



**Condensed Consolidated Financial Statements  
For the three and nine months ended September 30, 2019**

**Expressed in Canadian Dollars  
(unaudited)**

### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements for MAX Resource Corp. for the three and nine months ended September 30, 2019 have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of unaudited condensed consolidated interim financial statements by an entity's auditor.



Max Resource Corp.  
Consolidated statements of loss and comprehensive loss  
(Expressed in Canadian dollars)(unaudited)

|   |       | Three months ended    |                     | Nine months ended     |                       |
|---|-------|-----------------------|---------------------|-----------------------|-----------------------|
|   | Notes | Sept 30,<br>2019      | Sept 30,<br>2018    | Sept 30,<br>2019      | Sept 30,<br>2018      |
| <b>Expenses</b>   |       |                       |                     |                       |                       |
| Consulting  | 9     | \$ 434,445            | \$ 250,740          | \$ 1,094,883          | \$ 734,938            |
| Depreciation  | 6     | 1,155                 | -                   | 4,708                 | -                     |
| Exploration and evaluation expenditures   | 4     | 428,998               | 182,712             | 1,459,695             | 244,783               |
| Interest expense (income)   | 9     | -                     | -                   | (3,145)               | -                     |
| Management fees   | 9     | 64,000                | 51,800              | 286,000               | 175,300               |
| Office and miscellaneous  |       | 22,120                | 86,453              | 160,013               | 117,001               |
| Professional fees   |       | 46,296                | 192,661             | 259,582               | 308,446               |
| Property investigation costs  | 5     | 63,219                | 59,349              | 128,121               | 591,678               |
| Share based compensation  |       | 23,725                | -                   | 69,350                | -                     |
| Transfer agent, filing fees and<br>shareholder relations                            |       | 92,400                | 31,555              | 267,499               | 78,246                |
| Travel  |       | 20,084                | 67,044              | 174,030               | 176,161               |
| <b>Loss and comprehensive loss for the<br/>period</b>                               |       | <b>\$ (1,196,442)</b> | <b>\$ (922,314)</b> | <b>\$ (3,900,736)</b> | <b>\$ (2,426,553)</b> |
| <b>Loss per share – basic and diluted</b>   |       | <b>\$ (0.09)</b>      | <b>\$ (0.10)</b>    | <b>\$ (0.35)</b>      | <b>\$ (0.35)</b>      |
| <b>Weighted average number of common<br/>shares outstanding – basic and diluted</b> |       | <b>12,817,603</b>     | <b>9,079,042</b>    | <b>11,197,301</b>     | <b>6,990,889</b>      |

Max Resource Corp.  
Consolidated statement of changes in equity  
(Expressed in Canadian dollars)(unaudited)

|                                       | Note | Share capital    |               | Reserves                     |                                |                             | Deficit         | Total       |
|---------------------------------------|------|------------------|---------------|------------------------------|--------------------------------|-----------------------------|-----------------|-------------|
|                                       |      | Number of shares | Amount        | Advance on private placement | Share purchase warrant reserve | Share-based payment reserve |                 |             |
| <b>Balance at December 31, 2017</b>   | 7    | 2,608,866        | \$ 14,636,860 | \$ 147,500                   | \$ 292,851                     | \$ 2,133,423                | \$ (16,992,657) | \$ 217,977  |
| Shares issued for private placements  | 7    | 5,941,111        | 4,187,000     | (147,500)                    | -                              | -                           | -               | 4,039,500   |
| Share issuance costs                  |      | -                | (382,603)     | -                            | 141,744                        | -                           | -               | (240,860)   |
| Shares issued on exercise of warrants | 7    | 540,833          | 354,500       | -                            | -                              | -                           | -               | 354,500     |
| Comprehensive loss:                   |      |                  |               |                              |                                |                             |                 |             |
| Loss for the period                   |      | -                | -             | -                            | -                              | -                           | (2,426,553)     | (2,426,553) |
| <b>Balance at September 30, 2018</b>  | 7    | 9,090,810        | 18,795,757    | -                            | 434,595                        | 2,133,423                   | (19,419,210)    | 1,944,564   |
| <b>Balance at December 31, 2018</b>   | 7    | 9,147,477        | \$ 18,768,689 | \$ -                         | \$ 495,662                     | \$ 2,133,423                | \$ (20,460,863) | \$ 936,912  |
| Shares issued for private placements  | 7    | 2,000,000        | 1,200,000     | -                            | -                              | -                           | -               | 1,200,000   |
| Share issuance costs                  |      | -                | (128,580)     | -                            | 48,500                         | -                           | -               | (80,080)    |
| Shares issued for services            | 7    | 16,667           | 36,000        | -                            | -                              | -                           | -               | 36,000      |
| Shares issued on exercise of warrants | 7    | 1,829,283        | 1,815,400     | -                            | -                              | -                           | -               | 1,815,400   |
| Share based compensation              |      | -                | -             | -                            | -                              | 69,350                      | -               | 69,350      |
| Consolidation adjustment              | 7    | 1                | -             | -                            | -                              | -                           | -               | -           |
| Comprehensive loss:                   |      |                  |               |                              |                                |                             |                 |             |
| Loss for the period                   |      | -                | -             | -                            | -                              | -                           | (3,900,736)     | (3,900,736) |
| <b>Balance at September 30, 2019</b>  | 7    | 12,993,428       | \$ 21,691,509 | \$ -                         | \$ 544,163                     | \$ 2,202,773                | \$ (24,361,599) | \$ 76,846   |

Max Resource Corp.  
Consolidated statements of cash flows  
(Expressed in Canadian dollars)(unaudited)

|   | Nine months ended     |                       |
|---|-----------------------|-----------------------|
|   | September 30,<br>2019 | September 30,<br>2018 |
| <b>Cash flows used in Operating activities</b>                |                       |                       |
| Loss for the period   | \$ (3,900,736)        | \$ (2,426,553)        |
| Changes in non-cash working capital items:                    |                       |                       |
| Decrease (increase) in prepaids                               | 187,326               | (284,025)             |
| Depreciation  | 4,708                 | -                     |
| Increase in deposits  | -                     | (100,000)             |
| Increase in taxes recoverable                                 | 47,145                | (71,765)              |
| Increase (decrease) in trade payables and accrued liabilities | 126,918               | 35,758                |
| Share based compensation                                      | 69,350                | -                     |
| <b>Net cash flows used in operating activities</b>            | <b>(3,465,288)</b>    | <b>(2,846,585)</b>    |
| <b>Cash flows used in investing activities</b>                |                       |                       |
| Deposits  | (150,000)             | -                     |
| Equipment and vehicles  | (29,495)              | -                     |
| <b>Net cash flows used in investing activities</b>            | <b>(179,495)</b>      | <b>-</b>              |
| <b>Cash flows used in financing activities</b>                |                       |                       |
| Shares issued for cash, net of issue costs                    | 2,971,320             | 4,300,641             |
| Advances on private placement                                 | -                     | (147,500)             |
| <b>Net cash flows provided by financing activities</b>        | <b>2,971,320</b>      | <b>4,153,141</b>      |
| Increase in cash and cash equivalents                         | (675,898)             | 1,306,555             |
| Cash and cash equivalents, beginning of period                | 840,407               | 228,825               |
| <b>Cash and cash equivalents, end of period</b>               | <b>\$ 164,509</b>     | <b>\$ 1,535,380</b>   |

## **1. Nature of operations and going concern**

Max Resource Corp. (the “Company” or “Max Resource”) was incorporated on April 25, 1994, under the laws of the province of Alberta, Canada, and continued its jurisdiction of incorporation into British Columbia on February 5, 2019. The Company’s principal activity is the acquisition and exploration of mineral properties in Canada and Colombia. The Company’s shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “MXR”.

The Company’s head office is located at #1188 - 1095 West Pender Street, Vancouver, British Columbia, Canada, V6E 2M6 and its registered and records office is located at 25<sup>th</sup> Floor, 700 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1B3.

These unaudited condensed consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary 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, 2019, the Company had an accumulated deficit of \$24,361,599 (December 31, 2018 - \$20,460,863) and working capital shortfall of \$223,330 (working capital December 31, 2018 –\$811,523) and, to date, the Company has not generated any revenues to meet its operating and administrative expenses or its other obligations. The Company’s continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately to attain profitable operations. These uncertainties may cast significant doubt on the ability of the Company to continue operations as a going concern. Management intends to finance operating costs over the next twelve months with private placements of the Company’s common shares and loans from related parties.

## **2. Significant accounting policies and basis of preparation**

These unaudited condensed consolidated financial statements were authorized for issue on November 29, 2019 by the directors of the Company.

### ***Statement of compliance with International Financial Reporting Standards***

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”).

These unaudited condensed interim consolidated financial statements do not include all of the information required of a full annual financial report and is 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 performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2018.

### ***Basis of preparation***

These unaudited condensed consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. These unaudited condensed consolidated financial statements are presented in Canadian dollars unless otherwise noted.

**Consolidation**

The unaudited condensed consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries, Max Resource, Inc., incorporated in the USA, Gachala Colombia Corp. incorporated in British Columbia, and Gachala Colombia Corp Sucursal Colombia., a branch of Gachala Colombia Corp. located in Colombia.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

**Significant accounting policies**

The significant accounting policies that have been used in the preparation of these unaudited condensed consolidated interim financial statements are summarized in the Company's annual audited consolidated financial statements for the year ended December 31, 2018.

**3. Trade payables and accrued liabilities**

The components of trade payables and accrued liabilities are as follows:

|                         | September 30,<br>2019 | December 31,<br>2018 |
|-------------------------|-----------------------|----------------------|
| Trade payables (note 9) | \$ 487,252            | \$ 364,334           |
| Accrued liabilities     | 24,000                | 20,000               |
|                         | \$ 511,252            | \$ 384,334           |

**4. Exploration and evaluation expenditures**

**Gachala Project**

The Company has filed 30 initial mineral license applications covering a total area of 53,538 hectares located within the Gachala sedimentary copper basin of eastern Colombia, approximately 60 kilometers east of Bogota.

**Choco Project**

The Company has filed 89 initial mineral license applications covering a total area of 177,700 hectares, located adjacent and within the proposed Novita acquisition area (see subsequent event Note 13) within the Choco Department, Colombia.

**North Choco Project**

The Company has filed 51 initial mineral license applications covering a total area of 97,669 hectares, located adjacent and within the proposed Andagueda acquisition area (see subsequent event Note 13) within the Choco, Caldas, Antioquia and Risaralda Departments, Colombia.

**Cesar Project**

The Company has a 50% interest (see Note 13) in mineral license application covering a total of 1,500 hectares, located approximately 420 km north of Bogota, within the northern Andean copper belt in northeastern Colombia.

For the nine months ended September 30, 2019, the Company incurred exploration and evaluation expenditures on the projects as follows:

|            | <b>Cesar<br/>Project</b> | <b>Gachala<br/>Project</b> | <b>Choco<br/>Project</b> | <b>North Choco<br/>Project</b> | <b>Total</b>        |
|------------|--------------------------|----------------------------|--------------------------|--------------------------------|---------------------|
| Licensing  | \$ 5,136                 | \$ --                      | \$ 41,889                | \$ 27,411                      | \$ 74,437           |
| Geological | 87,573                   | 15,500                     | 980,458                  | 301,727                        | 1,385,258           |
|            | <b>\$ 92,709</b>         | <b>\$ 15,500</b>           | <b>\$ 1,022,348</b>      | <b>\$ 329,138</b>              | <b>\$ 1,459,695</b> |

These amounts have been expensed as they do not meet the criteria for capitalization under IFRS 6.

For the year ended December 31, 2018, the Company incurred exploration and evaluation expenditures on the projects as follows:

|            | <b>Gachala<br/>Project</b> | <b>Choco<br/>Project</b> | <b>Total</b>      |
|------------|----------------------------|--------------------------|-------------------|
| Licensing  | 62,544                     | 88,273                   | 150,817           |
| Geological | \$ 99,399                  | \$ 481,150               | \$ 580,549        |
|            | <b>\$ 161,943</b>          | <b>\$ 569,423</b>        | <b>\$ 731,366</b> |

These amounts have been expensed as they do not meet the criteria for capitalization under IFRS 6.

#### 5. Property investigation costs

During 2018 and 2019, the Company considered several potential acquisition targets in Colombia. Each project underwent an evaluative process which included geological evaluation, sampling, surveying, legal review, accounting analysis, and standstill arrangements. The costs related to this due diligence process were charged to operations as incurred. Accordingly, during the nine months ended September 30, 2019, \$128,121 (2018: \$591,678) was charged to property investigation costs in the statement of loss and comprehensive loss.

#### 6. Equipment

A continuity of equipment is as follows:

|                                    | <b>(\$)</b>   |
|------------------------------------|---------------|
| Balance, December 31, 2017         | -             |
| Additions                          | 25,389        |
| Balance, December 31, 2018         | 25,389        |
| Additions                          | 29,495        |
| Depreciation                       | (4,708)       |
| <b>Balance, September 30, 2019</b> | <b>50,176</b> |

#### 7. Share capital

##### **Authorized share capital**

Unlimited number of common shares without par value.

### ***Share consolidation***

Subsequent to the period, on November 22, 2019 the Company consolidated its shares on the basis of one new, post-consolidated share for every six old, pre-consolidated shares. All share and per share amounts in these financial statements are presented on a post-consolidation basis. Following the consolidation, there were 12,993,428 common shares outstanding.

### ***Issued share capital***

At September 30, 2019, there were 12,993,428 issued and fully paid common shares outstanding.

#### *During the nine months ended September 30, 2019:*

On July 9, 2019, the Company issued 2,000,000 units for gross proceeds totaling \$1,200,000 pursuant to a non-brokered private placement. Each unit was comprised of one common share and one half of one share purchase warrant. Each whole warrant enables the holder to acquire one common share at a price of \$0.90 for a two-year period. The Company paid aggregate finder's fees of \$80,080 and issued 133,467 finder warrants with the same terms as the above warrants and with a fair value of \$48,500. The fair value of the finder warrants was calculated using the following assumptions: Average exercise price \$0.90, Expected life – 2 years, Risk-free rate – bond equivalent yield – 1.64%, Annualized volatility – 100%, Dividend yield – 0%.

The Company issued 1,829,283 common shares for gross proceeds of \$1,815,400 from the exercise of warrants. The average exercise price was \$1.02.

On February 15, 2019, the Company issued 16,667 common shares in exchange for certain digital and hard-copy data, including historic and work completed and in the possession of Newrange Gold Corp. on the Cerro de Cobre mineral claims and the surrounding area, located in Colombia.

#### *During the year ended December 31, 2018:*

On May 7, 2018, the Company issued 3,607,778 units for gross proceeds totaling \$3,247,000 pursuant to a non-brokered private placement. Each unit was comprised of one common share and one half of one share purchase warrant. Each whole warrant enables the holder to acquire one common share at a price of \$1.50 for a two-year period. The Company paid a finder's fee of \$230,960 and issued 256,622 finder warrants with a fair value of \$196,668 entitling the holder thereof to acquire one common share a price of \$1.50 for a two-year period., The fair value of the finder warrants was calculated using the following assumptions: Average exercise price \$1.50, Expected life – 2 years, Risk-free rate – bond equivalent yield – (1.923%), Annualized volatility – 100%, Dividend yield – 0%.

On February 6, 2018, the Company issued 1,000,000 units for gross proceeds totaling \$540,000 pursuant to a non-brokered private placement. Each unit was comprised of one common share and one share purchase warrant. Each warrant enables the holder to acquire one common share at a price of \$0.72 for a five-year period. The Company paid a finder's fee of \$7,200 and issued 13,333 finder warrants with the same terms and with a fair value of \$6,143. The fair value of the finder warrants was calculated using the following assumptions: Average exercise price \$0.72, Expected life – 2 years, Risk-free rate – bond equivalent yield – 1.85%, Annualized volatility – 82.25%, Dividend yield – 0%.

On January 17, 2018, the Company issued 1,333,333 units for gross proceeds totaling \$400,000, (of which \$147,500 was received during the year ended December 31, 2017), pursuant to a non-brokered private placement. Each unit was comprised of one common share and one share purchase warrant. Each warrant enables the holder to acquire one common share at a price of \$0.45 for a five-year period. The Company paid share issue costs of \$2,700 in connection with this private placement.

The Company issued 597,500 common shares for gross proceeds of \$388,500 from the exercise of warrants. The average exercise price was \$0.66.

*During the year ended December 31, 2017:*

The Company completed a non-brokered private placement of 715,500 units at \$0.45 per unit for proceeds totaling \$321,975. Each unit was comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$1.20 per share until March 31, 2019. A cash finder's fee of \$3,964 was paid.

**Basic and diluted loss per share**

The calculation of basic and diluted loss per share for the period ended September 30, 2019 was based on the loss attributable to common shareholders of \$3,918,171 (2018– \$2,426,553) and the weighted average number of common shares outstanding of 11,197,301 (2018 – 6,990,889). Diluted loss per share did not include the effect of outstanding stock options and warrants as they are anti-dilutive.

**Stock options**

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and consultants of the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. Options granted typically vest on the grant date.

The option continuity schedule is as follows:

|   | Number of<br>options | Weighted average<br>exercise price |
|---|----------------------|------------------------------------|
| Options outstanding, December 31, 2016          | 76,667               | \$ 3.00                            |
| Options expired                                 | (76,667)             | 3.00                               |
| Options outstanding, December 31, 2017 and 2018 | -                    | \$ -                               |
| Granted   | 75,000               | 3.60                               |
| <b>Options outstanding, September 30, 2019</b>  | <b>75,000</b>        | <b>\$ 3.60</b>                     |

Details of options as at September 30, 2019 are as follows:

| Exercise price<br>\$ | Number of warrants outstanding | Expiry Date    |
|----------------------|--------------------------------|----------------|
| 3.60                 | 75,000                         | March 20, 2024 |
|                      | <b>75,000</b>                  |                |

**Warrants**

The warrant continuity schedule is as follows:

|   | Number of<br>warrants | Weighted average<br>exercise price |
|---|-----------------------|------------------------------------|
| Warrants outstanding, December 31, 2016         | 865,833               | \$ 0.60                            |
| Warrants issued                                 | 715,500               | 1.20                               |
| Warrants outstanding, December 31, 2017         | 1,581,333             | \$ 0.90                            |
| Warrants exercised                              | (597,500)             | 0.66                               |
| Warrants expired                                | (318,333)             | 0.60                               |
| Warrants issued                                 | 4,407,178             | 1.20                               |
| Warrants outstanding, December 31, 2018         | 5,072,678             | \$ 0.88                            |
| Warrants exercised                              | (1,829,283)           | 0.99                               |
| Warrants expired                                | (33,333)              | 1.20                               |
| Warrants issued                                 | 1,133,467             | 0.88                               |
| <b>Warrants outstanding, September 30, 2019</b> | <b>4,343,528</b>      | <b>\$ 1.01</b>                     |

Details of warrants as at September 30, 2019 are as follows:

| Exercise price (\$) | Number of warrants outstanding | Expiry Date      |
|---------------------|--------------------------------|------------------|
| 0.45                | 895,833                        | January 17, 2023 |
| 0.72                | 13,333                         | February 6, 2020 |
| 1.50                | 1,659,228                      | May 7, 2020      |
| 0.72                | 641,667                        | February 6, 2023 |
| 0.90                | 1,133,467                      | July 9, 2021     |
|                     | <b>4,343,528</b>               |                  |

The weighted average remaining contracted life of warrants outstanding at September 30, 2019 is 1.87 years.

**8. Reserves**

***Share based payment reserve and share purchase warrant reserve***

The reserves record items recognized as share-based payments expense until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**9. Related party transactions**

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

|  | September 30,<br>2019 | December 31,<br>2018 |
|--|-----------------------|----------------------|
| Director, officer, or company controlled by a director or officer of the Company | \$ 62,000             | \$ 101,286           |

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

***Key management personnel compensation (consisting of management and certain directors)***

| Period ended:                             | September 30,<br>2019 | September 30,<br>2018 |
|---|-----------------------|-----------------------|
| Management, directors and consulting fees | \$ 335,500            | \$ 175,300            |

## 10. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company's cash is deposited with a major bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Historically, the Company's primary source of funding has been the issuance of equity securities for cash, primarily through private placements and the advance of loans. The Company's access to equity financing is dependent upon market conditions and market risks. There can be no assurance of continued access to equity funding.

### ***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs expenditures that are denominated in United States dollars and the Colombian Peso while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The majority of cash is held in Canadian dollars.

The following is a summary of Canadian dollar equivalent financial assets and liabilities that are denominated in United States dollars or Colombian Pesos:

|                  | September 30,<br>2019 | December 31,<br>2018 |
|------------------|-----------------------|----------------------|
| Cash             | \$ 5,389              | \$ 3,165             |
| Accounts payable | 38,118                | 67,490               |
|                  | \$ 43,507             | \$ 70,655            |

Based on the above net exposures, there would be a nominal impact on the Company's net loss should there be a significant change in the United States dollar to Canadian dollar exchange rate or the or Colombia Peso to Canadian dollar exchange rate.

### ***Interest rate risk***

Interest rate risk is the risk due to variability of interest rates. The Company is exposed to interest rate risk on its bank account and related party loans. The income earned on the bank account is subject to the movements in interest rates. The Company has cash balances and fixed interest-bearing debt, therefore, interest rate risk is nominal.

### ***Capital Management***

The Company's policy is to maintain a capital base sufficient to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of

working capital deficiency and share capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

**Classification of financial instruments**

Financial assets included in the statement of financial position are as follows:

|      | September 30,<br>2019 | December 31,<br>2018 |
|------|-----------------------|----------------------|
| Cash | \$ 166,943            | \$ 840,407           |

Financial liabilities included in the statement of financial position are as follows:

|                                       | September 30,<br>2019 | December 31,<br>2018 |
|---------------------------------------|-----------------------|----------------------|
| Non-derivative financial liabilities: |                       |                      |
| Trade payables                        | \$ 511,252            | \$ 364,334           |
|                                       | \$ 511,252            | \$ 364,334           |

**Fair value**

The Company's financial instruments are presented as level one within the fair value hierarchy as at September 30, 2019.

**11. Commitments**

On June 14, 2018, the Company entered into a binding letter agreement dated June 14, 2018, with Noble Metals Ltd. ("Noble"), an Australian company. The letter agreement outlines the basic terms of a proposed acquisition by Max Resource from Noble of all of the outstanding securities of GPS Metals Lab, Global Products Manufacture & Services and Condoto Platinum Ltd. (including Condoto Platinum's local branch in Colombia) in consideration for such number of common shares of Max Resource as represents approximately 35 per cent of the issued and outstanding shares of Max Resource on completion of the transaction, plus a cash amount of \$500,000.

The transaction is subject to approvals by the TSX-V and the shareholders of both Max Resource (received April 2, 2019) and Noble (received), as well as satisfactory completion of a due diligence investigation by Max Resource and the execution of a definitive agreement. Noble is at arm's length from Max Resource.

Upon closing of the transaction, Noble will become a control person of Max Resource. Within five days after receipt of conditional approval from the TSX-V, Max Resource will be required to pay to Noble a non-refundable deposit on account of the purchase price in the amount of \$100,000 (paid) and, on completion of its due diligence review and execution of a definitive agreement, Max Resource shall pay to Noble an additional non-refundable deposit on account of the purchase price in the amount of \$150,000 (paid). On closing, Max Resource will receive a credit against the purchase price in the amount of the \$250,000 deposit.

There are no finders and no finder's fee will be paid in connection with this transaction.

(See Note 13)

**12. Segmented Information**

The Company and its subsidiaries are considered to be operating in one operating segment that being the exploration of resource properties. The Company's corporate offices are located in Canada and its mineral exploration activities are conducted in Colombia. Assets by geographical region are:

|                | Colombia         | Canada            | Total             |
|----------------|------------------|-------------------|-------------------|
| Deposit        | \$ -             | \$ 250,000        | \$ 250,000        |
| Equipment      | 50,176           | -                 | 50,176            |
| Current assets | -                | 287,922           | 287,922           |
| <b>Total</b>   | <b>\$ 50,176</b> | <b>\$ 537,922</b> | <b>\$ 588,098</b> |

### 13. Subsequent events

- a) On October 15, 2019, the Company announced:

Further to Max Resource Corp.'s press release dated April 3, 2019, the Company has terminated the definitive asset purchase agreement with Noble Metals Ltd. to purchase a bundle of resource exploration assets located in the Choco department of Colombia. Further to the company's press release dated May 8, 2019, the Company has terminated the letter of intent (LOI) with Noble and Buena Fortuna Mining Company Pty. Ltd. to acquire up to a 100-per-cent interest in Andagueda Mining Pty. Ltd., which holds an exploration and mining agreement with the Tahami Indigenous Reservation of Alto Andagueda. Both the agreement and the LOI have been terminated due to challenges surrounding access and due diligence.

However, the Company is retaining priority mineral applications that are registered to Max for both the Choco gold project and the North Choco gold project and plans to revisit once Max is satisfied that the access issues are resolved.

Max's exploration focus is the Cesar copper-silver property area. The projects in Colombia now held by the company are disclosed herein.

The Company is also proposing a consolidation of the company's common shares on the basis of one postconsolidated share for every six preconsolidated shares. The completion of the consolidation will be subject to the approval of the TSX Venture Exchange. The Company will issue a further news release announcing further details, including the effective date, of the consolidation.

The board of the Company has approved, subject to the approval of the exchange, to issue non-transferrable unsecured convertible debentures up to an aggregate amount of \$1-million that will mature on the date that is 12 months from the date of issuance and bear interest at a rate of 8 per cent per year, calculated and paid in cash quarterly in arrears. Subject to exchange approval, the debentures may be converted by the debentureholder into postconsolidation common shares at any time at a conversion price equal to the closing price of the postconsolidation common shares on the exchange, prior to the delivery of a prepayment notice or conversion notice, as applicable, subject to the exchange's minimum conversion prices.

The debentures and the postconsolidation common shares issuable upon the conversion of the debentures will be subject to a statutory resale restriction of four months and one day from the date of issuance. The Company intends to use the proceeds received from the issuance of the debentures for exploration expenses, working capital and general corporate purposes. The issuance of the debentures is subject to exchange approval.

Stuart Rogers has resigned as a director to facilitate the appointment of Patrick Frandle to the board. The company wishes to thank Mr. Rogers for his many years of contributions to the Company and wishes him all the best in his future endeavors.

- b) On October 17, 2019, the Company announced that Mr. Theobald has resigned as a director of the Company.
- c) On October 18, 2019 the Company announced that it has consolidated its capital on a one-new-for-six-old basis. The name of the Company has not been changed. Effective at the opening of market,

Tuesday, Oct. 22, 2019, the common shares of Max Resource Corp. will commence trading on the TSX Venture Exchange on a consolidated basis. The Company is classified as a junior natural resource mining company. (All share and per share amounts in these financial statements are presented on a post-consolidation basis. Following the consolidation, there were 12,993,428 common shares outstanding.)

- d) On November 12, 2019, the Company announced that it has appointed Piotr Lutynski, MSc, Peng, to the Company's advisory board and to the role of head geologist.
- e) On November 15, 2019 the Company announced that it has executed an agreement increasing the ownership of its Cesar copper-silver project in Colombia to 100 per cent. The vendor has agreed to retain a share of profits from production, on existing and any future Cesar mineral applications staked by Max.
- f) On November 18, 2019 the Company announced that it has entered into shares-for-debt settlement agreements to issue a total of 2,925,000 (post consolidated) common shares to consultants, directors and officers of the company at a deemed price of 10 cents per settlement share, thereby extinguishing a total of \$292,500 in liabilities. The issuance of the settlement shares is subject to TSX Venture Exchange approval which was received on November 19, 2019 and the shares were issued on November 20, 2019.