PPX Mining Corp.

(An Exploration Stage Company)

Consolidated Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian Dollars

Contents

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Independent Auditor's Report

To the Shareholders of PPX Mining Corp.

We have audited the accompanying consolidated financial statements of PPX Mining Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2018 and September 30, 2017, and the consolidated statements of loss and comprehensive loss, shareholders' 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, 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from 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 in our audits 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 PPX Mining Corp. and its subsidiaries as at September 30, 2018 and September 30, 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of PPX Mining Corp. to continue as a going concern.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, British Columbia
January 25, 2019

PPX Mining Corp.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at September 30,	*Note*	**2018**	2017
Assets			
Current assets			
Cash		**$455,430**	$3,536,341
Receivables	*7*	**303,410**	401,649
Prepaids and advances		**65,128**	108,079
		823,968	4,046,069
Non-current assets			
Advances for assets under construction	*8*	**944,863**	-
Exploration and evaluation assets	*8*	**9,678,375**	4,741,213
Property, plant and equipment	*8*	**689,061**	270,290
		$12,136,267	$9,057,572
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	*9*	**$1,645,966**	$832,687
Non-current liabilities			
Long term debt	*10*	**6,917,311**	3,025,330
Environmental rehabilitation provision	*11*	**286,109**	99,840
		8,849,386	3,957,857
Shareholders' Equity	*12*		
Share capital		**59,628,834**	57,957,777
Reserves		**7,130,882**	6,905,300
Deficit		**(63,472,835)**	(59,763,362)
		3,286,881	5,099,715
		$12,136,267	$9,057,572

Nature of operations and going concern (note1)

Commitments (note 15)

Subsequent events (note 19)

The accompanying notes are an integral part of the consolidated financial statements

Approved on behalf of the Board:

/s/ Brian J Maher

Director

/s/ Florian Siegfried

Director

PPX Mining Corp.

(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Year ended September 30,	*Note*	**2018**	2017
Operating expenses			
Communication and regulatory		**$369,797**	$414,070
Consulting fees, salaries and benefits		**1,245,633**	1,547,200
Depreciation	*8*	**14,369**	5,617
Foreign exchange loss (gain)		**209,440**	(209,862)
Office and miscellaneous		**274,539**	331,749
Premises		**28,932**	56,904
Professional fees		**222,745**	289,760
Share based payments	*12(c)*	**112,632**	1,105,588
Travel and promotion		**312,550**	251,859
Net loss from operations		**(2,790,637)**	(3,792,885)
Finance and other items			
Finance expense and other	*6*	**(918,836)**	(914,368)
Write off of net advances for assets under construction	*8*	**-**	(4,830,627)
Net loss		**($3,709,473)**	($9,537,880)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange gain (loss) on translation of foreign operations		**129,939**	(461,037)
Total comprehensive loss		**($3,579,534)**	($9,998,917)
Basic and diluted loss per share		**($0.01)**	($0.03)
Weighted average number of common shares outstanding (basic and diluted)		**452,659,085**	351,031,796

The accompanying notes are an integral part of the consolidated financial statements

PPX Mining Corp.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Year ended September 30,	*Note*	**2018**	2017
Operating Activities			
Net loss		($3,709,473)	($9,537,880)
Depreciation		14,369	5,617
Share based payments		112,632	1,105,588
Foreign exchange loss (gain)		209,440	(209,862)
Finance expense		918,836	914,368
Interest paid		(473,867)	(320,607)
Write off of net advances for assets under construction		-	4,830,627
		(2,928,063)	(3,212,149)
Change in non-cash operating working capital			
Decrease (increase) in accounts receivable		13,437	(34,940)
Decrease (increase) in prepaids and advances		42,901	(58,553)
Increase (decrease) in accounts payable and accrued liabilities		189,860	(92,337)
Net cash flow used in operating activities		(2,681,865)	(3,397,979)
Financing Activities			
Proceeds from convertible note, net of transaction costs		1,296,763	-
Proceeds from exercise of warrants, net of share issue costs	*10(b)*	1,606,997	-
Proceeds from private placements, net of share issue costs	*12(b)*	-	6,999,888
Proceeds from gold stream facility, net of transaction costs	*10(a)*	2,924,887	2,981,713
Gold stream facility principal payments	*10(a)*	(404,192)	-
Net cash flow from financing activities		5,424,455	9,981,601
Investing Activities			
Additions to exploration and evaluation assets, net of changes in working capital		(4,543,372)	(2,875,862)
Additions to property, plant and equipment		(304,883)	(294,006)
Advances for assets under construction		(944,863)	-
Loan receivable, net of payment received	*7*	99,973	(343,189)
Net cash flow used in investing activities		(5,693,145)	(3,513,057)
Impact of foreign exchange on cash balances		(130,356)	(43,364)
(Decrease) increase in cash during the year		($3,080,911)	$3,027,201
Cash at beginning of year		3,536,341	509,140
Cash at end of year		$455,430	$3,536,341

Supplemental cash flow information note 16

The accompanying notes are an integral part of the consolidated financial statements

PPX Mining Corp.
(An Exploration Stage Company)
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

	Note	Share capital		Reserves				Deficit	Equity
		Shares	**Amount**	**Warrants**	**Share based payments**	**Other**	**Accumulated other comprehensive gain (loss) - foreign currency translation**		
At September 30, 2016		315,262,470	$50,445,666	$456,938	$5,886,882	$-	($700,654)	($50,225,482)	$5,863,350
Units issued on private placements, net of cash share issue costs of $500,126		125,000,233	6,999,888		-	-	-	-	6,999,888
Share issue costs (finder warrants)		-	(404,087)	404,087	-	-	-	-	-
Warrants issued pursuant to the gold stream facility	*10(a)*	-	-	213,496	-	-	-	-	213,496
Shares issued pursuant to work on the bulk sampling program	*8*	7,635,914	916,310	-	-	-	-	-	916,310
Share based payments	*12(c)*	-	-	-	1,105,588	-	-	-	1,105,588
Net loss		-	-	-		-	-	(9,537,880)	(9,537,880)
Other comprehensive loss, net of tax		-	-	-	-	-	(461,037)	-	(461,037)
Total comprehensive loss							(461,037)	(9,537,880)	(9,998,917)
At September 30, 2017		**447,898,617**	**$57,957,777**	**$1,074,521**	**$6,992,470**	**$-**	**($1,161,691)**	**($59,763,362)**	**$5,099,715**
Shares issued on exercise of warrants, net of share issue costs of $5,513	*12(b)*	21,387,000	$1,671,057	(64,060)	-	-	-		1,606,997
Share based payments	*12(c)*	-	-	-	112,632	-	-	-	112,632
Land donation	*8*	-	-	-	-	47,071	-	-	47,071
Net loss		-	-	-	-	-	-	(3,709,473)	(3,709,473)
Other comprehensive gain, net of tax		-	-	-	-	-	129,939	-	129,939
Total comprehensive loss							129,939	(3,709,473)	(3,579,534)
At September 30, 2018		**469,285,617**	**$59,628,834**	**$1,010,461**	**$7,105,102**	**$47,071**	**($1,031,752)**	**($63,472,835)**	**$3,286,881**

The accompanying notes are an integral part of the consolidated financial statements

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

PPX Mining Corp. ("PPX Mining" or the "Company") is a publicly listed company incorporated under the Alberta Business Corporations Act on July 28, 1987; the Company's shares are traded on the Toronto Venture Exchange (the "TSX Venture Exchange"), the Lima Stock Exchange (Bolsa De Valores De Lima) and the Santiago Stock Exchange Venture. Following a number of name changes the Company became Peruvian Precious Metals Corp. on July 2, 2013 and then PPX Mining Corp. on August 4, 2016. The head office, principal address and records office of the Company are located at 880 – 580 Hornby Street, Vancouver, BC, Canada, V6C 3B6.

The Company is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. As its principal business, the Company acquires and explores mineral properties in areas deemed to have relatively high potential for mining success and relatively low political risk. The Company's business plan is to engage in these mining activities on a long-term basis.

As the Company does not yet have cash flows from operations, it must rely on debt or equity financings to fund its operations. To date the Company's main source of funding has been the issuance of equity securities or debt for cash, through private placements to sophisticated investors and through public offering to institutional investors.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. The Company has incurred operating losses since inception, including $3,709,473 for the year ended September 30, 2018 and has accumulated a deficit of $63,472,835 as at September 30, 2018. The Company may need to raise additional funds in order to continue on as a going concern and there can be no assurances that sufficient funding, including adequate financing, will be available to explore its mineral properties and to cover general and administrative expenses necessary for the maintenance of a public company. The ability of the Company to arrange additional financing in the future depends in part, on the prevailing capital market conditions and mineral property exploration success. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the consolidated financial statements.

Subsequent to September 30, 2018, the Company received $1,425,000 from the first tranche of a private placement announced on December 6, 2018. For more details, refer to note 19.

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"). The consolidated financial statements were approved by the Board of Directors of the Company on January 25, 2019.

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value, as set out in the accounting policies in note 3.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are described below:

a) Basis of presentation and consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are those entities controlled by the Company. Control exists when the Company is exposed to or has rights to the variable returns from the subsidiary and has the ability to affect those returns through its power over the subsidiary. Power is defined as existing rights that give the Company the ability to direct the relevant activities of the subsidiary. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Company to the date control ceases. All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Company is presumed to have significant influence if it holds, directly or indirectly, 20% or more of the voting power of the investee. If the Company holds less than 20% of the voting power, other relevant factors are examined by the Company to determine whether it has significant influence. The factors that may enable the exercise of significant influence include the proportion of seats on the board being assigned to the Company, nature of the business decisions that require unanimous consent of the directors, ability to influence the operating, strategic and financing decisions and the existing ownership composition vis-à-vis the Company's ability to exercise significant influence. The Company does not have any associates as at September 30, 2018 and 2017.

The subsidiaries of the Company as at September 30, 2018 and 2017 and their principal activities are described below:

Name	Place of Incorporation	Ownership Interest	Principal Activity
Sienna Minerals S.A.C	Peru	100%	Exploration
Agraria Huaranchal S.A.C	Peru	100%	Exploration

On September 28, 2018, the Company signed a Usufruct and Options Agreement (the "Usufruct Agreement"), with Igor Mining Exploration S.A.C ("IME"), a Peruvian entity owned by the Company's lawyers in Peru. IME holds the title to the land where the heap leach plant will be built and is also responsible for building the plant. The Usufruct Agreement provides the Company with the same rights as the shareholders of IME and an option to acquire IME for 3,500 Peruvian Soles. Based on the fact that the Company controls all strategic and day to day decisions of IME and IME's key management personnel is comprised of officers appointed by PPX, the Company concluded that it has control over IME. Accordingly, IME meets the criteria to be classified as a subsidiary. Commencing at the date of the signing of Usufruct agreement, the financial results of IME were included in the consolidated results.

The financial statements of subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. Where necessary, adjustments are made to bring the accounting policies of the Company's associates in line with those of the Company. All intercompany balances and transactions have been eliminated upon consolidation.

b) Foreign currency translation

The functional currency for each entity consolidated with the Company is determined by the currency of the primary economic environment in which it operates. The consolidated financial statements are presented in Canadian dollars, which is the Company's reporting currency. The functional currency of the Company is the Canadian dollar while the functional currency of its Peruvian subsidiaries is the United States ("US") dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21 "*The Effects of Changes in Foreign Exchange Rates*".

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rate on the date of transaction.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the year in which they arise. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

The financial results and position of foreign operations whose functional currency is different from the Company's reporting currency are translated into the Company's reporting currency at each reporting period with assets and liabilities translated at period-end exchange rates prevailing at that reporting date and income and expenses using monthly average exchange rates during the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's exchange difference on translating foreign operations on the Statement of Comprehensive Income (Loss) and are reported as a separate component of shareholders' equity titled "Accumulated other comprehensive loss (foreign currency translation)". These differences are recognized in the profit or loss in the year in which the operation is disposed of.

c) Financial instruments

Financial assets and liabilities are recognized when the Company or its subsidiaries become party to the contracts that give rise to them and are classified as loans and receivables, financial instruments fair valued through profit or loss, held-to-maturity, available for sale financial assets and other liabilities, as appropriate. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL. A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred.

Available for sale financial assets

Available for sale ("AFS") financial assets are those non-derivative financial assets that are designated as such or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. AFS financial assets are measured at fair value upon initial recognition and at each period end, with unrealized gains or losses being recognized as a separate component of equity in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in net earnings (loss).

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivable. Loans and receivable are initially recognized at the transaction value and subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Other financial liabilities

Other financial liabilities, including borrowings, are recognized initially at fair value, net of transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings (loss) when the liabilities are derecognized as well as through the amortization process. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, and are derecognized when, and only when, the Company's obligations are discharged or they expire.

Derivative instruments

Derivative instruments, including embedded derivatives, are recorded at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in the statement of comprehensive income.

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and pricing models.

Financial instruments that are measured subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

Financial assets, other than those recorded at FVTPL, are assessed for indicators of impairment at each period end. A financial asset is considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been adversely impacted.

Trade receivables are considered impaired when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice; once a trade receivable is considered impaired, a provision for impairment is made and an impairment loss is recognized in profit and loss with the carrying amount of the receivable reduced through the use of an allowance account; trade receivable considered uncollectible are written off against the allowance account.

If an available for sale asset is impaired, the change in fair value is transferred to net earnings (loss) in the period, including cumulative gains or losses previously recognized in other comprehensive income or loss. Reversals of impairment in respect of equity instruments classified as available for sale are not recognized in net earnings (loss) but included in other comprehensive income.

d) Cash and Cash Equivalents

Cash and cash equivalents includes cash and short-term money market instruments that are readily convertible to cash with original terms of three months or less. As at September 30, 2018 and 2017 the Company did not have any cash equivalents.

e) Mining interest and property, plant and equipment

Exploration and Evaluation Assets

Mineral exploration and evaluation costs are charged to operations in the period incurred until such time as the property has been acquired or is under option, in which case subsequent exploration costs and costs incurred to develop the property are capitalized.

Direct costs related to the acquisition of mineral property interests are capitalized on a property by property basis. Property acquisition costs include cash expenses and the fair market value of common shares, based on the trading price of the shares, issued for mineral properties interests, pursuant to the related property agreements. Payments relating to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded as mineral property costs upon payment.

Once the technical feasibility and commercial viability of extracting the mineral resource from a property has been determined, the property is considered to be a mine under development and is classified as “mines under construction.” Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

Upon commencement of commercial production of a mineral property, the related capitalized costs are amortized and depleted on a unit-of-production basis using estimated proven and probable reserves of the mineral property.

Periodic reviews are made by management and where the long-term expectation is that the net carrying amount of these capitalized exploration and development costs will not be recovered, the carrying amount is then written down accordingly and the write-down amount charged to operations.

The amounts shown for exploration and evaluation assets represent acquisition and deferred exploration costs incurred to date, on a property by property basis, and are not intended to reflect present or future values. It is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. The carrying amounts of plant and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets.

The significant classes of depreciable plant and equipment and their estimated useful lives are as follows:

Category	**Rates**
Office furniture	3 years
Computer equipment	2 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

f) Impairment of Assets

Non-financial assets that have an indefinite live are not subject to amortisation and are tested annually for impairment or whenever impairment indicators exist. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

In calculating the recoverable amount, if applicable, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social, legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

g) Provisions

Provisions are recognized when the Company or its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are not recognized in the consolidated financial statements, if not estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote. Contingent assets are not recognized in the consolidated financial statements, but are disclosed in the notes if their recovery is deemed probable.

Environmental rehabilitation

Provisions for environmental rehabilitation (decommissioning and restoration) are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount provision are future obligations required to retire an asset.

h) Share Based Payments

The fair value of the equity settled share options ("equity based instruments") awarded to employees, officers and directors, is recognized as share based compensation expense over the vesting period of the stock options with a corresponding increase to equity (share based payments reserve). Upon exercise, shares are issued from treasury and the amount reflected in share based payment reserve is credited to share capital, adjusted for any consideration paid.

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option-pricing model and is expensed over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in net earnings (loss) or capitalized in mining properties such that the accumulated expense reflects the revised estimate, with a corresponding adjustment to the share based payment reserve. The share based payment cost is recognized in net earnings (loss) or capitalized in mining properties (options granted to individuals involved on specific projects).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Equity based instruments granted to non-employees are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares in which case the fair value is recorded as a reduction of share capital. When the value of goods or services received in exchange for the equity based instruments cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

i) Income Taxes

Taxes, comprising both current and deferred income taxes, are recognized in net earnings (loss), except where they relate to items recognized in other comprehensive income or directly in equity, in which case the related taxes are recognized in other comprehensive income or equity. Deferred income taxes are provided using the balance sheet liability method, providing for unused tax losses, unused tax credits and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. As an exception, deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current assets and liabilities on a net basis.

j) Share Capital

Common shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new common shares are recognized in equity, net of tax, as a deduction from the share proceeds (share issue costs). Share issue costs incurred in advance of share subscriptions are recorded as deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations. Proceeds from unit placements are allocated between common shares and warrants issued based on the residual value method, with the common shares being valued first.

The Company uses the Black-Scholes option valuation model to value finder's warrants issued in private placements. The fair value assigned to finder's warrants is recorded as share issue costs and an increase to warrants reserve. Upon exercise the consideration paid by the holder together with the amount previously recognized is recorded as an increase to share capital. When the terms of the warrants are modified, no adjustments are recognized in equity.

k) Profit (Loss) per Share

Basic profit (loss) per share is computed by dividing net profit (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted profit (loss) per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

l) Other Comprehensive Income (Loss)

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profits such as foreign currency translation.

m) Segment reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

- for which discrete financial information is available.

The Company has one operating segment, being mineral exploration.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Critical Judgments in Applying Accounting Policies

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments, as follows:

- the point in time that an economic feasibility study has established the presence of proven and probable reserves;
- deferred tax assets recorded in the consolidated financial statements;
- the determination of the functional currency in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*; and
- determination of derivative liability.

Key Sources of Estimation Uncertainty

Useful life of plant and equipment

As discussed in note 3(e), the Company reviews the estimated lives of its plant and equipment at the end of each reporting period. There were no material changes in the lives of plant and equipment for the years ended September 30, 2018 and 2017.

Deferred income taxes

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company and/or its subsidiaries will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company and/or its subsidiaries to realize the net deferred tax assets recorded at the statement of financial position date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company and its subsidiaries operate could limit the ability of the Company to obtain tax deductions in future periods.

Impairment of assets

The carrying amounts of mining interest, plant and equipment, and advances for assets under construction are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the CGU level.

The assessment requires the use of estimates and assumptions such as, but not limited to, long-term commodity prices, foreign exchange rates, discount rates, future capital requirements, resource estimates, exploration potential and operating performance as well as the CGU definition. It is possible that the actual fair value could be significantly different from those assumptions, and changes in these assumptions will affect the recoverable amount of the mining interests. In the absence of any mitigating valuation factors, adverse changes in valuation assumptions or declines in the fair values of the Company's CGUs or other assets may, over time, result in impairment charges causing the Company to record material losses.

The Company considers both external and internal sources of information in assessing whether there are any indications that mining interests are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests. Internal sources of information the Company considers include the manner in which assets are being used or are expected to be used and indications of economic performance of the assets.

Gold stream facility

The Company has entered into a Gold Stream Agreement (Note 10(a)) which contains a derivative liability. The valuation of this derivative utilizes a number of assumptions, including discount rate, future gold prices, the probability of achieving commercial production from the Igor 4 concession, change in expected ounces to be delivered and future production levels. As at the statement of financial position date, management, due to uncertainties related to the amount and timing of future ounces to be delivered, has determined the derivative value to be nominal.

Environmental rehabilitation

Significant estimates and assumptions are made in determining the environmental rehabilitation costs as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates.

Those uncertainties may result in actual expenditures in the future being different from the amounts currently provided. The provision represents management's best estimate of the present value of the future rehabilitation costs required.

Share based payments

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 3(h). The fair value of stock options granted is measured using the Black-Scholes option valuation model and is only an estimate of their potential value and requires the use of estimates and assumptions.

5. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Changes in Accounting Policies

The Company has adopted the following new standards, along with any consequential amendments, effective October 1, 2017. These changes were made in accordance with the applicable transitional provisions. The adoption of the new standards and consequential amendments did not have a material impact on the Company's consolidated financial statements.

IAS 12, Income Taxes ("IAS 12")

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of a reporting period, and is not affected by possible future changes in the carrying amount or expected recovery of the asset. These amendments are effective for reporting periods beginning on or after January 1, 2017.

IAS 7, Statement of Cash Flows

IASB issued amendments to IAS 7, *Statement of Cash* flows ("IAS 7"), in January 2016. The amendments are effective for annual periods beginning on or after January 1, 2017. This amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from both cash and non-cash changes.

Amendments to IFRS 12 Disclosure of Interests in Other Entities

These amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10 - B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Accounting Standards Issued Not Yet Effective

IFRS 9, Financial Instruments

IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The final version of IFRS 9 was issued in July 2014 and includes (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking "expected loss" impairment model, and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has identified financial instruments that would be impacted by this standard. The Company is in the process of evaluating the impact of the new standard on the consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") proposes to replace IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company does not expect the new standard to have a material impact on the consolidated financial statements.

IFRS 16, Leases

In January 2016, the IASB issued the IFRS 16, *Leases* ("IFRS 16") which replaces the existing lease accounting guidance. IFRS 16 requires all leases to be reported on the balance sheet unless certain criteria for exclusion are met. IFRS 16 is effective for the year ended December 31, 2019 with early adoption permitted if IFRS 15 is also adopted at the same time. The Company is currently in the process of assessing the impact that the new and amended standards will have on its consolidated financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

On December 8, 2016, the IASB issued IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company does not expect the Interpretation to have a material impact on the consolidated financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company does not expect the Interpretation to have a material impact on the consolidated financial statements.

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Amendments to IAS 28 Investments in Associates and Joint Ventures

These amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments are effective for reporting periods beginning on or after January 1, 2018. The Company does not expect the Amendments to have a material impact on the consolidated financial statements.

Amendments to IAS 40 Investment Property

These amendments specify that a transfer into, or out of investment property should be made only when there has been a change in use of the property; and such a change in use would involve an assessment of whether the property qualifies as an investment property. The change in use should be supported by evidence. The amendments are effective for reporting periods beginning on or after January 1, 2018. The Company does not expect the Amendments to have a material impact on the consolidated financial statements.

Amendments to IFRS 2 Share-based Payment

These amendments added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. They introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety, provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Finally, they clarify the accounting treatment in situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. These amendments are effective for reporting periods beginning on or after January 1, 2018. The Company does not expect the Amendments to have a material impact on the consolidated financial statements.

6. FINANCE EXPENSE

Year ended September 30,	**2018**	2017
Gold stream facility interest expense *note 10(a)*	**$671,487**	$320,607
Gold stream facility transaction costs *note 10(a)*	**288,113**	587,827
Convertible note interest expense and acretion *note 10(b)*	**45,760**	-
Unrealised gain on derivative *liability note 10(b)*	**(96,611)**	-
Convertible note transaction costs related to the conversion option *note 10(b)*	**1,681**	-
Bank charges and other	**8,406**	5,934
Finance expense	**$918,836**	$914,368

7. RECEIVABLES

As at September 30,	**2018**	2017
Sales tax and government receivables	**$29,042**	$55,539
Other	**15,981**	2,921
Loan receivable	**258,387**	343,189
	$303,410	$401,649

Loan receivable represents non-interest bearing operational loans provided to Proyectos Le Patagonia S.A.C ("Patagonia"), a Peruvian entity, to carry out the bulk-sampling program on the Igor 4 concession (note 8). $115,324 (US$90,504) and $343,189 (US$274,991), respectively, were provided during the years ended September 30, 2018 and 2017. The operational loan is expected to be fully paid by mid-2019. During the year ended September 30, 2018, the

(Expressed in Canadian Dollars)

Company received $215,297 (US$165,891) from Patagonia as partial payment for the loan receivable; Subsequent to year end the Company received and additional $43,318 (US$32,730) from Patagonia.

The fair value of receivables approximates their carrying value. None of the amounts included in receivables at September 30, 2018 are past due.

8. MINING INTEREST AND PROPERTY, PLANT AND EQUIPMENT

Year ended September 30, 2018	**Exploration and Evaluation Assets**	**Property, plant and equipment**
Cost		
At October 1, 2017	**$4,741,213**	**$387,254**
Additions	**4,592,489**	**425,018**
Change in environmental rehabilitation provision *note 11*	**205,506**	**-**
Foreign exchange	**139,167**	**12,331**
Cost at September 30, 2018	**$9,678,375**	**$824,603**
Accumulated depreciation		
At October 1, 2017	**$-**	**$116,964**
Depreciation	**-**	**14,369**
Foreign exchange	**-**	**4,209**
Accumulated depreciation at September 30, 2018	**$ -**	**$135,542**
Carrying value at September 30, 2018	**$9,678,375**	**$689,061**

Year ended September 30, 2017	Exploration and Evaluation Assets	Property, plant and equipment
Cost		
At October 1, 2016	$1,097,305	$576,032
Additions	3,669,607	294,006
Change in environmental rehabilitation provision *note 11*	83,072	-
Write off of assets under construction	-	(436,800)
Foreign exchange	(108,771)	(45,984)
Cost at September 30, 2017	$4,741,213	$387,254
Accumulated depreciation		
At October 1, 2016	$-	$116,937
Depreciation	-	$5,617
Foreign exchange	-	(5,590)
Accumulated depreciation at September 30, 2017	$ -	$116,964
Carrying value at September 30, 2017	$4,741,213	$270,290

Exploration and evaluation assets

The Company, through its subsidiary Sienna Minerals S.A.C., has a 100% interest in the Igor Project, located in Northern Peru. The Igor Project totals approximately 1,300 hectares on four concessions. The production from the Igor 4 concessions is subject to the requirements of a gold streaming facility as disclosed in note 10(a); the Company has been carrying out a bulk-sampling program at Mina Callanquitas on the Igor 4 concession since October 2016.

(Expressed in Canadian Dollars)

On December 4, 2018 the Company filed a pre-feasibility study ('PFS") for the 100% owned Igor 4 concession in Peru, which established proven and probable reserves.

The Company's spending in the Igor concession for the year ended September 30, 2018 and 2017 is as follows:

Year ended September 30,	**2018**	2017
Drilling, road and site preparation	**$3,053,243**	$1,501,982
Salaries, claims maintenance and staking	**562,590**	794,221
Social development	**568,016**	257,263
Bulk sampling program	**74,919**	1,000,407
Engineering	**282,154**	36,278
Environmental	**51,567**	79,456
Environmental rehabilitation provision *note 11*	**205,506**	83,072
Total additions	**$4,797,995**	$3,752,679

The 2018 expenditures include $1,205,740 (2017 - $1,951,595) spent in the bulk sampling and testing program, pre-feasibility study and infill drilling on the Igor 4 concession, and $3,386,749 (2017 - $1,801,084) spent on exploration drilling on other Igor properties.

Bulk sampling program expenditures for the year ended September 30, 2017 include $916,310 fair value of 7,635,914 common shares of the Company issued on October 2016 to Patagonia.

a) Agreement with Proyectos Le Patagonia, S.A.C. ("Patagonia")

The Company has entered into an agreement with Patagonia (on September 17, 2014 and subsequently amended in 2015, 2016 and on April 28, 2017), whereby the Company has granted to Patagonia the rights to the mining concession (the "assignment agreement") on the Igor 4 concession until the earlier of the date Patagonia extracts 600,000 metric tons of ore or June 7, 2024. During the term of the agreement, the Company and Patagonia share the net profits from the mine operations at the Igor 4 concession, at a ratio of 70%/30% respectively up to when the production from the mine reaches 350 tons per day ("MTPD"), and 75%/25% thereafter.

Patagonia is responsible for obtaining all necessary permits and licenses to carry out mining operations on the Igor 4 concession in order to reach certain production milestones. The Company is responsible for building and installing a processing plant with a capacity of at least 150 MTPD and to be expanded to 350 MTPD.

The Company can terminate the assignment agreement at any time subject of payments to Patagonia as follows:

- if terminated after November 1, 2019, US$3,000,000 less US$5 multiplied by the tons of ore extracted;
- if terminated before November 1, 2019, US$4,000,000 less US$5 multiplied by the tons of ore extracted;

The assignment agreement represents a joint operation as defined in IFRS 11, *Joint Arrangements*, and as such the Company recognizes its assets, liabilities, and its share of revenues and expenses from the operation.

b) Community Agreements

On February 14, 2018, the Company signed a ten year agreement with the community of Callanquitas in Northern Peru that provides the Company with the Social License to conduct mining and exploration activities at the Igor Project, including the ongoing test-mining and bulk-sampling program at Igor 4 concession. The agreement provides for employment opportunities for the people of Callanquitas, improved road maintenance in the vicinity of the community, and infrastructure improvements to the local elementary school.

Subsequent to year end, on November 20, 2018, the Company signed an agreement with the Igor community in Northern Peru that provides the Company with the Social License to build and operate the heap leach facility for processing of the ore from the Igor 4 concession. The agreement provides for employment opportunities for the people of the Igor community, improved road maintenance in the vicinity of the community, and infrastructure improvements to local schools and medical facility.

c) Agreement with AM Mining SAC ("AMM")

Pursuant to agreements between the Company and AMM signed on February 4, 2015, AMM had agreed to construct and operate the Company's 350MTPD gold and silver processing plant, capable of producing precious metal dore at the Igor Project. The Company had agreed to pay AMM US$5 million as consideration for the plant construction by issuing the owner of AMM 42,311,740 common shares, equivalent to US$3,870,695, and entering into a promissory note for US$1,129,305 in cash or 12,344,782 common shares of the Company.

As at September 30, 2017, AMM had not made significant progress in constructing the plant and PPX is in the process of permitting a heap leach plant for the processing of Mina Callanquitas material; the heap leach plant will be constructed and operated by the Company. Management has had discussions with AMM to find a solution to the Company recovering its net advances to AMM. Due to the uncertainty related to the recoverability of the net advances of US$3,870,695 (US$5,000,000 net of a promissory note payable of US$1,129,305) management decided to write off the balance during the year ended September 30, 2017. The write off included $5,803,200 (US$4,650,000) of advances for assets under construction, $436,800 (US$350,000) for assets under construction and $1,409,373 (US$1,129,305) for the promissory note payable.

Property, Plant and Equipment

Property, plant and equipment at September 30, 2018 includes $371,783 for construction in progress related to the heap leach facility being built by the Company on the Igor 4 concession, including spending for permits, design and engineering work. In August 2018, the Company contracted the services of Big Rock Consulting Inc. ("BRC"), a Canadian entity, for the manufacturing of certain equipment for the Company's heap leach plant at Mina Callanquitas for a total of US$1,913,250. Advances for assets under construction includes $892,313 (US$689,311) at September 30, 2018 represent funds advanced to BRC toward the price of the equipment. The full contracted amount will be paid in various instalments with the final payments due once the equipment is delivered, with the delivery expected in various stages between January and March 2019.

Property, plant and equipment at September 30, 2018 include $266,773 (September 30, 2017 - $266,773) for land purchased by the Company and $47,071 for land donated by a third party (September 30, 2017 - $Nil) being used as the site for the Company's heap leach plant.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at September 30	**2018**	2017
Trade payables	**$868,960**	$546,311
Due to RIVI Opportunity Fund LP - accrued principal *note 10(a)*	**384,495**	94,670
Due to RIVI Opportunity Fund LP - accrued interest *note 10(a)*	**195,731**	-
Acquisition of surface rights	**196,780**	191,706
	$1,645,966	$832,687

The fair value of accounts payable and accrued liabilities approximates their carrying amount. Trade payables relate mainly to the acquisition of materials, supplies and contractor services. These payables do not accrue interest and no guarantees have been granted. Trade payables and accrued liabilities September 30, 2018 and 2017 are denominated in Canadian dollars, US$ and Peruvian Soles (S/.).

(Expressed in Canadian Dollars)

10. LONG TERM DEBT

As at September 30,	**2018**	2017
Gold stream facility *10(a)*	**$6,062,936**	$3,120,000
Convertible note *10(b)*	**1,238,870**	-
	$7,301,806	$3,120,000
Current portion	**(384,495)**	(94,670)
Long term debt	**$6,917,311**	$3,025,330

a) *Gold Stream Facility*

Year ended September 30,	**2018**	2017
Balance at beginning of year	**$3,120,000**	$-
Proceeds	**3,213,000**	3,279,688
Principal repayments	**(404,192)**	-
Foreign exchange	**134,128**	(159,688)
	$6,062,936	$3,120,000
Accrued principal repayments	**(384,495)**	(94,670)
Gold stream facility (long term)	**$5,678,441**	$3,025,330

On October 10, 2016, the Company entered into an agreement with RIVI Opportunity Fund LP ("RIVI") to provide the Company with an investment of US$5 million in return for a Metal Purchase Agreement ("Gold Stream Facility" or the "Facility") on future precious metal production from the Company's Igor 4 concession, further amended on November 21, 2017. RIVI is entitled to receive the greater of 10% of the Company's portion of the combined production of gold and silver ounces from the Igor 4 concession on a Gold Equivalent Ounce ("GEO") basis and 50 GEOs at a price per GEO of the lesser of US$400 or 80% the market price of gold on a monthly basis.

The Company received the first tranche of US$2.5 million on October 11, 2016 and the second tranche on December 13, 2017 (total net proceeds of US$4.550 million ($5,907,855), net of US$225,000 finder and restructuring fees for each tranche). The Company incurred total transaction costs of $875,940 in relation to the gold stream facility, including $584,833 (US$450,000) for the finder and restructuring fees; $288,113 and $587,827 of the transaction costs were incurred respectively, during the year ended September 30, 2018 and 2017.

Transaction costs incurred during the year ended September 30, 2017, include $213,946 for the fair value of 3,000,000 warrants issued to an agent on the receipt of the first tranche of the Facility. The warrants which entitled the holder to purchase one common share of the Company at a price of $0.12 per share expired on October 10, 2018. The fair value of the warrants issued was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions: dividend yield of Nil, risk free interest rate of 0.6%, expected life of 2 years and expected annualised volatility, based on past history, of 116.7%.

The second tranche of US$2.5 million was to be paid upon the Company meeting certain future production milestones, subject to the successful completion of the test mining program. The Company received the second tranche on December 13, 2017 for net proceeds of $2,924,887 (US$2.275 million), with RIVI waiving some of the requirements for the production milestones, in exchange for certain amendments to the Gold streaming agreement provisions as discussed below. The funds from the second installment are restricted to be used for the construction of the Company's heap leach facility, and any remaining funds for exploration, development and mining on the Igor 4 concession.

The Facility has been classified as a financial liability at FVTPL and is revalued at its fair value on each subsequent reporting date with the changes in the fair value recorded in profit or loss. Due to the uncertainty of the total expected ounces to be delivered and the timing of cash flows, the gold streamlining facility is currently recorded at its face value with derivative measured at a nominal value. Once a pre-feasibility study is in place, the gold streaming facility will be fair valued using discounted cash flows based on principal inputs from the pre-feasibility study such as gold price forwards and expected timing of GEOs deliveries.

(Expressed in Canadian Dollars)

The first tranche payment was subject to interest of 10% per annum, payable quarterly in US$ and accruing on daily balances until the end of the third month after certain production milestones were met. The amended agreement signed on November 21, 2017 (the "Amended Agreement") provides for interest at 12%, payable quarterly in US$ and accruing daily on the full amount of the investment of US$5 million, until three months after the Company reaches commercial production. Commercial production is defined as the Company's processing plant average monthly production from the Igor 4 concession is at least 85% of 150 MTPD or the Company delivers a monthly average of 150 MTPD from the Igor 4 concession to a smelter (the "Monthly Production Milestone"). The Company paid interest of $473,867 (US$369,165) during the year ended September 30, 2018 ((2017 - $320,607 (US$243,493)).

The Amended Agreement provides that until 20,000 GEOs have been delivered to RIVI, the GEOs will include:

- all production from the Igor 4 concession and any other sources from the first 700 tons of ore processed at the Company's plant in any given day;
- production from only Igor 4 concession for any production above the 700 tons of ore processed in any given day and after 20,000 GEOs have been delivered to RIVI.

The principal balance of US$5 million is reduced as the GEOs are delivered to RIVI. The face value of the gold stream facility at September 30, 2018 was US$4,683,613 (September 30, 2017 – US$2.5 million). Upon expiry of the term which is the earlier of 40 years and depletion of the mine, any balance remaining unpaid shall be refunded to RIVI.

Seventy-two months after the Monthly Production Milestone has been met, or when 20,000 GEOs have been delivered under the Gold Streaming Agreement (whichever occurs first), the Company has the option to reduce RIVI's entitlement to 5% of the GEOs produced on the Igor 4 concession by making a one-time payment of US$5 million to RIVI, subject to the price of gold being greater than US$1,200 per ounce.

The Company has granted RIVI a first and preferred mining tenements mortgage of US$5 million on the Igor concession and surface land and general security interest (the "Security") over all of the present and after-acquired assets within the property. The Security provided to RIVI will cease once the Company has fully paid the US$5 million investment by RIVI.

b) Convertible note

Year ended September 30, 2018	Note liability	Derivative liability	**Convertible note**
Proceeds	$983,069	$320,531	**$1,303,600**
Transaction costs	(5,156)	-	**(5,156)**
Interest acretion	26,934	-	**26,934**
Acrued interest	18,698	-	**18,698**
Unrealised gain on derivative	-	(96,611)	**(96,611)**
Foreign exchange	(7,010)	(1,585)	**(8,595)**
Convertible note at September 30, 2018	$1,016,535	$222,335	**$1,238,870**

On August 9, 2018 the Company signed a subscription agreement with an investor for a US$1.0 million non-secured convertible note (the "note"). The note bears annual interest at 10% payable at maturity, mature 18 months from issuance and will be convertible into common shares of the Company, at the option of the holder, at a price of US$0.11 per common share. The Company received the note proceeds of $1,303,600 (US$1,000,000) on August 24, 2018 and incurred transaction costs of $6,837. During the year ended September 30, 2018 the Company recorded an interest expense of $45,760 (US$35,111) which includes the interest accretion of $26,934 (US$20,666).

The conversion feature of the note meets the definition of a derivative liability and is recorded as such, measured initially at fair market value (US$245,881 or $320,531) and revalued on each subsequent reporting date with the changes in the fair value recorded in profit and loss. Transaction costs are allocated on a pro-rata basis to the derivative liability ($1,681) and the note liability ($5,156) with the amount allocated to the derivative liability recorded in profit and loss and the amount allocated to the note liability recorded as a reduction of the initial fair value of the note liability. The fair value of the derivative liability is measured using the Black Scholes option pricing model with assumption as disclosed in note 18.

(Expressed in Canadian Dollars)

11. ENVIRONMENTAL REHABILITATION PROVISION

Environmental rehabilitation provision represents the discounted values of the estimated cost for site reclamation and remediation for the Company's Igor properties. The environmental rehabilitation provision as at September 30, 2018 and 2017 is as follows:

As at September 30	**2018**	2017
Balance at beginning of year	**$99,840**	$16,714
Change in estimates	**205,506**	103,896
Environmental spending during the year	**(22,463)**	(16,000)
Foreign Exchange	**3,226**	(4,770)
	$286,109	$99,840

The environmental rehabilitation provision by project as at September 31, 2018 and 2017 is as follows:

As at September 30	**2018**	2017
Igor 4 concession	**$200,685**	$-
Other Igor properties	**85,424**	99,840
	$286,109	$99,840

The environmental rehabilitation provision has been calculated using a risk adjusted rate of 12% with the rehabilitation and remediation spending expected to incur in 5 years. The total undiscounted estimated rehabilitation provision is $516,745 (US$399,185).

12. SHARE CAPITAL

a) Authorized

Unlimited number of common shares, without par value; and unlimited number of preference shares, without par value.

b) Issued

During the last quarter of the year ended September 30, 2018, the Company issued 21,387,000 common shares, valued at $1,676,570 ($1,671,057, net of transaction costs of $5,513), from the exercise of same number of warrants at a weighted average exercise price of 0.075. The value of the common shares issued includes $64,060 transferred from reserves, representing the fair value of the warrants exercised.

Subsequent to September 30, 2018, the Company received $1,425,000 from the first tranche of a private placement announced on December 6, 2018; upon the closing of the first tranche, the Company will issue 18,999,999 units (refer to note 19 for more details).

On October 13, 2016, the Company issued 7,635,914 common shares valued at $916,310 for exploration work on the Igor concession (note 8).

On December 13, 2016, the Company closed a non-brokered private placement issuing 125,000,233 units at a price of $0.06 per unit for gross proceeds of $7,500,014. Each unit consists of one common share and half a common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at a price of $0.085 on or before December 13, 2019. All of the proceeds have been allocated to the common shares issued with a $Nil value assigned to the warrants issued. The Company incurred cash financing costs of $500,126 (including finder's fees of $428,220), and issued 7,137,014 finder's units valued at $404,087. Each finder's unit is exercisable at $0.06 per unit, expiring December 13, 2019, and consists of one common share and one-half of one finder's warrant. Each finder's warrant entitles the holder to purchase one common share at a price of $0.085 for a period of three years from closing.

(Expressed in Canadian Dollars)

The fair value of the finder's warrants was estimated on the date of issue using the Black-Scholes option valuation model with the following weighted average assumptions: dividend yield of $Nil, risk free interest rate of 1.07%, Expected life of 3 years and expected volatility based on past performance of 122.7%.

c) Reserves

Share purchase options

Pursuant to the Company's share option plan (the "Option Plan"), the Company may grant incentive share options to directors, officers, employees and consultants of the Company or any subsidiary thereof. The total number of shares issuable pursuant to the Option Plan is up to a maximum of 10% of the issued and outstanding common shares of the Company at any given time. The exercise price of each share option shall not be lower than the market price or such discount from the market price as may be permitted by the stock exchange on which the common shares are listed and provided that no share option shall have a term exceeding ten years (or such longer period as is permitted by the stock exchange on which the common shares are listed). The Board of Directors determines the vesting terms of the options which may vary between grants.

The number of share options issued to insiders of the Company within a one-year period cannot exceed 10% of the number of common shares outstanding; no one eligible optionee can hold share options that represent more than 5% of the total common shares issued and outstanding. Finally, there may not be issued to any one insider and such insider's associates, within a one-year period, a number of share options exceeding 5% of the number of common shares outstanding.

Movements in the Company's share options for the years ended September 30, 2018 and 2017 are as follows:

	September 30, 2018		September 30, 2017	
	Number of options	**Weighted-average exercise price**	Number of options	Weighted-average exercise price
Outstanding, beginning of year	**30,936,000**	**$0.12**	17,133,000	$0.17
Granted	**1,800,000**	**$0.08**	17,436,000	$0.10
Expired	**(3,350,000)**	**$0.21**	(3,633,000)	$0.28
Outstanding, end of year	**29,386,000**	**$0.10**	30,936,000	$0.12
Exercisable, end of year	**29,119,333**		30,536,000	

During the year ended September 30, 2018, the Company granted 1,000,000 share options (same periods in 2017- 16,836,000) to certain employees and consultants which vested immediately at the date of grant, are exercisable at a weighted average price of $0.09 per share option (2017 - $0.10), expire in five years from date of issuance, and have a total fair value of $68,409 (2017 - $1,081,189).

In addition, during the year ended September 30, 2018, the Company granted 800,000 share options (same period in 2017 – 600,000) to its employees which vest in three equal instalments with the first tranche vesting upon grant and the rest every six months thereafter; the options are exercisable at a weighted average price of $0.075 per share option (2017 – $0.075), expire in five years from date of issuance, and have a total fair value of $38,623 (2017 - $30,070).

Share based payment expense recorded during the year ended September 30, 2018 was $112,632 (same period in 2017 - $1,105,588).

The fair value of the options granted is estimated on the dates of grant using the Black-Scholes option valuation model with the following weighted-average assumptions:

(Expressed in Canadian Dollars)

Year ended September 30,	**2018**	2017
Dividend yield	**Nil**	Nil
Expected annualized volatility	**103.0%**	101.7%
Risk free interest rate	**1.6%**	1.0%
Expected life to exercise	**5 years**	5 years
Grant date fair value	**$0.06**	$0.06
Forfeiture rate	**Nil**	Nil

Option pricing models require the input of subjective assumptions including the expected price volatility and the expected option life. Expected price volatility was calculated based on the Company's historical share prices. Changes in these assumptions can materially affect the estimated fair value of the stock options granted.

The summary of the Company's options outstanding and exercisable as at September 30, 2018 is as below:

Exercise price	Options outstanding	Options exercisable	Remaining contractual life (years)	Expiry dates
$0.07-$0.075	3,200,000	2,933,333	3.91	May to October 2022
$0.09	1,000,000	1,000,000	4.14	November 20, 2022
$0.10	21,786,000	21,786,000	2.77	October 2020 to November 2021
$0.16	3,400,000	3,400,000	1.08	October 28, 2019
	29,386,000	29,119,333		

Warrants

Movements in the Company warrants for the year ended September 30, 2018 and 2017 are as follows:

	September 30, 2018		September 30, 2017	
	Number of warrants	**Weighted-average exercise price**	Number of warrants	Weighted-average exercise price
Outstanding, beginning of year	**95,022,616**	**$0.085**	56,581,206	$0.11
Issued	**-**	**-**	62,500,116	$0.09
Exercised	**(20,195,000)**	**$0.075**	-	-
Expired	**(13,177,500)**	**$0.096**	(24,058,706)	$0.16
Outstanding, end of year	**61,650,116**	**$0.085**	95,022,616	$0.085

The 61,650,116 warrants outstanding at September 30, 2018 are exercisable into same number of common shares of the Company at $0.085 per common share and expire on December 13, 2019.

(Expressed in Canadian Dollars)

Finder's Warrants

Movements in the Company's finder's warrants for the years ended September 30, 2018 and 2017 are as follows:

	September 30, 2018		September 30, 2017	
	Number of finder's warrants	**Weighted-average exercise price**	Number of finder's warrants	Weighted-average exercise price
Outstanding, beginning of year	**13,941,220**	**$0.085**	7,664,354	$0.15
Issued	**-**	**-**	10,137,014	$0.08
Exercised	**(1,192,000)**	**$0.075**	-	-
Expired	**(2,612,206)**	**$0.12**	(3,860,148)	$0.18
Outstanding, end of year	**10,137,014**	**$0.078**	13,941,220	0.085

The summary of the Company's finder's warrants outstanding as at September 30, 2018 is as below:

Exercise price	Finder's warrants outstanding	Remaining contractual life (years)	Expiry dates
$0.06	7,137,014	1.20	December 13, 2019
$0.12	3,000,000	0.03	October 10, 2018
0.078	10,137,014		

The 7,137,014 finder's warrants expiring on December 13, 2019 are exercisable into units at $0.06 per unit. Each unit consists of one common share and one half of one warrant. Each finder's warrant is exercisable at $0.085 expiring December 13, 2019.

Subsequent to year end, 3.0 million finder's warrants at an exercise price of $0.12 expired unexercised.

13. RELATED PARTY TRANSACTION

Compensation of key management personnel

The Company's key management personnel consist of the Company's officers, directors and companies associated with them including the following:

- Maher Global Exploration, a company controlled by Brian Maher, Chief Executive Officer
- KA Gold LLC, a company controlled by Kimberly Ann, former Chief Financial Officer and Vice President of Corporate Development
- Malaspina Consultants Inc, a company in which Natasha Tsai, former Interim Chief Financial Officer, is an Associate

Compensation includes salaries and professional fees paid to the President and Chief Executive Officer, the Chief Financial Officer, former Chief Financial Officer and Vice President of Corporate Development and former Interim Chief Financial Officer as well as amounts paid to directors.

Year ended September 30,	**2018**	2017
Consulting fees, salaries and benefits	**$722,445**	$614,257
Severance and professional fees	**-**	449,746
Share based compensation	**38,552**	1,049,178
	$760,997	$2,113,181

(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being mineral exploration. Geographic segment information of the Company as at and for the years ended September 30, 2018 and 2017 is as follows:

As at and for the year ended	**September 30, 2018**			September 30, 2017		
	Canada	**Peru**	**Total Company**	Canada	Peru	Total Company
Total assets	**$702,504**	**$11,433,763**	**$12,136,267**	$3,712,827	$5,344,745	$9,057,572
Total liabilities	**$7,816,482**	**$1,032,904**	**$8,849,386**	$3,382,944	$574,913	$3,957,857
Net loss	**$3,137,949**	**$571,524**	**$3,709,473**	$2,623,261	$6,914,619	$9,537,880
Impairment	**$-**	**$-**	**$-**	($1,409,373)	$6,240,000	$4,830,627

15. COMITMENTS AND CONTINGENCIES

The Company's commitments are disclosed in note 8 and summarized below:

The Company has entered into a ten year community agreement, whereby the Company has committed to provide employment opportunities for the people of Callanquitas community in Peru in the vicinity of the Company's Igor 4 concession, improved road maintenance and infrastructure improvements to the local elementary school, in exchange for the Social License to conduct mining and exploration activities at the Igor Project.

Subsequent to year end, on November 20, 2018, the Company signed an agreement with the Igor community in Northern Peru that provides the Company with the Social License to build and operate the heap leach facility for processing of the ore from the Igor 4 concession. The agreement provides for employment opportunities for the people of the Igor community, improved road maintenance in the vicinity of the community, and infrastructure improvements to local schools and medical facility.

The Company has contracted the services of Big Rock Consulting Inc. ("BRC") for the manufacturing of certain equipment for the Company's heap leach plant for US$1,913,250. To September 30, 2018 the Company has advanced $892,313 (US$689,311) to BRC with the rest of the contracted amount to be paid by the time the equipment is delivered; the delivery planned for the first calendar quarter of 2019.

In addition, the Company had undiscounted environmental closure obligations (note 11) for remediation and rehabilitation work on the Company's Igor properties with estimated total obligations at September 30, 2018 of $516,745 (US$399,185).

(Expressed in Canadian Dollars)

16. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities

Year ended September 30,	**2018**	2017
Exploration and evaluation assets and property plant and equipment		
Fair value of shares issued for work on the bulk sampling program	**$-**	$916,310
Increase (decrease) in working capital related to exploration and evaluation assets and property plant and equipment	**144,644**	(122,620)
Environmental rehabilitation provision adjustment	**205,506**	83,072
Land donation	**47,071**	-
Foreign exchange	**147,289**	(149,165)
	$544,510	$727,597

Share Capital *note 12*		
Fair value of shares issued for work on the bulk sampling program	-	916,310
Finder units issued with private placements	-	(404,087)
	$-	$512,223

17. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates of 26.75% and 26%, respectively for the years ended September 30, 2018 and 2017 with the reported income taxes is as follows:

For the years ended September 30,	2018	2017
Net loss before taxes	($3,709,473)	($9,537,880)
Computed expected income tax recovery at Canadian statutory rates	(993,000)	(2,480,000)
Foreign exchange movement and true up	180,000	374,000
Non-deductible expenses	33,000	1,634,000
Difference in tax rates in other juridictions and tax rate changes	(8,000)	(160,000)
Changes in the unrecognized deferred tax assets	788,000	632,000
Deferred income tax recovery	$-	$-

The significant components of the Company's unrecognized deferred income tax assets are as follows:

As at September 30,	**2018**	2017
Deferred income tax assets		
Mining interest and property plant and equipment	**$6,695,000**	$7,867,000
Operating losses carried forward	**6,912,000**	5,269,000
Share issue costs	**243,000**	247,000
Other	**(30,000)**	(30,000)
	$13,820,000	$13,353,000
Urecognized deferred tax assets	**(13,820,000)**	(13,353,000)
Net deferred tax assets	**$-**	$-

(Expressed in Canadian Dollars)

At September 30, 2018, the Company has available non-capital tax losses for Canadian income tax purposes of approximately $19,204,000 available for carry-forward to reduce future years' taxable income which expire between 2026-2038.

The Company has approximately $5,855,000 of losses in Peru which can be carried forward indefinitely but are limited to 50% of taxable income each subsequent year.

In addition, the Company has available mining interest and capital asset tax pools of approximately $2,059,000 and $31,330,000, respectively, in Canada and Peru, which may be deductible at various rates dictated by relevant tax authorities. Those amounts are subject to review by relevant tax authorities and are subject to revision. Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts as the Company does not have a history of earnings

18. FINANCIAL INSTRUMENTS

Management of capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties and to maintain a flexible capital structure. The Company manages its capital structure, being its promissory note, convertible debenture and equity components, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. 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's capital at September 30, 2018 and 2017 is as follows:

As at September 30,	**2018**	2017
Share capital	**$59,628,834**	$57,957,777
Reserves	**7,130,882**	6,905,300
Deficit	**(63,472,835)**	(59,763,362)
Debt financing	**6,917,311**	3,025,330
	$10,204,192	$8,125,045

The properties in which the Company has an interest are in the exploration stage as at September 30, 2018; the Company filed a PFS for the Igor 4 concession on November 4, 2018 which identified proven and probable reserves. The Company is building a heap leach processing plant on the Igor 4 concession; until production from the Igor 4 concession starts, the Company is dependent on external financing to fund its activities; the Company will be using its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended September 30, 2018. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

(Expressed in Canadian Dollars)

Carrying values of financial instruments

The carrying values of the financial assets and liabilities at September 30, 2018 and 2017 are as follows:

As at September 30,	**2018**	2017
Financial Assets		
At fair value through profit or loss		
Cash	**$455,430**	$3,536,341
Loans and receivable, measured at amortized cost		
Receivables	**303,410**	401,649
	$758,840	$3,937,990
Financial Liabilities		
At fair value through profit or loss		
Gold stream facility *note 10(a)*	**$5,678,441**	$3,025,330
Convertible note - derivative liability *note 10(b)*	**222,334**	-
Other financial liabilities, measured at amortized cost		
Accounts payable and accrued liabilities	**1,645,966**	832,687
Convertible note *note 10(b)*	**1,016,536**	-
	$8,563,277	$3,858,017

Fair values of financial instruments

The fair value of receivables, accounts payable and accrued liabilities, and promissory note payable approximate their carrying amounts due to their short terms to maturity.

The fair value hierarchy of financial instruments measured at fair value on the statement of financial position is as follows:

As at September 30,	**2018**	2017
	Level 1	Level 1
Cash	**$455,430**	$3,536,341
	Level 3	Level 3
Gold stream facility *note 10(a)*	**$5,678,441**	$3,025,330
Convertible note derivative liability *note 10(b)*	**$222,334**	$-

The Company does not offset financial assets with financial liabilities and there were no transfers between Level 1 and Level 2 input financial instruments.

The fair value of the Gold stream facility is measured at fair value through profit and loss, with derivative valued at nominal value. The fair value of the convertible note derivative liability is measured using the Black Scholes option pricing model using the following assumptions:

(Expressed in Canadian Dollars)

As at	**September 30, 2018**	August 9, 2018*
Dividend yield	**Nil**	Nil
Expected annualized volatility	**91.8%**	95.8%
Risk free interest rate	**2.18%**	2.2%
Expected life to exercise	**1.33 years**	1.5 years
Exercise price in $s/share (US$0.11/share)	**0.142**	0.143
Forfeiture rate	**Nil**	Nil

**Inception date*

Risk management policies

The Company is exposed to financial risks sensitive to changes in commodity prices, foreign exchange and interest rates. The Company's Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Currently the Company has not entered into any options, forward or future contracts to manage its foreign exchange related exposures. Similarly, derivative financial instruments are not used to reduce these financial risks.

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 counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. The Company's maximum exposure to credit risk for cash and receivables is the amounts disclosed in the consolidated statements of financial position. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

The Company's accounts receivable at September 30, 2018 primarily consist of goods and services sales tax (GST) due from the Federal Government of Canada and loan receivable. The loan receivable of $258,387 (US$199,604) is being paid through the cash flows generated from the bulk sampling program at the Igor 4 concession. Management believes that the credit risk associated with the loan receivable is remote.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. At September 30, 2018, the Company has a cash balance of $455,430 to settle its obligations related to accounts payable and accrued liabilities of $1,645,966 and a gold stream facility loan with RIVI of $5,678,441 (US$4,386,590), payable upon meeting future production milestones.

Subsequent to year end, the Company received $1,425,000 of proceeds from the first tranche of a private placement (refer to note 19 for more details).

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Peru and Canada and a portion of its expenses are incurred in United Sates dollars and Peruvian Soles. A significant change in the currency exchange rates between the US dollar relative to the Canadian dollar and the Peruvian Soles to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations.

At September 30, 2018 the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Peruvian Soles:

	Peruvian Soles (S/.)	**United states dollars (US$)**
Assets		
Cash	55,829	$340,333
Accounts receivable	174,524	-
Loan receivable	-	199,604
	230,353	**$539,937**
Liabilities		
Accounts payable and accrued liabilities	(1,903,187)	$-
Convertible note	-	(1,014,444)
Gold Stream facility	-	(4,683,613)
	(1,903,187)	**($5,698,057)**

At September 30, 2018, USD amounts were converted at a rate of USD 1.00 to CAD 1.29; Peruvian Soles amounts were converted at a rate of Peruvian Sol 1.00 to CAD 0.3922.

Based on the above net exposures as at September 30, 2018, and assuming that all other variables remain constant, a 10% change of the Canadian dollar against the US dollar and Peruvian Soles would result in a change of approximately $733,000 in the Company's net loss for the year.

Interest rate risk

The Company considers the interest rate risk to be insignificant, as all of its interest-bearing debt have fixed interest rates.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

19. SUBSEQUENT EVENTS

On October 10, 2018, 3,000,000 warrants at an exercise price of $0.12 per common share expired unexercised (note 12(c)).

On November 4, 2018, the Company announced the completion of the pre-feasibility study on the Igor 4 concession. For more details refer to note 8.

On November 20, 2018, the Company signed an agreement with the Igor community in Northern Peru that provides the Company with the Social License to build and operate the heap leach facility for processing of the ore from the Igor 4 concession. The agreement provides for employment opportunities for the people of the Igor community, improved road maintenance in the vicinity of the community, and infrastructure improvements to local schools and medical facility.

On December 6, 2018, the Company announced a non-brokered private placement (the "financing") offering of up to 39,999,999 units at a price of $0.075 per unit. Each unit consists of one common share and half a common share purchase warrant exercisable into common shares of the Company at $0.10 per common for two years from the closing of the financing. The Company received $1,425,000 proceeds from the first tranche of the financing; upon closing of the first tranche the Company will issue 18,999,999 units.