
MONTERO MINING AND EXPLORATION LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2017 and 2016
Expressed in Canadian Dollars

The accompanying unaudited interim consolidated financial statements of Montero Mining and Exploration Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars – unaudited)

	Notes	September 30, 2017	December 31, 2016
ASSETS		\$	\$
Current assets			
Cash		385,042	4,589
Other receivables	10	10,649	1,426
Prepaid expenses and deposits		26,251	6,240
Total current assets		421,942	12,255
Non-current assets			
Reclamation bonds	4	9,393	9,393
Plant and equipment		7,201	14,950
Exploration and evaluation assets	4	2,461,826	2,493,536
Total non-current assets		2,478,420	2,517,879
TOTAL ASSETS		2,900,362	2,530,134
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	10	127,842	311,138
Loans payable	5,10	-	625,959
Total current liabilities		127,842	937,097
SHAREHOLDERS' EQUITY			
Equity attributable to the owners of the Company			
Share capital	6	15,928,556	14,448,342
Share-based payment reserve	7	6,871,179	6,871,179
Foreign currency translation reserve		991,460	1,072,992
Accumulated deficit		(21,018,675)	(20,799,476)
Total shareholders' equity		2,772,520	1,593,037
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,900,362	2,530,134

Subsequent events

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On behalf of the Board:

"Antony Harwood"

Antony Harwood, Director

"Antonia J. Chapman"

Antonia J. Chapman, Director

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars - unaudited)

	Notes	Three months ended		Nine months ended	
		Sept 30, 2017	Sept 30, 2016	Sept 30, 2017	Sept 30, 2016
		\$	\$	\$	\$
EXPENSES					
Consulting, directors', administrative and management fees	10	63,871	39,338	131,586	129,215
Depreciation		2,321	3,409	7,137	10,349
General and administrative	10	3,974	6,048	17,278	19,610
Other expenses		7,312	5,595	14,711	12,127
Professional fees		8,030	7,143	18,321	21,320
Project investigation costs		1,853	5,937	1,853	22,245
Shareholder and regulatory		16,545	5,965	30,378	20,331
OPERATING LOSS		(103,906)	(73,435)	(221,264)	(235,197)
OTHER ITEMS					
Finance costs	5,10	-	(14,603)	-	(39,594)
Foreign exchange gain (loss)		528	1,093	2,063	13,720
Interest and other income		2	-	2	-
		530	(13,510)	2,065	(25,874)
NET LOSS		(103,376)	(86,945)	(219,199)	(261,071)
OTHER COMPREHENSIVE INCOME (LOSS)					
Exchange difference on translating foreign operations		(42,386)	6,418	(81,532)	(57,660)
COMPREHENSIVE INCOME (LOSS)		(145,762)	(80,527)	(300,731)	(318,731)
LOSS PER SHARE – BASIC AND DILUTED	8	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.03)

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars - unaudited)

	Note	Share Capital		Subscriptions for Special Warrants	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	TOTAL EQUITY
		Number of Shares	\$	\$	\$	\$	\$	\$
Balance, December 31, 2015	6	8,878,960	13,906,274	—	6,871,179	1,105,310	(20,897,182)	985,581
Net loss and comprehensive loss		—	—	—	—	(57,660)	(261,071)	(318,731)
Balance, September 30, 2016		8,878,960	13,906,274	—	6,871,179	1,047,650	(21,158,253)	666,850
Shares issued for debt settlement		1,715,062	548,820	—	—	—	—	548,820
Share issue costs		—	(6,752)	—	—	—	—	(6,752)
Net income and comprehensive income		—	—	—	—	25,342	358,777	384,119
Balance, December 31, 2016		10,594,022	14,448,342	—	6,871,179	1,072,992	(20,799,476)	1,593,037
Shares issued for debt settlement	6	4,101,347	820,270	—	—	—	—	820,270
Shares issued for cash	6	3,675,000	735,000	(735,000)	—	—	—	—
Subscriptions for special warrants	6	—	—	735,000	—	—	—	735,000
Share issue costs	6	—	(75,056)	—	—	—	—	(75,056)
Net loss and comprehensive loss		—	—	—	—	(81,532)	(219,199)	(300,731)
Balance, September 30, 2017		18,370,369	15,928,556	—	6,871,179	991,460	(21,018,675)	2,772,520

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars – unaudited)

	Three months ended		Nine months ended	
	Sept 30, 2017	Sept 30, 2016	Sept 30, 2017	Sept 30, 2016
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	(103,376)	(86,945)	(219,199)	(261,071)
Adjustments to loss for non-cash items:				
Depreciation	2,321	3,409	7,137	10,349
Net changes in non-cash working capital items:				
Other receivables	(4,567)	1,699	(9,223)	9,561
Prepaid expenses and deposits	(16,460)	2,073	(20,011)	459
Trade and other payables	(67,447)	49,068	14,389	188,288
Net cash flows (used in) operating activities	(189,529)	(30,696)	(226,907)	(52,414)
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on exploration and evaluation assets	(4,019)	(10,460)	(52,584)	(101,748)
Net cash flows from (used in) investing activities	(4,019)	(10,460)	(52,584)	(101,748)
CASH FLOWS FROM FINANCING ACTIVITIES				
Shares issued for cash	-	-	735,000	-
Share issue costs	(12,077)	-	(75,056)	-
Loans payable	-	33,243	-	152,181
Net cash flows from financing activities	(12,077)	33,243	659,944	152,181
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(205,625)	(7,913)	380,453	(1,981)
CASH AND CASH EQUIVALENTS, BEGINNING	590,667	14,810	4,589	8,878
CASH AND CASH EQUIVALENTS, ENDING	385,042	6,897	385,042	6,897

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016
(Expressed in Canadian dollars - unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Montero Mining and Exploration Ltd (“Montero” or the “Company”) was incorporated on October 5, 2006, under the laws of British Columbia, Canada. Montero and its subsidiaries (collectively, the “Company”) are engaged in the acquisition and exploration of mineral properties in Tanzania and South Africa.

Montero is a publicly listed company with its shares listed on the TSX Venture Exchange (“TSX-V”). The Company’s registered office is located at 1040 West Georgia Street, Suite 1900, Vancouver, BC, V6E 4H3 and its head office address is Suite 1128, 789 West Pender Street, Vancouver, BC V6C 1H2.

Going Concern

These condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2017 the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions give rise to substantial doubt about the Company’s ability to continue as a going concern. When further funds are required, they will be financed through a private placement of common shares or by debt instruments.

2. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements of the Company, including comparatives, have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements comply with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required of a complete set of consolidated financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and the performance of the Company since the end of its last annual reporting period. It is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2016, which were prepared in accordance with IFRS as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue on November 29, 2017 by the Audit Committee of the Company.

3. BASIS OF PRESENTATION

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of their application as the most recent annual consolidated financial statements of the Company for the year ended December 31, 2016. The condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise indicated.

MONTERO MINING AND EXPLORATION LTD.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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4. EXPLORATION AND EVALUATION ASSETS

A summary of the Company's exploration and evaluation assets by property area is as follows:

	September 30, 2017	December 31, 2016
	\$	\$
South Africa - Phosco	1,338,369	1,333,501
Tanzania - Wigu Hill	1,123,457	1,160,035
	2,461,826	2,493,536

a) South Africa
Phosco Project

On November 18, 2011, the Company's subsidiary, Montero Projects Limited ("Montero Projects") acquired the shares in Eurozone which holds interests in subsidiary companies that hold phosphate exploration projects in South Africa (hereafter, "Phosco"). Montero Projects paid \$101,700 (United States dollars "USD" \$100,000) and issued 2,500,000 common shares of Montero, valued at \$750,000, and completed the acquisition of Eurozone. The Company now holds two licences covering the Duyker Eiland and Phillips Kraal areas.

On August 19, 2014, the Company entered into a letter agreement, which was subject to legal and technical due diligence, with Ovation Capital ("Ovation", a South Africa based investment firm) to develop the Phosco Project. A definitive Exploration and Co-development Agreement ("Agreement") was signed on March 2, 2015 between Montero Projects and Mellosat Proprietary Limited, Montero's subsidiaries, and Business Venture Investments No. 1709 Proprietary Limited ("BVI"), an Ovation company whereby BVI would finance a Pre-feasibility Study (to be completed within 12 months of signing of the Agreement) to earn 10% of Phosco and would further finance a Bankable Feasibility Study (to be completed within 24 months of signing the Agreement) to earn an additional 20% of Phosco, for a total potential ownership of 30% of Phosco.

On March 24, 2017, BVI requested, and Montero granted an extension to June 12, 2017 to give them additional time to complete the work required. BVI requested and Montero has granted a further extension for their reports to September 12, 2017. On October 2, 2017, Montero terminated this agreement as Ovation was unable to meet its obligations.

The Company has a total of \$9,393 (December 31, 2016 - \$9,393) in reclamation bonds and deposits lodged with local governments in regards to any potential reclamation costs that may arise regarding its Phosco Project.

b) Tanzania
Wigu Hill Project

On May 26, 2008 (amended June 30, 2009 and April 27, 2010) the Company and RSR (Tanzania) Limited ("RSR") entered into an agreement whereby RSR granted the Company an exclusive option to earn an initial 60% interest in the Wigu Hill Project (the "First Option"), and an additional 10% interest in the Wigu Hill Project (the "Second Option"). The terms and conditions of the final amended agreement on April 27, 2010 are outlined as follows. In order to exercise the First Option, the Company must pay United States dollars ("USD") \$150,000 on or before April 30, 2010 (paid). After the exercise of the First Option, RSR will transfer the prospecting licences comprising the Wigu Hill Project (the "Wigu Hill Licences") to a newly-formed company (established and called - Wigu Hill Mining Company Limited "WHMC") and the Company will concurrently pay RSR a further USD \$50,000 (paid). The Company is further obligated to incur exploration expenditures of USD \$3.5 million (incurred) (or alternatively complete a prefeasibility study) on or before November 28, 2012. Once completed, the Company may at its sole discretion, within 60 days after November 28, 2012, elect to acquire a further 10% interest in the Wigu Hill Licences by paying RSR a further USD \$2,000,000 to complete the requirements to execute the Second Option (amended as outlined below).

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4. EXPLORATION AND EVALUATION ASSETS – Continued

b) Tanzania – Continued
Wigu Hill Project – Continued

On September 22, 2011, the Company and RSR executed a shareholders' agreement, which outlines the following:

- amended the payment of USD \$2,000,000 to an initial Second Option payment of \$800,000 (paid) and a final Second Option payment of USD \$700,000, which is to be paid subject to receipt of mining and retention licences granted by the Government of Tanzania, as well as a development agreement executed by the Government of Tanzania and the Company. By mutual agreement between the Company and RSR, the USD \$700,000 payment may be satisfied by the issuance of common shares of Montero at the prevailing market price of such shares at the date of payment.
- agreement that the Company has now duly and validly exercised the First Option and the Second Option, and owns a 70% interest in the Wigu Hill Licences.
- RSR has transferred the Wigu Hill Licences to WHMC which was originally owned 70% by the Company and 30% by RSR. Further funding of exploration on the Wigu Hill Licences shall be provided by the Company and RSR in proportion to their ownership of WHMC.
- dilution provisions are provided subject to a deemed expenditure formula and, and where a party's interest is diluted to less than 10%, conversion of such interest to a 2.5% net smelter returns royalty ("NSR") will be done. The Company has the right to purchase all or part of the NSR for USD \$1 million per each 0.5%.

After the establishment of WHMC, further exploration costs were incurred by the Company and RSR has not yet paid their share of these costs which at September 30, 2017 were determined to be \$1,512,242 (USD \$1,211,732) and have been included in exploration and evaluation assets. Management has not recorded RSR's share as a receivable due to the uncertainty of payment. RSR was put on notice for its contribution required and advised that dilution will occur if payment is not received. The notice period for receipt of payment has expired and therefore Montero increased its ownership of the WHMC to 82.25%.

In common with all mining companies, licences are required to be renewed in order to maintain ownership. Montero regularly reviews its licences and meets the local governmental requirements on the licences it plans to renew. In particular, Montero has been granted a Retention Licence on its Wigu Hill Project which is valid until February 13, 2020.

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4. EXPLORATION AND EVALUATION ASSETS – Continued

Details of the Company's exploration and evaluation assets are as follows:

	South Africa	Tanzania	Nine Months ended September 30, 2017	Year ended December 31, 2016
	Phosco	Wigu Hill		
	\$	\$	\$	\$
Property acquisition costs				
Balance, beginning of period	784,351	403,352	1,187,703	1,155,669
Foreign currency translation	-	(30,743)	(30,743)	(11,684)
Additions	-	40,085	40,085	55,399
Impairment	-	-	-	(11,681)
Balance, end of period	784,351	412,694	1,197,045	1,187,703
Exploration and evaluation costs				
Balance, beginning of period	549,150	756,683	1,305,833	1,374,927
Foreign currency translation	-	(53,551)	(53,551)	(26,514)
Costs incurred during the period:				
Field and camp costs	-	(1,101)	(1,101)	11,849
Geochemical and metallurgical	-	-	-	3,766
Geological consulting	-	-	-	(44,482)
Geophysical and maps	3,403	-	3,403	-
Maintenance and environmental	1,465	-	1,465	(32,339)
Project administration costs	-	7,763	7,763	17,232
Travel and accommodation	-	969	969	1,394
	554,018	710,763	1,264,781	1,305,833
Balance, end of period	554,018	710,763	1,264,781	1,305,833
Total	1,338,369	1,123,457	2,461,826	2,493,536

MONTERO MINING AND EXPLORATION LTD.
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5. LOANS PAYABLE

The loans payable represent loans and accrued interest payable that are due to companies that have a director in common with the Company totalling \$591,688 (December 31, 2016 - \$591,688) and to a third party totalling \$34,271 (December 31, 2016 - \$34,271). The loans are unsecured, bear interest at 12% and were originally due on May 31, 2014, which was extended several times to July 31, 2017. The loans payable amounts include \$108,546 of accrued interest (December 31, 2016 - \$108,546). All interest was waived for 2017.

On June 8, 2017, the loan holders and the Company agreed to settle these loans payable (along with other payables) pursuant to an Offering of Special Warrants (as herein defined) which closed on July 13, 2017.

6. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

At September 30, 2017 there were 18,370,369 issued and fully paid common shares outstanding (December 31, 2016 – 10,594,022).

Share consolidation

On July 13, 2017, the Company received approval from the TSX-V for the consolidation of its issued and outstanding common shares on the basis of one new post-consolidation share for every eight pre-consolidation shares.

	Number of shares	Amount \$
Balance, December 31, 2015 pre-consolidation	71,031,679	13,906,274
Balance, December 31, 2015 post-consolidation	8,878,960	13,906,274
Balance, December 31, 2016 post-consolidation	10,594,022	14,448,342
Balance, September 30, 2017 post-consolidation	18,370,369	15,928,556

All share and per share references in these financial statements have been reflected on a post-consolidation basis. All stock options have been adjusted on the same basis, with a proportionate adjustment to the exercise price.

Details of changes to share capital

Debt Settlement

On July 7, 2017, the Company announced that it completed a debt settlement transaction (the “Debt Settlement”) with certain creditors (“Creditors”), including Creditors who are related parties of the Company, providing for the settlement of all of the loans payable of \$625,959 and trade and other payables of \$194,311 totalling \$820,270 of its outstanding debts, which will be settled through the issuance of an aggregate of 32,810,000 Special Warrants (as herein defined) of the Company at a deemed issue price of \$0.025 per Special Warrant. The Debt Settlement was subject to the completion of the Consolidation Condition (as herein defined) and final TSX-V approval, both of which were satisfied effective July 13, 2017 as described below.

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6. SHARE CAPITAL – Continued

Details of changes to share capital – Continued

Special Warrant Financing

As at June 30, 2017, the company received cash of \$735,000 for subscriptions for special warrants and on July 13, 2017, the Company announced that it completed a non-brokered private placement of 29,400,000 special warrants (the “Special Warrants”) at a price of \$0.025 per Special Warrant (the “Subscription Price”) for gross proceeds of \$735,000 (the “Offering”). Each eight Special Warrants are exercisable into one common share if the Consolidation Condition (as herein defined) is satisfied on or before September 30, 2017.

The Offering was made pursuant to the grant of a “discretionary waiver” of the TSX-V’s minimum \$0.05 pricing requirement (the “Waiver”) and is subject to acceptance by the TSX-V. With respect to the Waiver, the Company is to conduct a share consolidation of its outstanding common shares on the basis of one post-consolidation common share for each eight pre-consolidation common shares (the “Share Consolidation”), or such other ratio as may be agreed in writing by the Company and the subscribers to the Offering (the “Consolidation Condition”) which would result in a post-consolidation conversion price equal to or greater than \$0.05 per common share on or before September 30, 2017 (the “Consolidation Deadline”).

If the Consolidation Condition is satisfied on or before the Consolidation Deadline, the Special Warrants shall be deemed to be exercised for no further consideration (without any further action on the part of the Special Warrant holders) on the date of the Consolidation Condition. However, if the Consolidation Condition is not satisfied on or before the Consolidation Deadline, the Special Warrants shall be redeemed at the Subscription Price with interest payable at the rate of 10% per annum.

The Company received shareholder approval of the Share Consolidation at the annual and special meeting of shareholders held on June 30, 2017 and received final TSX-V approval on July 13, 2017, thereby satisfying the Consolidation Condition by the Consolidation Deadline.

Effective July 13, 2017, the 32,810,000 Special Warrants issued pursuant to the Debt Settlement noted above and the 29,400,000 Special Warrants issued pursuant to the Offering noted above were converted into common shares on the basis of eight Special Warrants for one post-consolidated common share.

The Company’s share capital position on September 30, 2017 after the Consolidation Condition was satisfied and the Special Warrants were exercised, is as follows:

	Number of shares	Amount \$
Balance, December 31, 2016	84,752,174	14,448,342
Share consolidation on basis of eight to one	10,594,022	-
Issued pursuant to Debt Settlement	4,101,347*	820,270
Issued pursuant to Offering	3,675,000	735,000
Share issue costs	-	(75,056)
Balance, September 30, 2017	18,370,369	15,928,556

*(rounded due to fractional shares)

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6. SHARE CAPITAL – Continued

Stock options

The Company has established a Stock Option Plan (the “Plan”) for directors, officers, employees and consultants. The number of common shares that are available for grants of options under the Plan shall not at any time exceed 10% of the number of outstanding common shares, calculated at the time of grant. Options granted under the Plan generally have a term of five years and vest on the date of the grant.

A summary of the continuity of the Company’s stock options is as follows:

	September 30, 2017		December 31, 2016	
	Number of Shares Issuable	Weighted Average Exercise Price \$	Number of Shares Issuable	Weighted Average Exercise Price \$
Options outstanding, beginning of period	175,625	1.00	408,750	2.56
Granted	-	-	-	-
Expired	-	-	(233,125)	3.68
Options outstanding and exercisable, end of period	175,625	1.00	175,625	1.00

The above amounts reflect the adjustment required for the share consolidation as described above. The stock options expire in 2018. The weighted average remaining contractual life of the outstanding stock options is less than 1 year.

7. SHARE-BASED PAYMENT RESERVE

The Company’s share-based payment reserve is comprised of the following:

	\$
Expired warrants	5,086,472
Expired stock options	1,730,797
Unexpired stock options	53,910
Balance, September 30, 2017	6,871,179

The share-based payment reserve records items recognized as stock-based compensation expense, the fair value of expired warrants associated with private placements and the fair value of agent’s warrants. If the stock options are exercised prior to expiry, the corresponding amount will be transferred to share capital.

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8. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year. The basic and diluted loss per share are the same since the Company reported a loss for the period and therefore the effect would be antidilutive.

	September 30, 2017	September 30, 2016
Net loss attributable to owners of the parent company	\$ (219,199)	\$ (261,071)
Weighted average number of ordinary shares outstanding	12,844,320	8,878,960
Basic and diluted loss per ordinary share	\$ (0.03)	\$ (0.03)

The weighted average shares in the loss per share calculation has been adjusted for the share consolidation on an 8 to 1 basis as described above.

9. COMMITMENTS AND CONTINGENCIES

The Company has no operating lease commitments. The Company has capital commitments relating to its exploration and evaluation assets as outlined in Note 4.

10. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	Nine months ended Sept 30	
	2017	2016
	\$	\$
<i>Compensation of directors</i>		
Short-term benefits	(16,000)	-
Share-based payments	-	-
	(16,000)	-
<i>Compensation of key management personnel</i>		
Short-term benefits	89,011	59,619
Share-based payments	-	-
	89,011	59,619
Total remuneration of directors and key management personnel	73,011	59,619

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10. RELATED PARTY TRANSACTIONS – Continued

Related party transactions

The Company incurred the following transactions with management, directors, officers or companies which have directors in common, or in which the directors have significant influence and interests.

	Nine months ended Sept 30	
	2017	2016
	\$	\$
<i>Exploration and evaluation asset transactions</i>		
Geological consulting	-	24,455
Total exploration and evaluation asset transactions	-	24,455
<i>Operating expense transactions</i>		
Consulting, directors', administrative and management fees	17,600	23,400
General and administrative	7,500	9,000
Property investigation costs	-	22,245
Finance costs	-	37,344
	25,100	91,989
Total trading transactions with related parties	25,100	116,444

Related party balances

The following amounts due to related parties are included in trade and other payables:

	Sept 30, 2017	December 31, 2016
	\$	\$
Due from related parties	5,539	-
Due to related parties	35,806	135,246
Loans payable (Note 5)	-	591,688

The amounts due from/to related parties represent amounts due to directors and officers or companies which have directors in common, or in which the directors have significant influence and interests. The amounts due from related parties are included in other receivables and the amounts due to related parties are included in trade and other payables and are unsecured, non-interest bearing and are due within twelve months. The amounts due from related parties were repaid in October, 2017.

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11. SEGMENTED INFORMATION

The Company has one business segment being the exploration and evaluation of mineral resources. The Company is organized by geographic area and as such, its reportable operating segments are located in Canada, Tanzania and South Africa.

Information regarding the Company's geographic segments is as follows:

As at September 30, 2017				
	Canada	South Africa	Tanzania	Total
	\$	\$	\$	\$
Reclamation bonds	-	9,393	-	9,393
Plant and equipment	-	-	7,201	7,201
Exploration and evaluation assets	-	1,338,369	1,123,457	2,461,826
Total non-current assets	-	1,347,762	1,130,658	2,478,420

As at December 31, 2016				
	Canada	South Africa	Tanzania	Total
	\$	\$	\$	\$
Reclamation bonds	-	9,393	-	9,393
Plant and equipment	-	-	14,950	14,950
Exploration and evaluation assets	-	1,333,501	1,160,035	2,493,536
Total non-current assets	-	1,342,894	1,174,985	2,517,879

12. NON-CASH TRANSACTIONS

During the nine months ended September 30, 2017, the Company settled debts totalling \$820,270 by issuing 4,101,347 common shares with a fair value of \$0.20 per common share. During the nine months ended September 30, 2016 the Company did not incur any non-cash transactions that are not reflected in the statement of cash flows.

13. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern, while supporting the Company's business and maximizing the return to its stakeholders. The Company's capital structure is adjusted based on management's decisions to issue debt or equity instruments to fund expenditures. In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of equity attributable to owners of the parent comprised of share capital, stock options and warrants.

The Company's principle assets are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. In order to facilitate the management of capital and exploration of its mineral properties, the Company needs to raise capital as and when required to complete its projects and for working capital. The sources of future funds presently available to the Company are through the issuance of new share capital, through the exercise of stock options and/or warrants or through borrowings from related parties.

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13. CAPITAL MANAGEMENT – Continued

The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to arrange additional financing, when required, on terms satisfactory to the Company.

Management prepares operating budgets to forecast its financing requirements in advance and they review their capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company. The Company's investment policy is to hold excess cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity. The Company's overall strategy remains unchanged from the prior period. The Company is not subject to any externally imposed capital requirements.

14. RISK MANAGEMENT

The Company operates in the mining industry and faces a number of risks that could adversely affect the Company's operations. These risks include industry risk, credit risk, liquidity risk, interest rate risk, foreign currency risk, commodity price risk. Management reviews and develops policies for managing each of these risks which are summarized below.

Industry Risk

The Company is engaged in the mineral exploration field, which is subject to inherent risks of success as well as compliance with environmental, political and regulatory requirements. The Company is potentially at risk for environmental reclamation obligations associated with resource property interests. As well, the Company operates in foreign countries and is subject to local political risks, as well as local regulatory requirements regarding ownership and maintenance of mineral licences. Management is of the opinion that they have the expertise to address these risks and makes all efforts to conduct their business in compliance with local industry standards, however environmental and local industry laws and practices are complex, and there is no certainty that all exposure to liability or costs have been mitigated.

Credit Risk

Credit risk is the risk of loss associated with a counter-party's ability to fulfill its payment obligations. The Company's primary exposure to credit risk is attributable to its cash and cash equivalents, as well as trade and other receivables. This risk relating to cash and cash equivalents is considered low since the Company only invests its cash in major banks which are high credit quality financial institutions. The other receivables primarily comprise local sales tax refunds due from governmental agencies and an amount due from a related party which was repaid in October, 2017. As such, management considers the risk with their collection minimal. The cash and cash equivalents are invested in short-term investment certificates for periods less than 90 days and the trade and other receivables are due in less than 90 days.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements and to develop budgets to forecast cash requirements in advance of their requirements. The Company currently does not have a source of operating cash flow and must raise funds for its exploration and evaluation programs and for general working capital. There are risks associated with raising the funds required, and there can be no assurances that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. The Company's trade and other payables are generally due within 90 days, with all amounts due within twelve months.

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14. RISK MANAGEMENT – Continued

Interest Rate Risk

Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents which represent excess cash invested in short-term investments and these accrue interest at variable market rates. The Company monitors these investments with its need for cash flow and is satisfied with the return on these investments, given the timing of the need for cash in the Company. The effect of interest rate changes on the Company is insignificant.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada, South Africa and Tanzania and portions of its expenditures are incurred in US dollars, South African Rand and Tanzanian Shillings. The Company's presentation currency is the Canadian dollar, the Tanzanian subsidiaries' functional currency is the United States dollar and the South African subsidiaries' functional currency is the Canadian dollar. The value of financial assets and liabilities denominated in currencies other than the functional currency of the entity to which they relate is not significant.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices to determine the appropriate course of action to be taken by the Company.

15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to September 30, 2017 the following event took place:

On October 10, 2017, the Company announced that it has entered into a Letter of Intent ("LOI") with Frovio Investment ("Frovio"), a Namibian company, to acquire up to an 80% interest in a newly formed company ("Newco") that will hold the mining claims that make up the Soris Lithium Project (the "Project"). Frovio has applied for eight mining claims making up the Project and will transfer them into Newco in exchange for a 20% interest. Montero will earn the remainder 80% interest by committing to spending \$1 million on the Project over a three year period. The due diligence process has commenced and Frovio and Montero expect to complete a definitive agreement covering this Project within three months.