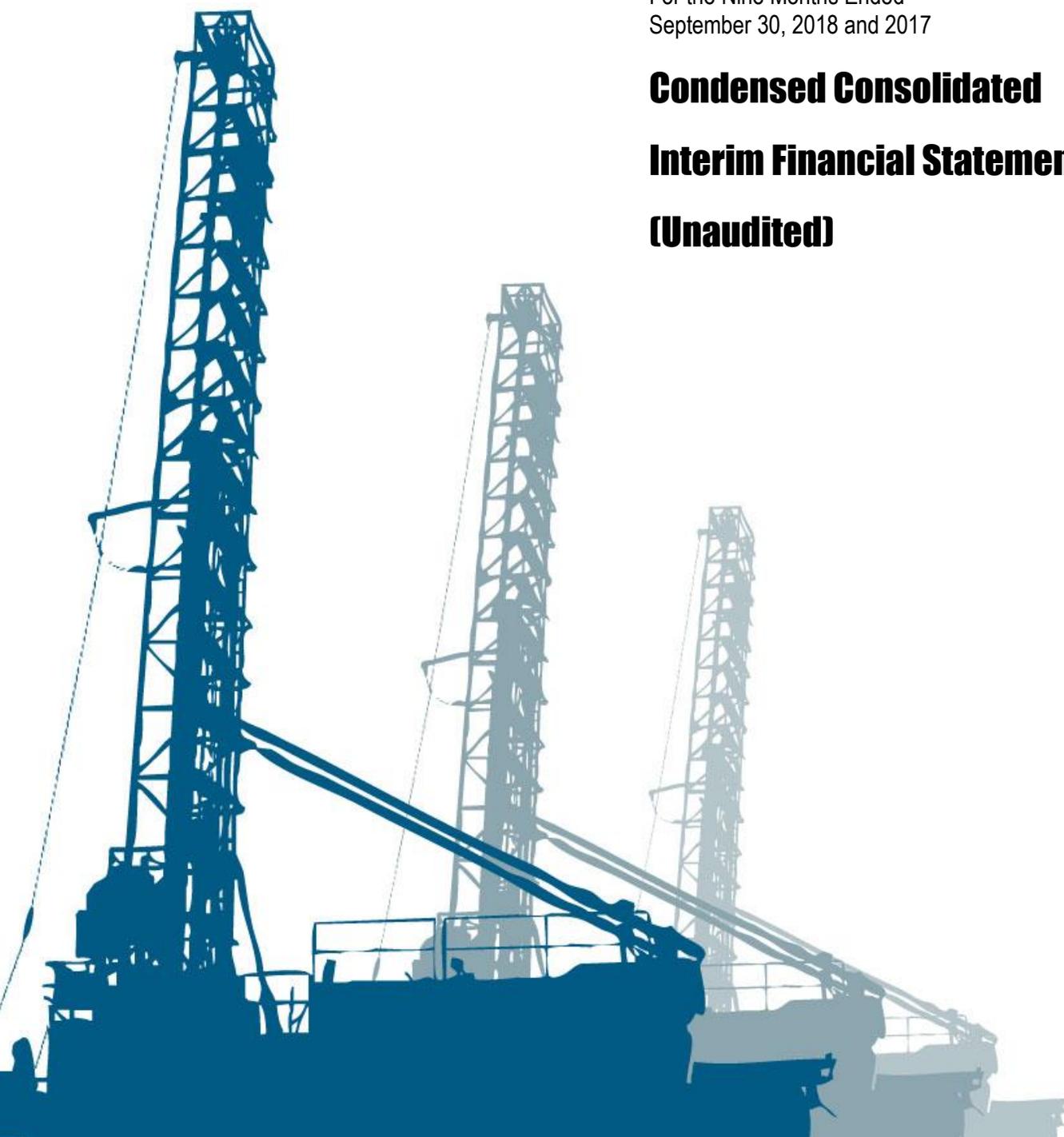


ZINCORE METALS INC.



For the Nine Months Ended  
September 30, 2018 and 2017

**Condensed Consolidated  
Interim Financial Statements  
(Unaudited)**



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## NOTICE TO READER

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These condensed consolidated interim financial statements of Zincore Metals Inc. have been prepared by management, reviewed by the Audit Committee, and approved and authorized for issue by the Board of Directors of the Company on November 28, 2018. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed consolidated interim financial statements, notes to the condensed consolidated interim financial statements and the related quarterly Management Discussion and Analysis.



# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

## (UNAUDITED)

IN CANADIAN DOLLARS

As at	SEPTEMBER 30, 2018	DECEMBER 31, 2017
<b>Assets</b>		
Current assets		
Cash (note 12)	\$ 4,370	\$ 24,096
Prepaid, advances and other receivables (note 12)	4,494	3,539
	8,864	27,635
Non-current assets		
Mineral properties (note 4)	-	-
<b>Total Assets</b>	\$ 8,864	\$ 27,635
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 6(n),9,12)	\$ 632,116	\$ 615,407
Short term obligations (note 7,12)	32,428	32,428
Shareholder loan – current (note 6, 9,12)	111,954	65,203
	776,498	713,038
Non-current liabilities		
Shareholder loan (note 6, 9)	376,432	98,993
	1,152,930	812,031
<b>Equity</b>		
Share capital (note 3)	57,015,123	57,015,123
Reserves	11,770,604	11,717,793
Deficit	(69,929,793)	(69,517,312)
	(1,144,066)	(784,396)
<b>Total Equity and Liabilities</b>	\$ 8,864	\$ 27,635

Nature and continuance of operations (note 1)  
Commitments (note 10)

See accompanying Notes to the Condensed Consolidated Interim Financial Statements



## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

IN CANADIAN DOLLARS

	THREE MONTHS ENDED SEPTEMBER 30, 2018	THREE MONTHS ENDED SEPTEMBER 30, 2017	NINE MONTHS ENDED SEPTEMBER 30, 2018	NINE MONTHS ENDED SEPTEMBER 30, 2017
<b>Expenses</b>				
General exploration expense	\$ (46,936)	(17,349)	\$ (225,357)	(172,262)
Consulting and management fee (note 9)	(9,000)	(31,472)	(27,000)	(104,808)
Foreign exchange gain (loss)	1,445	2,262	(3,356)	277
Legal and accounting	(16,017)	(7,023)	(37,614)	(35,540)
General administration	(12,134)	(12,035)	(36,680)	(36,074)
Stock-based compensation	-	-	(75,307)	-
Interest expenses (note 6)	(11,717)	(3,873)	(21,998)	(46,089)
Loss before undernoted item	(94,359)	(69,490)	(427,312)	(394,496)
Interest and other (expense) income	6	5,615	901	5,665
Gain on debt settlement	104	-	13,930	226,084
Write-off mineral	-	-	-	(3,140)
<b>Net income (loss)</b>	(94,249)	(63,875)	(412,481)	(165,887)
Other comprehensive income:				
Foreign currency translation differences in foreign operations	15,670	20,732	(22,496)	32,789
Total comprehensive income (loss)	\$ (78,579)	(43,143)	\$ (434,977)	(133,098)
Loss per share - basic and diluted	\$ (0.00)	(0.00)	\$ (0.02)	(0.01)
Weighted average number of shares outstanding – basic and diluted	19,106,338	19,015,381	19,106,338	15,666,472
Total shares issued and outstanding	19,106,338	19,015,381	19,106,338	19,015,383

See accompanying Notes to the Condensed Consolidated Interim Financial Statements



## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

IN CANADIAN DOLLARS

	THREE MONTHS ENDED SEPTEMBER 30, 2018	THREE MONTHS ENDED SEPTEMBER 30, 2017	NINE MONTHS ENDED SEPTEMBER 30, 2018	NINE MONTHS ENDED SEPTEMBER 30, 2017
<b>Operating Activities</b>				
Net income (loss) before income taxes	\$ (94,249)	\$ (63,875)	\$ (412,481)	\$ (165,887)
Items not involving cash:				
Share-based compensation (note 4b)	-	-	75,307	-
Gain or loss on debt settlement	(104)	-	(13,930)	(226,084)
Accrued interest on loans (note 6 & 7a)	11,717	1,607	21,998	7,208
Foreign exchange	(1,445)	(2,264)	3,356	(278)
Mineral property – impairment	-	-	-	3,140
	(84,081)	(64,532)	(325,750)	(381,901)
Change in non-cash operating working capital items:				
(Increase)decrease in prepaid, advances and other receivables	948	17,605	(954)	14,512
Increase (decrease) in accounts payable, loan payable and accrued liabilities	15,090	34,622	10,139	107,680
Cash used in operating activities	(68,043)	(12,305)	(316,565)	(259,709)
<b>Investing Activities</b>				
Cash acquired from Polymex	-	-	-	1,019
Cash used in investing activities	-	-	-	1,019
<b>Financing Activities</b>				
Proceeds from private placement (note 3a)	-	-	-	132,675
Proceeds from shareholders	-	-	-	39,820
Repayment of shareholder loan	(3,883)	-	(3,883)	-
Proceeds from shareholder loan	61,694	-	300,722	95,903
Cash provided by financing activities	57,811	-	296,839	268,398
Increase (decrease) in cash and cash equivalents during the period	(10,232)	(12,305)	(19,726)	9,708
Cash at beginning of period	14,602	33,132	24,096	11,119
Cash at end of period	\$ 4,370	\$ 20,827	\$ 4,370	\$ 20,827

See accompanying Notes to the Condensed Consolidated Interim Financial Statements



# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

IN CANADIAN DOLLARS

	SHARE CAPITAL		RESERVES			DEFICIT	TOTAL
	NUMBER OF SHARES (NOTE 3)	AMOUNT	SHARE-BASED PAYMENT RESERVE	WARRANTS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at December 31, 2017	19,106,338	\$ 57,015,123	\$ 4,510,061	\$ 4,811,318	\$ 2,396,414	\$ (69,517,312)	\$ (784,396)
Warrants exercised	-	-	-	-	-	-	-
Share-based payments			75,307				75,307
Net gain (loss)	-	-	-	-	-	(412,481)	(412,481)
Other comprehensive income	-	-	-	-	(22,496)	-	(22,496)
Balance at September 30, 2018	19,106,338	\$ 57,015,123	\$ 4,585,368	\$ 4,811,318	\$ 2,373,918	\$ (69,929,793)	\$ (1,144,066)
Balance at December 31, 2016	11,839,385	\$ 55,944,146	\$ 4,379,985	\$ 4,794,434	\$ 2,368,068	\$ (69,167,671)	\$ (1,681,038)
Warrants exercised	796,406	71,676	-	(31,856)	-	-	39,820
Loan Settled	5,431,910	896,265	-	-	-	-	896,265
Private Placement	947,682	72,356	-	60,319	-	-	132,675
Net gain (loss)	-	-	-	-	-	(165,887)	(165,887)
Other comprehensive loss	-	-	-	-	32,789	-	32,789
Balance at September 30, 2017	19,015,383	\$ 56,984,443	\$ 4,379,985	\$ 4,822,897	\$ 2,400,857	\$ (69,333,558)	\$ (745,376)

See accompanying Notes to the Condensed Consolidated Interim Financial Statements



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2018 (all items are in Canadian dollars except as otherwise notes)

## 1/ NATURE AND CONTINUANCE OF OPERATIONS

Zincore Metals Inc. (“Zincore” or the “Company”) located at 5626 Larch Street Suite 202, Vancouver BC, V6M 4E1, is an exploration company focused on the identification, acquisition, exploration, evaluation and development of zinc and related base metals projects in Peru. Its primary objective is to define economically feasible projects through focused exploration and to develop, joint venture, or sell properties of economic merit.

These consolidated financial statements have been prepared on a going concern basis. Zincore does not generate cash flows from operations and accordingly, Zincore will need to raise additional funds through future issuance of securities, loans or other financing. Although Zincore has been successful in raising funds in the past, there can be no assurance Zincore will be able to raise sufficient funds in the future, in which case Zincore may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if Zincore will attain a profitable level of operations. At September 30, 2018, Zincore has incurred cumulative losses of \$69,929,793 (December 31, 2017 — \$69,517,312) since inception and has negative working capital totalling \$767,634 (December 31, 2017 - \$685,403), and is unable to pay all of its commitments as they come due. The Company is currently pursuing its alternatives for financing, including potential partnerships. These factors cast significant doubt regarding Zincore’s ability to continue as a going concern. Should Zincore be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statements of financial position.

As the result of a 2013 Pre-Feasibility Study and subsequent 43-101 compliant report, the Company determined that some of its mineral properties contain mineral reserves that may be economically recoverable, upon obtaining necessary financing to complete the development of such mineral reserves and attaining profitable production or proceeds from disposition, especially given the passage of time and changes in market dynamics and prices.

The Company was incorporated as Peru Zinc Corporation on September 21, 2005 in the Province of British Columbia. The Company subsequently changed its name to Southern Zinc Corporation on April 26, 2006 and to Zincore Metals Inc. on June 5, 2006. In November 2006, Zincore completed an initial public offering and commenced trading on the Toronto Stock Exchange (“TSX”). In May 2010, the Company’s shares were approved for trading on the Lima Stock Exchange, or Bolsa de Valores de Lima (“BVL”). The address of the Company’s registered office is 5626 Larch Street, Suite 202, Vancouver, BC, Canada V6M 4E1. On March 20, 2015, the Company announced that it had applied for voluntary delisting of its shares from the TSX and concurrently applied for a listing on the NEX, a separate board of the TSX-V. At market close on March 30, 2015, the Company’s shares ceased to trade on the TSX and commenced trading on the NEX at market open on March 31, 2015 under the symbol “ZNC.H”. Given that the Company’s listing on the BVL was conditional in part on a TSX or TSX-V listing, the Company’s ceased to trade on the BVL during the first quarter of 2015. Zincore shares are not differentiated based on the exchange they are bought or sold on. Accordingly, shareholders who purchased shares on the BVL are still able to complete transactions on the NEX subject to the capabilities of their broker/dealer. On July 26, 2016, the Company’s shares commenced trading on the NEX, on a consolidated basis at the open of market. The Company’s name and trading symbol (ZNC.H) remain the same.

Although Zincore has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee Zincore’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

## 2/ ACCOUNTING POLICIES

### (A) BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 — Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2017.

The accounting policies applied in preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended December 31, 2017.



The Company's management makes judgements in its process of applying the Company's accounting policies in the preparation of its audited annual consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgements and estimates applied in preparation of the Company's audited consolidated financial statements are consistent with those applied and disclosed in notes to the Company's consolidated financial statements for the year ended December 31, 2017.

The Company's interim results are not necessarily indicative of its results for a full year.

These interim financial statements were authorized by the Board of Directors on November 28, 2018.

## (B) BASIS OF CONSOLIDATION

These unaudited consolidated annual financial statements include the accounts of the Company and its wholly-owned subsidiaries. All amounts are expressed in Canadian dollars, unless otherwise stated. The principal subsidiaries of Zincore and their geographic locations at September 30, 2018 were as follows:

	JURISDICTION	NATURE OF OPERATIONS	OWNERSHIP %
Zincore Metals Inc.	Canada	Holding company	100%
Polymex Resources Ltd.1	Canada	Holding company	100%
Antacollo SAC	Peru	Exploration company	100%
Paracas Minerals Ltd	Bermuda	Holding company	100%
Nazca Minerals Ltd.	Bermuda	Holding company	100%
Wari Minerals Limited	Bermuda	Holding company	100%
Exploraciones Collasuyo S.A.C	Peru	Exploration company	100%

(1) As a result of First Quantum Minerals Inc. ("First Quantum") terminating a joint-venture at the Dolores Project during the first quarter of 2017, Zincore regained 100% ownership of Polymex Resources Ltd. ("Polymex").

Intercompany transactions and balances between the Company and its subsidiaries are eliminated.

## (C) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

IFRS 15, Revenue from Contracts with Customers was adopted on January 1, 2018. The standard introduces a single, principles-based, five-step model for the recognition of revenue when control of goods is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Company evaluated the effect the standard had on its sales recorded in its unaudited condensed consolidated interim financial statements and determined there is no impact to the timing or amounts of revenue recognized in its states of operations.

IFRS 9, In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments.

The amended standard was adopted on January 1, 2018 and the impact to the Company's financial statements will be to classify its investments to fair value through profit or loss. The Company adopted IFRS 9 retrospectively without restatement of comparative amounts on January 1, 2018. Future changes in the fair value of these investments will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.



### New Accounting Standards Issued but Not Yet Effective

The following standard and amendment to existing standard was not yet effective as of September 30, 2018, and has not been applied in preparing these condensed consolidated interim financial statements:

IFRS 16 – Leases, was issued in January 2016 with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a “right of use” asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted. The Company is currently evaluating the effect the standard will have on its consolidated financial statements.

### 3/ SHARE CAPITAL

#### A) COMMON AND PREFERRED SHARES

The authorized share capital of the Company consists of an unlimited number of common shares without par value, an unlimited number of first preferred shares without par value, and an unlimited number of second preferred shares without par value. To date no preferred shares have been issued.

On January 5, 2017, 796,406 warrants were exercised at an exercise price of \$0.05 for proceeds of \$39,820.

On May 16, 2017, the company completed a shares for debt transaction to settle indebtedness with certain creditors of the Company and the Company's Peruvian subsidiary, Exploraciones Collasuyo SAC. The Company issued 5,431,910 common shares of the Company at a deemed price of \$0.165 per Share for deemed proceeds of \$1,059,222. The fair value of the shares was lower than the deemed price, resulting in a gain of \$114,315.

On June 30, 2017, the Company closed the initial tranche of a private placement for gross proceeds of \$132,675 by issuing an aggregate of 947,682 units to exempt buyers at a price of \$0.14 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant (473,841). Each whole warrant entitles the holder to acquire an additional common share at a price of \$0.21 per common share for a period of twelve months from the closing date. The warrants have been valued at \$60,319 using the Black-Scholes model.

On December 21, 2017, 90,957 warrants were exercised at an exercise price of \$0.21 for proceeds of \$19,101.

#### B) SHARE PURCHASE OPTION COMPENSATION PLAN

The Company has a share purchase option plan providing for the issuance of options that shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company as at the date of grant of the options. The Company may grant options to directors, officers, employees, consultants and other personnel of the Company or any of its subsidiaries. The exercise price of each option is set at the discretion of the Board, subject to any Exchange regulations. The option vesting periods are established by the Board of Directors or Exchange policies if applicable. Options may not be granted for a term exceeding ten years and all options granted to date have been for a term of five years.

On November 13, 2017, the Company granted 1,288,000 incentive options to purchase common shares of the Zincore to Directors and Officers of the Company. The exercise price is \$0.15 with an expiry date of November 13, 2022. 50% of the options vested immediately, and 50% of the options vest in 6 months from date of issuance.

The Company uses a Black-Scholes model method of accounting for all stock-based payments. The fair value of the stock options is estimated as at the date of the grant using the Black-Scholes pricing model with weighted average assumptions at the risk-free interest rate 1.63%, expected life for 5 years, and weighted volatility 260%, dividend rate 0%. Under this method, The options has been valued at \$205,384, creating a stock-based compensation expense of \$130,076 for the year ended December 31, 2017.

As at September 30, 2018, the Company had 1,849,333 (December 31, 2017 – 1,849,333) stock options outstanding with a weighted average exercise price of \$0.26 (December 31, 2017 - \$0.26) per option.



The following table summarizes the outstanding stock options as at:

	AT SEPTEMBER 30, 2018		AT DECEMBER 31, 2017	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	1,849,333	\$ 0.26	616,334	\$ 0.81
Granted	-	\$ -	1,288,000	\$ 0.15
Expired and cancelled	-	\$ -	(55,001)	\$ 3.90
Outstanding at end of period	1,849,333	\$ 0.26	1,849,333	\$ 0.26
Exercisable at end of period	1,849,333	\$ 0.26	1,025,333	\$ 0.32

EXERCISE PRICE RANGE	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING YEARS	NUMBER OF OPTIONS EXERCISABLE
\$0.01-\$0.50	1,648,000	\$0.17	3.7	1,648,000
\$0.65-\$2.50	201,333	\$0.97	0.2	201,333
\$2.51-\$5.00	-	-	-	-
	1,849,333	\$0.26	3.3	1,849,333

During the nine months ended September 30, 2018, the Company recognized \$75,307 (2017 - \$nil) as share-based compensation expense and recorded this amount in share based payment reserve.

#### C) WARRANTS

In January 2017, 796,406 warrants were exercised at an exercise price of \$0.05 for proceeds of \$39,820.

On June 30, 2017, the company completed a private placement and issued 473,841 warrants where each whole warrant entitles the holder to acquire an additional common share at a price of C\$0.21 per common share for a period of twelve months from the closing date.

On December 21, 2017, 90,957 warrants were exercised at an exercise price of \$0.21 for proceeds of \$19,101.

During the year ended 2017, 2,189,205 warrants expired.

As at September 30, 2018 the Company had the following warrants outstanding.

	NUMBER OF WARRANTS	EXERCISE PRICE
Opening – December 31, 2017	382,884	\$ 0.21
Exercised	-	\$ -
Expired	382,884	\$ 0.21
Granted	-	\$ -
Ending – September 30, 2018	-	\$ -

As at December 31, 2017, the Company had the following warrants outstanding:

	NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
	382,884	\$ 0.21	JUNE 30, 2018
	382,884	\$ 0.21	



#### 4/ MINERAL PROPERTY

As at September 30, 2018, the Company held a 100% interest in the Accha Zinc Oxide District (“AZOD”) Project. On August 6, 2013, the Company announced it had received a positive Pre-feasibility Study (“PFS”) on the AZOD Project. The PFS categorized certain of the project’s resources as proven and probable reserves. As a result of this PFS, the Company capitalized direct exploration expenditures into mineral properties. On every reporting period, the Company tests the carrying value of the asset if impairment indicators exist, such as change in market conditions.

During the second quarter of 2014, the Company wrote off exploration expenditures relating to the AZOD Project. The Company has been actively trying to raise capital or find a partner in order to advance this project. Although the PFS completed in 2013 indicated positive economics and a Net Present Value (“NPV”) for the project which is significantly greater than its book value, to date the Company has been unsuccessful in raising capital, or finding a partner or buyer. This has caused the Company to decide not to invest further funds on exploration or development of this project until market conditions improve. Although exploration work has been suspended, the Company continues to work towards securing funding, or finding a partner or buyer, for this project.

All costs associated with AZOD Project has been written off. The company maintains four claims associated with AZOD Project in good standing and made property payments in June 2018. The company will be required to pay US\$82,800 by June 30, 2019 to maintain these claims or they will be forfeited.

##### *Dolores*

On February 16, 2017, the Company reached an agreement with First Quantum Minerals Ltd to terminate the Dolores copper porphyry project joint-venture and forgive a US\$2 million convertible loan from First Quantum to Zincore. Under the terms of the agreement, the Company regained 100% ownership of the Dolores Project, in Southern Peru. As consideration for the forgiveness of the US\$2 million convertible loan, (resulting an accounting gain of \$111,769 from the forgiveness of debenture) the Company granted First Quantum a 3.5% a Net Smelter Returns Royalty on any future production that may occur at the Dolores Project, if held by Zincore.

The Company had accounted for the acquisition as an asset purchase and the purchase price allocation is summarized as follows:

Accounts payable inherited	\$	4,159
Total consideration	\$	4,159
Allocated to:		
Cash	\$	1,019
Mineral property		3,140
Total consideration	\$	4,159

Given the Company’s financial situation, Zincore did not make the property claims payments associated with the Dolores claims due to the Peru government by December 31, 2017. Consequently, Zincore no longer holds the claims making up the Dolores project and has no further obligations to First Quantum with regard to the Dolores project. As a result, the Company recorded a full impairment of \$3,140 on the project.

#### 5/ CONVERTIBLE LOAN

On April 17, 2013, the Company completed a loan agreement with First Quantum whereby First Quantum provided the Company with US \$2 million for working capital purposes. The term of the loan agreement was for one year, but was extended for one additional year to mature March 27, 2015, by mutual agreement between both parties. The interest rate was LIBOR plus 5%. Under the terms of the loan agreement, there was no provision in the agreement that required Zincore to pay back this loan and the related interest in cash. The repayment options were as follows: Unless Zincore chose to repay the loan in cash prior to maturity, First Quantum had the option to choose at or before maturity, one of the following three conversion options to receive repayment:

- Credit all or a portion of the Loan amount towards the First Quantum’s obligations to incur project expenditures for the Dolores joint venture as per the terms of the agreement dated August 28, 2012;
- Credit all or a portion of the Loan amount towards the First Quantum’s obligations to earn an interest into any new copper target relating to the regional copper exploration “MOU” announced on July 23, 2013; or
- Convert all or a portion of the Loan amount into Zincore shares, subject to the prior approval of Zincore shareholders if the conversion would result in the issuing of a number of shares greater than 10% of the Company’s issued and outstanding common shares at the time of conversion. Any conversion of the loan amount



into Zincore shares would be at the greater of the volume weighted average trading price of the Company's shares for the five days prior to the date of conversion, or US \$2.40/share.

On February 16, 2017, the Company reached an agreement with First Quantum Minerals Ltd to terminate the Dolores copper porphyry project joint-venture. Under the terms of the agreement, the Company regained 100% ownership of the Dolores Project, in Southern Peru. As consideration for the forgiveness of the US\$2 million convertible loan (resulting in an accounting gain of \$111,769 from the forgiveness of debenture) between the two companies, the Company granted First Quantum a 3.5% a Net Smelter Returns Royalty on any future production that may occur at the Dolores Project with Zincore's involvement. Zincore had the right to reduce the Royalty at any time by 1.5 percentage points to 2.0%, by paying First Quantum US\$4 million. Given lack of funds, Zincore did not make the property claim payments in 2017 and dropped the Dolores claims.

The value of the convertible loan on the consolidated statements of financial position is calculated on a net basis as follows:

Loan	\$	3,001,442
Conversion option		(2,889,673)
Net value of convertible loan as at December 31, 2016	\$	111,769
Gain in settlement of debt – forgiveness of convertible loan	\$	(111,769)
Net value of convertible loan as at December 31, 2017	\$	-

## 6/ SHAREHOLDER LOANS

	September 30, 2018	December 31, 2017
Exploraciones Collauyo S.A.C 1 (a)(m)	\$ 63,398	65,203
Exploraciones Collauyo S.A.C 2 (b)	-	-
Exploraciones Collauyo S.A.C 3 (c)	-	-
Exploraciones Collauyo S.A.C 4 (d)	-	-
Exploraciones Collauyo S.A.C 5 (e)	-	-
Zincore Metals Inc 6 (f)	-	-
Zincore Metals Inc 7 (g)	-	-
Exploraciones Collauyo S.A.C 8 (h)	-	-
Exploraciones Collauyo S.A.C 9 (i)(m)	10,458	9,301
Exploraciones Collauyo S.A.C 10 (j)(m)	38,098	33,891
Zincore Metals Inc 11 (k)(m)	62,728	55,801
Exploraciones Collauyo S.A.C 12 (o)	22,977	-
Zincore Metals Inc 13 (p)	22,067	-
Exploraciones Collauyo S.A.C 14 (q)	1,366	-
Exploraciones Collauyo S.A.C 15 (r)	135,281	-
Exploraciones Collauyo S.A.C 16 (s)	44,446	-
Zincore Metals Inc 17 (t)	20,388	-
Exploraciones Collauyo S.A.C 18 (u)	57,834	-
Zincore Metals Inc 19 (v)	9,345	-
Total shareholder loans as at September 30, 2018	\$ 488,386	164,196
Short term portion as at September 30, 2018	\$ 111,954	65,203

- (a) On September 29, 2015, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged two unsecured loans with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. \$215,536. The Loans were in respect of advances in an aggregate of U.S. \$143,836 made by Mr. Benavides to the Company over 9 months in 2015, and for U.S. \$71,700 in consulting fees owed by the Company to Mr. Benavides for the period of October



2014 to September 2015. The Loans, which were to mature in 24 months on September 29, 2017, carried interest rates of 12% compounded annually. The Loan principals and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. On May 16, 2017 the company partially settled the loans (\$282,314) by issuing 1,447,763 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$43,433 for year ended December 31, 2017. During the period ended September 30, 2018, the Company repaid \$3,883 (U.S. \$3,000) in principal.

- (b) On May 3, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$11,400. The Loan, which was to mature in 24 months on May 3, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest was to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$17,244) by issuing 88,429 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$2,650 for year ended December 31, 2017.
- (c) On June 21, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for Peruvian Sol 35,000. The Loan, which was to mature in 24 months on June 21, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$16,098) by issuing 82,553 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$2,476 for year ended December 31, 2017.
- (d) On September 28, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$700. The Loan, which was to mature in 24 months on September 28, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$1,013) by issuing 5,193 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$155 for year ended December 31, 2017.
- (e) On October 13, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$1,000. The Loan, which was to mature in 24 months on October 13, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$1,440) by issuing 7,387 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$222 for year ended December 31, 2017.
- (f) On October 13, 2016, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$6,000. The Loan, which was to mature in 24 months on October 13, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$8,643) by issuing 44,323 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$1,329 for year ended December 31, 2017.
- (g) On November 30, 2016, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. \$15,000. The Loan, which was to mature in 24 months on November 30, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$21,288) by issuing 109,168 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$3,275 for year ended December 31, 2017.
- (h) On December 16, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$2,250. The Loan, which was to mature in 24 months on December 16, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$3,241) by issuing 16,621 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$499 for year ended December 31, 2017.



- (i) On February 9, 2017, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$6,700. The Loan, which matures in 24 months on February 9, 2019, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (j) On March 17, 2017, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$24,679. The Loan, which matures in 24 months on March 17, 2019, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (k) On March 17, 2017, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$40,634. The Loan, which matures in 24 months on March 17, 2019, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (l) On May 16, 2017, the Company completed shares for debt transactions to settle shareholder loans with certain creditors of the Company and the Company's Peruvian subsidiary, Exploraciones Collasuyo SAC. The Company issued 1,801,437 (see above from (a) to (h) common shares of the Company to settle \$351,280 of debentures. As the fair value of the shares was lower than the deemed value at the date of issuance, a gain of \$54,039 was recognized from settlement for year ended December 31, 2017.
- (m) December 14, 2017, the Company and its Peruvian subsidiary, Exploraciones Collasuyo S.A.C., ("Collasuyo") entered into agreements (the "Creditor Agreements") with the Company's CEO and Director Jorge Benavides to turn the applicable loans as indicated above, into long term debt obligations, subject to the Company completing a minimum \$600,000 financing. Upon completion of such a financing, the Creditor Agreements will become active, and the applicable funds will become due and payable 20-months after the closing of the financing.
- The Creditor Agreements will be subject to interest rates of 12-month LIBOR, with the principal and applicable interest due at maturity. The Obligations will be guaranteed by Zincore. In the event that the Company is unable to pay the Obligations when they are due, they will be subject to an additional 2% annualized penalty.
- (n) December 14, 2017, the Company and its Peruvian subsidiary, Exploraciones Collasuyo S.A.C., ("Collasuyo") entered into agreements (the "Creditor Agreements") with the Company's CEO and Director Jorge Benavides to turn outstanding fees into long term obligations, subject to the Company completing a minimum \$600,000 financing. The total amount of payables that are subject to these Creditor Agreements is \$143,303 (US\$114,231). The Creditor Agreements will become active and the applicable funds will become due and payable 20 months after the closing of a minimum \$600,000 financing.
- The Creditor Agreements will be subject to interest rates of 12-month LIBOR, with the principal and applicable interest due at maturity. The Obligations will be guaranteed by Zincore. In the event that the Company is unable to pay the Obligations when they are due, they will be subject to an additional 2% annualized penalty.
- (o) On February 16, 2018, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$16,522. The Loan, which matures in 24 months on February 16, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (p) On March 15, 2018, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$16,000. The Loan, which matures in 24 months on March 15, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (q) On April 16, 2018, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$1,000. The Loan, which matures in 24 months on April 16, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (r) On May 16, 2018, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$100,000. The Loan, which matures in 24 months on May 16, 2020, carries an interest rate of 12% compounded



annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.

- (s) On May 30, 2018, the Company's Peruvian subsidiary, Exploraciones Collaayo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$33,000. The Loan, which matures in 24 months on May 30, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (t) On May 1, 2018, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$15,000. The Loan, which matures in 24 months on May 1, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (u) On July 23, 2018, the Company's Peruvian subsidiary, Exploraciones Collaayo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for US\$43,686. The loan, which matures in 24 months on July 23, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (v) On August 10, 2018, the Company arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for US\$7,100. The loan, which matures in 24 months on August 10, 2020, carries an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (w) As at September 30, 2018, \$488,386 (U.S. \$377,278) (December 31, 2017 - \$164,196 (U.S. \$130,886)) is outstanding from a shareholder, who is also a director and officer of the company. During the nine months ended September 30, 2018, the Company recorded accrued interest expenses of \$21,998 (2017 — \$6,589) related to these loans.

## 7/ SHORT TERM OBLIGATIONS

- (a) On June 24, 2015, the Company's Peruvian subsidiary, Exploraciones Collaayo S.A.C., arranged an arms-length, unsecured loan with Grupo Inversionista Las Olas S.A. for U.S. \$200,000 (\$250,000) (the "Loan"). The Loan, which matured in 24 months, had an interest rate of 12%, compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. Proceeds from the Loan were to be used for payment of: property maintenance claims, some outstanding payables and general working capital purposes.

On September 8, 2015, the Company reported that its Peruvian subsidiary, Exploraciones Collaayo S.A.C., arranged two arms-length, unsecured loans with Grupo Inversionista Las Olas S.A. for U.S. \$50,000 and U.S. \$120,000 (\$224,400 total) (the "Loans"). The Loans, which matured in 24 months on August 12, 2017 and September 3, 2017, carried an interest rate of 12%, compounded annually. The Loans' principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. Proceeds from the Loan were to be used for payment of: property maintenance claims, some outstanding payables and general working capital purposes.

On May 16, 2017, the Company settled all Las Olas loans and interest in full (approximately \$611,800) with the issuance of 3,386,883 common shares. As the deemed value for the shares was lower than the fair value of the shares on the date of issuance, the Company resulted a gain of \$52,968 from the settlement for year ended December 31, 2017.

- (b) On March 2012 the Company signed an agreement to sublease its office space until the end of its lease obligation in September 2017. This enabled the Company to fully offset the remaining commitment relating to its operating lease obligations. The sublease agreement became effective on April 15, 2012. Pursuant to that agreement the Company collected a three-month damage deposit and recorded it as a long-term obligation. On April 25, 2017, a new agreement was signed, whereby the lease was terminated early on July 15, 2017.

As at September 30, 2018 the Company had the following short-term obligation outstanding:

	NINE MONTHS ENDED SEPTEMBER 30, 2018	YEAR ENDED DECEMBER 31, 2017
Lease obligation (b)	32,428	32,428
Total Short term obligation	\$ 32,428	\$ 32,428



## 8/ SEGMENTED INFORMATION

The Company operates in one reportable operating segment, the acquisition and exploration of mineral properties. As at September 30, 2018 and December 31, 2017, the Company has no non-current assets.

## 9/ RELATED PARTY TRANSACTIONS

- (a) Prior to October 2013, the Company paid remuneration for management services to a company controlled by Zincore's CEO. Fees were paid based on a daily rate pursuant to a consulting contract, approved by the Company's Board of Directors. In October 2013, the Company commenced paying its CEO directly rather than to a company controlled by him. The Company also paid the remuneration of the Chief Financial Officer ("CFO") through a company controlled by the CFO. These amounts are recorded as consulting fees in Consolidated Annual Statements of Comprehensive Loss. On May 16, 2017, the Company settled partial accounts payable of \$47,500 by issuing 243,590 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$7,308. Including the gain from settlement of shareholder loan (\$54,039, see note 6(l)) and Las Olas loan (\$52,968, see note 7(a)), the total gain from settlement of debenture from the issuance of 5,431,910 shares was \$114,315 for year ended December 31, 2017.
- (b) As at September 30, 2018, the Company had \$488,386 (December 31, 2017 - \$164,196) of shareholder loans outstanding (see note 6).
- (c) As at September 30, 2018, related party accounts payable was \$185,672 (December 31, 2017 - \$152,753).
- (d) Compensation of key management personnel:

	NINE MONTHS ENDED SEPTEMBER 30, 2018	NINE MONTHS ENDED SEPTEMBER 30, 2017
Remuneration paid to CEO	\$ -	\$ 70,308
Remuneration paid to CFO	27,000	27,000

## 10/COMMITMENTS

- a) As part of the convertible debenture settlement with First Quantum (note 5), the Company is required to maintain Directors and Officers Insurance over the next 6 years (commitment ends on February 2023). The Company's committed obligation is \$9,600 for September 30, 2019.

	WITH 1 YEAR	OVER 1 YEAR	TOTAL
D&O Insurance	\$ 9,600	\$ 32,800	42,400
	9,600	32,800	42,400

- b) The Company is committed to pay a property title fee of US\$82,800 on June 30, 2019 to keep the AZOD Project in good standing.
- c) On December 22, 2017, the Company's Peruvian subsidiary, Exploraciones Collasuyo S.A.C., ("Collasuyo") entered into an agreement (the "Creditor Agreement") with a creditor of the Company to turn a current payable of \$361,227 (US\$287,792) into a long term debt obligation, due and payable 20 months from the date the Company completes a minimum \$600,000 financing.

## 11/ MANAGEMENT OF CAPITAL RISK

The capital structure of the Company consists of equity attributable to common shareholders, comprising share capital, reserves and deficit. Its capital resources consist of cash and cash equivalents. The Company manages its capital to fund its exploration and development expenditures and corporate costs with the primary objective of maintaining adequate liquidity within the Company to safeguard its ability to continue as a going concern while minimizing dilution to current equity holders.

The capital of the Company consists of items included in shareholders' equity, net of cash and cash equivalents as follows:



	NINE MONTHS ENDED SEPTEMBER 30, 2018		YEAR ENDED DECEMBER 31, 2017	
Total equity for owners	\$	(1,144,066)	\$	(784,396)
Less: cash and cash equivalent		(4,370)		(24,096)
		(1,148,436)		(808,492)

To effectively manage its resources and minimize risk the Company maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a monthly cash call process. The Company prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. The budget and any revisions to it are approved by the Board of Directors (the "Board").

The Company maintains an investment policy that specifies the investment products and credit exposures permitted relating to the short-term investments of the Company's cash (the "Cash Investment Policy").

The Company is not subject to any externally imposed capital requirements and it does not have exposure to asset-backed commercial paper or similar products.

## 12/ MANAGEMENT OF FINANCIAL RISK

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk and price risk (including currency and interest rate risks). The risk related to financial instruments is managed by the senior management of the Company under policies and directions approved by the Board. Relevant policies include the Cash Investment Policy and the approval allowing a portion of the Company's cash to be held in United States dollars at the discretion of the Chief Financial Officer. The Board monitors these policies on a quarterly basis. The Company's Board has not approved the use of derivative financial products.

### A) FAIR VALUE ESTIMATION

The fair values of the Company's cash and cash equivalents, prepaid, advances and other receivables and accounts payable approximate their carrying values due to their short term nature. The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk with respect to currency risk and interest risk. The following table summarize the Company's financial instruments as at September 30, 2018 and December 31, 2017:

	SEPTEMBER 30, 2018		DECEMBER 31, 2017	
	Carrying Amount (\$)	Fair Value (\$)	Carrying Amount (\$)	Fair Value (\$)
<b>FINANCIAL ASSETS</b>				
Fair value through profit or loss				
Cash	4,370	4,370	24,096	24,096
Other receivables	4,494	4,494	3,539	3,539
<b>FINANCIAL LIABILITIES</b>				
Accounts payable and accrued liabilities	632,116	632,116	615,407	615,407
Shareholder loan	488,386	488,386	164,196	164,196
Short term obligation	32,428	32,428	32,428	32,428

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:



- Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 Inputs that are not based on observable market data Fair values of financial instruments

The Company has classified all of its financial instruments at Level 1

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

The Company's cash assets are held in demand accounts in Canada, Bermuda, and Peru. All accounts are held at commercial banks with credit ratings of A or higher.

#### B) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure that there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase exploration plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share in the funding of its exploration properties to minimize shareholder risk. The Company's cash assets are held in demand accounts in Canada, Bermuda, and Peru.

The Company is continuously evaluating alternatives in order to raise additional capital to increase liquidity and to cut costs where possible, but there's no certainty that additional capital will be raised. As at September 30, 2018, cash was \$4,370 (December 31, 2017 - \$24,096).

#### C) CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds its cash resources principally in Canadian dollars with a secondary amount held in U.S. dollars and incurs expenses principally in U.S. dollars with smaller exposures mainly to Peruvian soles and Canadian dollars. A weakening Canadian dollar relative to these currencies increases the Company's reported expenses and increases its deferred mineral property investments. However, a weakening Canadian dollar results in a foreign exchange gain on the Company's non-Canadian monetary assets.

As at September 30, 2018, a 10% weakening in the U.S. dollar relative to the Canadian dollar would increase the net gain by approximately \$92,161 (December 31, 2017 - \$66,057) over the next three months with a 10% strengthening having the opposite effect.

#### D) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash and cash equivalents, as at September 30, 2018 and December 31, 2017, there's no material impact if there is a 1% increase or decrease in short term rates.

#### **Subsequent Events**

On November 19, 2018, the Company negotiated a loan for US\$7,850 from a shareholder. The interest rate is 12% compounded annually and matures on May 19, 2019.