)</u>
Basic and diluted weighted average number of common shares outstanding		<u>2,405,807</u>	<u>2,259,229</u>

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

AGUILA AMERICAN GOLD LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIENCY) EQUITY
(Expressed in Canadian Dollars)

Year Ended April 30, 2018					
Common Shares					
	Number of Shares*	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Equity (Deficiency) \$
Balance at April 30, 2017	2,324,985	25,810,881	1,477,619	(27,797,454)	(508,954)
Common shares issued for:					
Cash - share options exercised	100,000	20,000	-	-	20,000
Transfer on exercise of share options	-	15,918	(15,918)	-	-
Share-based compensation	-	-	15,918	-	15,918
Net loss and comprehensive loss	-	-	-	(58,580)	(58,580)
Balance at April 30, 2018	2,424,985	25,846,799	1,477,619	(27,856,034)	(531,616)

Year Ended April 30, 2017					
Common Shares					
	Number of Shares*	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
Balance at April 30, 2016	2,014,545	25,586,299	1,441,854	(26,404,740)	623,413
Common shares issued for:					
Cash - private placement	242,860	170,002	-	-	170,002
Cash - warrants exercised	51,680	30,840	-	-	30,840
Cash - share options exercised	10,000	5,000	-	-	5,000
Finder's fees	5,900	3,344	2,556	-	5,900
Share issue costs	-	(7,520)	-	-	(7,520)
Transfer on exercise of warrants	-	19,509	(19,509)	-	-
Transfer on exercise of share options	-	3,407	(3,407)	-	-
Share-based compensation	-	-	56,125	-	56,125
Net loss and comprehensive loss	-	-	-	(1,392,714)	(1,392,714)
Balance at April 30, 2017	2,324,985	25,810,881	1,477,619	(27,797,454)	(508,954)

* The share numbers have been adjusted to reflect a consolidation of the Company's share capital on a one new for ten old basis effective May 17, 2017. See Note 7(b).

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

AGUILA AMERICAN GOLD LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended	
	April 30,	
	2018	2017
	\$	\$
Operating activities		
Net loss for the year	(58,580)	(1,392,714)
Adjustments for:		
Depreciation	-	10,146
Share-based compensation	15,918	23,364
Financing expense	-	32,761
Foreign exchange (gain) loss	(542)	2,363
Impairment of property, plant and equipment	-	2,538
Impairment of exploration and evaluation costs	-	1,318,408
Changes in non-cash working capital items:		
Amounts receivable	-	976
GST receivable	(2,656)	6,390
Prepays	843	-
Accounts payable and accrued liabilities	30,624	(195,620)
Net cash used in operating activities	<u>(14,393)</u>	<u>(191,388)</u>
Investing activity		
Expenditures on exploration and evaluation assets	-	(54,337)
Net cash used in investing activity	<u>-</u>	<u>(54,337)</u>
Financing activities		
Issuance of common shares	20,000	205,842
Share issue costs	-	(1,620)
Loan and advances received	10,076	34,500
Repayment of advances	(11,891)	(39,572)
Net cash generated by financing activities	<u>18,185</u>	<u>199,150</u>
Net change in cash during the year	3,792	(46,575)
Cash at beginning of year	<u>5,473</u>	<u>52,048</u>
Cash at end of year	<u>9,265</u>	<u>5,473</u>

Supplemental cash flow information - See Note 10

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

AGUILA AMERICAN GOLD LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2018 AND 2017
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Aguila American Gold Limited (the “Company”) is listed and traded on the TSX Venture Exchange (“TSXV”) under the symbol “AGL”, the OTCBB under the symbol “AGLAF” and the Frankfurt Stock Exchange under the Symbol “AGP”. The Company’s principal and executive office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

During fiscal 2018 the Company incurred a loss of \$58,580 and, as at April 30, 2018, had a working capital deficit of \$531,616 and an accumulated deficit of \$27,856,034. The Company has no significant assets and is dependent on ongoing advances from its officers and shareholders. Further funds will be required to fund existing levels of operations and administration, retire its indebtedness as they come due, and conduct due diligence on identifying and evaluating potential mineral interest acquisitions or other business opportunities. The Company will need to raise additional capital from the sale of common shares or other equity or debt instruments. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to the adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to identify, acquire and develop properties and to establish future profitable production.

2. Basis of Preparation

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 of the IFRS Interpretations Committee (“IFRIC”).

Basis of Measurement

The Company’s consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise stated.

Disposition of Subsidiaries

Effective April 30, 2017 the Company determined to cease operations in Peru and no longer support its wholly-owned Peruvian subsidiaries, Aguila American Resources Limited S.A. and Kori Trader S.A.C. (the “Peruvian Subsidiaries”). As a result, during fiscal 2017 the Company recorded an impairment expense of \$1,318,408 for the remaining carrying value of its exploration and evaluation assets and \$2,538 for the remaining carrying cost of its property, plant and equipment. On July 3, 2017 the Company entered into agreements to dispose of the Peruvian Subsidiaries. During fiscal 2018 the Company received \$40,913 net proceeds from the sale. The Company no longer has any subsidiaries.

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive

AGUILA AMERICAN GOLD LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2018 AND 2017
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- (i) Management is required to assess impairment in respect of intangible exploration and evaluation assets and property, plant and equipment. The triggering events are defined in IFRS 6 and IAS 36. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a small proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

During fiscal 2017 management determined that impairment indicators were present in respect of exploration and evaluation assets and for property, plant and equipment. Tests were performed and as a result impairment charges of \$1,318,408 was made to exploration and evaluation assets, and \$2,538 was recorded for property, plant and equipment. See also Note 4.

- (ii) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- (i) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at April 30, 2018 and 2017 the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivable. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

AGUILA AMERICAN GOLD LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2018 AND 2017
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Assets

Resource Interests

Resource interests include acquired mineral use rights for mineral property held by the Company. The amount of consideration paid (in cash or share value) for resource interests is capitalized. The amounts shown for resource interests represent costs of acquisition incurred to date, less recoveries or write-offs, and do not necessarily reflect present or future values. These costs will be amortized against revenue from future production or written off if the resource interest is abandoned or sold.

Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimated proven and probable reserves.

The carrying values of resource interests are reviewed by management at least annually to determine if they have become impaired. If impairment is determined to exist, the resource interest will be written down to its net recoverable value.

Ownership in resource interests involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control.

The ultimate recoverability of the amounts capitalized for the resource interests is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its resource interests have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of resource interest carrying values.

Exploration and Development Costs

Mineral exploration and development costs are expensed as incurred until such time as either mineral reserves are proven or permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves or receipt of permits to commence mining operations and obtaining necessary financing, development expenditures are capitalized as deferred development expenditures included within resource interests.

Property Option Agreements

Property option payments are recorded as resource interest costs or recoveries when the payments are made or received, respectively.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

AGUILA AMERICAN GOLD LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2018 AND 2017
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful life of the assets of three to five years.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed 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. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit 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 the profit or loss for the period.

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

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at April 30, 2017 the Company did not have any decommissioning obligations. During fiscal 2018 the Company disposed of its exploration and evaluation assets as described in Note 2 and, accordingly, had no decommissioning obligations as at April 30, 2018.

AGUILA AMERICAN GOLD LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2018 AND 2017
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale (“AFS”), loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. As at April 2018 and 2017 the Company does not have any amounts receivable.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. As at April 30, 2018 and 2017 the Company has not classified any financial assets as AFS.

Transaction costs associated with FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities and loans and advances are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At April 30, 2018 and 2017 the Company has not classified any financial liabilities as FVTPL.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

AGUILA AMERICAN GOLD LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2018 AND 2017
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

For employees the fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the income tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss Per Share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by the treasury stock method.

AGUILA AMERICAN GOLD LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2018 AND 2017
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

The financial statements of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of the subsidiaries includes re-measurement from the local currency to the Company's functional currency. The Company's functional currency, being the currency of the primary economic environment in which the Company operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for the statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Accounting Standards and Interpretations Issued but Not Yet Effective

As at the date of these consolidated financial statements, the following standards have not been applied in these financial statements:

- (i) The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides for revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect that the adoption of this standard will have a significant effect on the Company's consolidated financial statements.
- (ii) IFRS 15, *Revenue from Contracts with Customers*, outlines the principles for recognizing revenue from contracts with customers. The new standard establishes a new five-step model for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard is effective for annual periods beginning on or after January 1, 2018, and is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. The Company does not expect that the adoption of this standard will have a significant effect on the Company's consolidated financial statements.
- (iii) IFRS 16, *Leases*, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. Management is currently assessing the impact of this new standard on the Company's accounting policies and consolidated financial statement presentation.

4. Exploration and Evaluation Assets

	April 30, 2018 \$	April 30, 2017 \$
Angostura Project		
Balance beginning of year	-	1,264,071
Concession payments	-	54,337
	<u>-</u>	<u>1,318,408</u>
Impairment	-	(1,318,408)
	<u>-</u>	<u>(1,318,408)</u>
Balance end of year	-	-

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4. Exploration and Evaluation Assets (continued)

The Angostura Project comprised of the Delicia Concession and fifteen staked exploration concessions located in the Department of Apurimac, Province of Grau, District of Curpahuasi, Peru.

During fiscal 2017 the Company determined to record an impairment expense of \$1,318,408 for the remaining carrying value of the Angostura Project at April 30, 2017. During fiscal 2018 the Company disposed of its Peruvian Subsidiaries which held the interests in the Angostura Project. See also Note 2.

5. Mineral Exploration Costs

No mineral exploration costs were incurred during fiscal 2018. Mineral exploration costs incurred during fiscal 2017 are detailed below:

	2017 \$
Camp costs	7,814
Community expenses	792
Consulting	17,456
Engineering studies	5,939
Environmental studies	1,173
Equipment rental	2,480
Office and miscellaneous costs	4,795
Sampling	408
Site personnel	14,006
Transportation	501
Travel	1,859
VAT incurred	<u>3,330</u>
Total	<u>60,553</u>

6. Loan and Advances

	April 30, 2018 \$	April 30, 2017 \$
Bridge loan (a)	47,000	50,000
Advances (b)	<u>58,000</u>	<u>57,357</u>
	<u>105,000</u>	<u>107,357</u>

(a) On June 9, 2015 the Company received a \$50,000 bridge loan from a shareholder of the Company. The bridge loan is without interest, is unsecured and was originally scheduled for repayment on June 9, 2016. In fiscal 2017 the Company and the lender agreed to a one year extension of the due date of the bridge loan and the Company issued 40,000 warrants as consideration for the extension. The warrants were exercisable at \$0.50 per share. The value assigned to the warrants was \$32,761 and was recorded as a financing expense. During fiscal 2017, 23,820 warrants were exercised and the remaining 16,180 warrants expired on May 2, 2017 without exercise.

During fiscal 2018 the Company repaid \$3,000 of the bridge loan.

(b) Advances are from certain of the Company's current and former officers and are currently without specific terms of interest or repayment.

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7. Share Capital

(a) ***Authorized Share Capital***

The Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) ***Share Consolidation***

On May 17, 2017 the Company completed a consolidation of its share capital on a one new for ten old basis. The share and per share amounts have been adjusted within these financial statements to reflect the share consolidation.

(c) ***Equity Financings***

No financings were completed by the Company during fiscal 2018.

Fiscal 2017

During fiscal 2017 the Company completed a non-brokered private placement financing of 242,860 units at a price of \$0.70 per unit for gross proceeds of \$170,002. Each unit comprised one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional share for a term of two years from the closing date at a price of \$1.00 per share.

The Company also issued to a finder 5,900 units, having the same terms as the units issued under the private placement at an ascribed value of \$5,900. The fair value of the underlying warrants to the finder's units has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.61%; expected volatility of 167.14%; an expected life of two years; a dividend yield of 0%; and an expected forfeiture rate of 0%. The value assigned to the underlying warrants to the finder's units was \$2,556. The weighted average fair value of the finder's warrants issued was \$0.43 per warrant.

The Company paid \$1,620 for share issue costs associated with the private placement.

The spouse of the former President of the Company and a private company owned by a director of the Company purchased 51,317 units for \$35,922.

(d) ***Warrants***

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at April 30, 2018 and 2017 and the changes for the years ended on those dates is as follows:

	2018		2017	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	597,440	0.70	360,360	0.50
Issued	-	-	288,760	0.93
Exercised	-	-	(51,680)	0.60
Expired	<u>(16,180)</u>	0.50	<u>-</u>	
Balance, end of year	<u>581,260</u>	0.71	<u>597,440</u>	0.70

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7. Share Capital (continued)

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at April 30, 2018:

Number	Exercise Price \$	Expiry Date
36,000	1.00	June 21, 2018
202,760	1.00	July 4, 2018
185,000	0.50	March 10, 2021
<u>157,500</u>	0.50	March 24, 2021
<u>581,260</u>		

See also Note 12.

(e) Share Option Plan

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of five years.

During fiscal 2018 the Company granted share options to purchase 100,000 (2017 - 49,000) common shares and recorded compensation expense of \$15,918 (2016 - \$23,364).

The fair value of share options granted during fiscal 2018 and 2017 is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2018</u>	<u>2017</u>
Risk-free interest rate	0.79%	0.65% - 0.81%
Estimated volatility	145.85%	172.93% - 184.55%
Expected life	3 years	3 years
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

The weighted average fair value of all share options granted, using the Black-Scholes option pricing model, during fiscal 2018 was \$0.16 (2017 - \$0.48) per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at April 30, 2018 and 2017 and the changes for the years ended on those dates, is as follows:

	<u>2018</u>		<u>2017</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	175,350	0.54	139,350	0.50
Granted	100,000	0.20	49,000	0.60
Exercised	(100,000)	0.20	(10,000)	0.50
Expired	<u>(125,850)</u>	0.56	<u>(3,000)</u>	0.50
Balance, end of period	<u>49,500</u>	0.50	<u>175,350</u>	0.54

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7. Share Capital (continued)

As at April 30, 2018 share options to purchase 49,500 common shares at \$0.50 per share, expiring April 20, 2019, remain outstanding and exercisable.

8. Related Party Transactions and Balances

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

(i) During fiscal 2018 and 2017 the following amounts were incurred with respect to the Company's executive officers which includes the positions of the current and former President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"):

	2018 \$	2017 \$
Management services	-	36,000
Professional fees	36,000	36,000
Travel allowance	-	35,461
Share-based compensation	<u>15,918</u>	<u>8,520</u>
	<u>51,918</u>	<u>115,981</u>

As at April 30, 2018, \$359,262 (2017 - \$316,012) was outstanding for past fees and expenses incurred and has been included in accounts payable and accrued liabilities.

(ii) During fiscal 2018 the Company incurred \$17,533 (2017 - \$24,850) for accounting and administration services provided by Chase Management Ltd., a private company owned by the CFO of the Company. As at April 30, 2018, \$2,657 (2017 - \$4,766) remained unpaid and has been included in accounts payable and accrued liabilities.

(iii) See also Notes 6(b) and 7(c).

(b) *Transactions with Other Related Parties*

During fiscal 2018 and 2017 the following amounts were incurred by the Company with respect to non-executive directors of the Company:

	2018 \$	2017 \$
Professional fees	<u>12,000</u>	<u>12,000</u>

As at April 30, 2018, \$81,136 (2017 - \$68,832) was outstanding for past fees and has been included in accounts payable and accrued liabilities.

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9. Income Taxes

Deferred income tax assets and liabilities of the Company as at April 30, 2018 and 2017, are as follows:

	2018 \$	2017 \$
Deferred income tax assets		
Losses carried forward	1,035,500	985,500
Mineral resource interests	19,600	18,800
Other	500	1,000
	<u>1,055,600</u>	<u>1,005,300</u>
Valuation allowance	<u>(1,055,600)</u>	<u>(1,005,300)</u>
Net deferred income tax asset	<u>-</u>	<u>-</u>

The recovery of income taxes shown in the consolidated statements of comprehensive loss and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2018 \$	2017 \$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>26.33%</u>	<u>26.0%</u>
Expected income tax recovery	(15,400)	(362,100)
Permanent differences	3,700	4,800
Effect of different income tax rates in Peru and Canada	-	48,400
Unrecognized benefit of income tax losses	<u>11,700</u>	<u>308,900</u>
Actual income tax recovery	<u>-</u>	<u>-</u>

As at April 30, 2018, the Company has accumulated non-capital losses of approximately \$3,835,200 (2017 - \$3,790,500) and accumulated tax pools of approximately \$74,400 (2017 - \$76,400) carried forward for Canadian income tax purposes which are available to reduce taxable income of future years. The non-capital losses expire commencing in 2028 through 2038.

10. Supplemental Cash Flow Information

Non-cash activities conducted by the Company during fiscal 2018 and 2017 are as follows:

	2018 \$	2017 \$
Operating activity		
Financing expense	<u>-</u>	<u>(32,761)</u>
Financing activities		
Common shares issued for finder's fees	-	3,344
Share issue costs	-	(5,900)
Warrants issued for financing expense	-	32,761
Transfer on exercise of share options	15,918	3,407
Transfer on exercise of warrants	-	19,509
Share-based payment reserve	<u>(15,918)</u>	<u>(20,360)</u>
	<u>-</u>	<u>32,761</u>

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11. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following five categories: Fair value through profit or loss (“FVTPL”); held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	April 30, 2018 \$	April 30, 2017 \$
Cash	FVTPL	9,265	5,473
Accounts payable and accrued liabilities	Other liabilities	(451,728)	(421,104)
Loan and advances	Other liabilities	(105,000)	(107,357)

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash, accounts payable and accrued liabilities and loans and advances approximate their fair value due to their short-term nature. The Company’s fair value of cash under the fair value hierarchy is measured using Level 1 inputs.

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company’s liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

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11 Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at April 30, 2018				
	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	\$	\$	\$	\$	\$
Cash	9,265	-	-	-	9,265
Accounts payable and accrued liabilities	(451,728)	-	-	-	(451,728)
Loan and advances	(105,000)	-	-	-	(105,000)
	Contractual Maturity Analysis at April 30, 2017				
	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	\$	\$	\$	\$	\$
Cash	5,473	-	-	-	5,473
Accounts payable and accrued liabilities	(421,104)	-	-	-	(421,104)
Loan and advances	(107,357)	-	-	-	(107,357)

Market Risk

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

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents bear floating rates of interest. The interest rate risk on cash and cash equivalents and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities that are denominated in a foreign currency. As at April 30, 2018 the Company did not have any significant amounts in foreign currencies and considers foreign currency risk insignificant.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and cash equivalents. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

12. Event after the Reporting Period

Subsequent to April 30, 2018 warrants to purchase 238,760 common shares of the Company, with an exercise price of \$1.00 per share, expired without exercise.