

ALTIPLANO METALS INC. *(formerly ALTIPLANO MINERALS LTD.)*

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

Independent Auditor's Report

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To the Shareholders of Altiplano Metals Inc.

Opinion

We have audited the consolidated financial statements of Altiplano Metals Inc. (formerly, Altiplano Minerals Ltd.) and its subsidiaries ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017 and the consolidated statements of loss and comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates the Company incurred a net comprehensive loss of \$2,211,692 during the year ended December 31, 2018 and, as of that date, had an accumulated deficit of \$5,824,903. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sandra Pietrzyk.

Edmonton, Canada

April 26, 2019



Chartered Professional Accountants

ALTIPLANO METALS INC. (formerly ALTIPLANO MINERALS LTD.)
Consolidated Statements of Financial Position

As at	December 31 2018	December 31 2017
Assets		
Current		
Cash	\$ 48,437	\$ 58,327
Accounts receivable	152,041	-
Goods and services tax receivable	394,096	42,935
Prepayments and deposits	92,727	134,616
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	687,301	235,878
Investments (note 7)	85,631	7,500
Equipment (note 6)	256,342	-
Exploration and evaluation property (note 5)	6,585,060	3,175,319
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	\$ 7,614,334	\$ 3,418,697
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Liabilities		
Current		
Accounts payable and accrued liabilities (note 11)	\$ 505,874	\$ 143,490
Payroll liabilities	54,072	-
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Equity		
Share capital (note 9)	11,892,330	6,230,497
Option and warrant reserve	1,083,190	657,921
Accumulated other comprehensive income	(96,229)	-
Deficit	(5,824,903)	(3,613,211)
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	7,054,388	3,275,207
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	\$ 7,614,334	\$ 3,418,697
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Going Concern (note 1)
Subsequent events (note 12)

Approved by the Board of Directors

Director (signed by) "John Williamson"

Director (signed by) "Sean Maqer"

The accompanying notes form an integral part of these consolidated financial statements

ALTIPLANO METALS INC. (formerly ALTIPLANO MINERALS LTD.)
Consolidated Statements of Loss and Comprehensive Loss

For the years ended	December 31 2018	December 31 2017
Expenses		
Management fees (note 11)	\$ 195,309	\$ 278,584
Office and administration	106,153	117,179
Professional fees	162,104	108,377
Regulatory and filing fees	42,399	55,522
Investor relations (note 11)	459,121	583,352
Share-based payments (note 9,11)	676,500	240,000
	<u>(1,641,586)</u>	<u>(1,383,014)</u>
Other		
Interest income	101	40
Unrealized loss on investments (note 7)	(99,950)	(8,750)
Loss on disposal of exploration and evaluation property (note 5)	(384,903)	-
Loss (gain) on foreign exchange	(85,354)	17,931
	<u>(570,106)</u>	<u>9,221</u>
Net loss for the year	<u>\$ (2,211,692)</u>	<u>\$ (1,373,793)</u>
Other comprehensive loss		
Items that may be reclassified subsequently to profit and loss:		
Loss on translation of foreign operations	<u>(96,229)</u>	-
Comprehensive loss for the year	<u>\$ (2,307,921)</u>	<u>\$ (1,373,793)</u>
Basic and diluted loss per common share	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
Basic and diluted weighted average number of common shares outstanding (note 9)	<u>60,526,500</u>	<u>30,853,070</u>

The accompanying notes form an integral part of these consolidated financial statements

ALTIPLANO METALS INC. (formerly ALTIPLANO MINERALS LTD.)
Consolidated Statements of Changes in Equity

	Share capital	Option and warrant reserve	AOCI	Deficit	Total equity
Balance at December 31, 2016	\$ 2,218,205	\$ 306,500	\$ -	\$ (2,239,418)	\$ 285,287
Shares issued for cash (note 9)	3,000,000	-	-	-	3,000,000
Shares issued for property (note 9)	112,500	-	-	-	112,500
Share issuance costs	(382,837)	126,421	-	-	(256,416)
Share-based payments (note 9)	-	240,000	-	-	240,000
Options exercised (note 9)	45,000	(15,000)	-	-	30,000
Warrants exercised (note 9)	1,237,629	-	-	-	1,237,629
Net loss	-	-	-	(1,373,793)	(1,373,793)
Balance at December 31, 2017	\$ 6,230,497	\$ 657,921	\$ -	\$ (3,613,211)	\$ 3,275,207
Advanced share subscription received	50,000	-	-	-	50,000
Shares issued for cash (note 9)	200,000	-	-	-	200,000
Shares issued for property (note 9)	2,475,000	-	-	-	2,475,000
Share issuance costs	(26,156)	-	-	-	(26,156)
Share-based payments (note 9)	-	676,500	-	-	676,500
Options exercised (note 9)	325,843	(151,927)	-	-	173,916
Warrants exercised (note 9)	2,637,146	(99,304)	-	-	2,537,842
Other comprehensive loss	-	-	(96,229)	-	(96,229)
Net loss	-	-	-	(2,211,692)	(2,211,692)
Balance at December 31, 2018	\$11,892,330	\$ 1,083,190	\$ (96,229)	\$ (5,824,903)	\$ 7,054,388

The accompanying notes form an integral part of these consolidated financial statements

ALTIPLANO METALS INC. (formerly ALTIPLANO MINERALS LTD.)
Consolidated Statements of Cash Flows

For the years ended	December 31 2018	December 31 2017
Cash provided by (used in):		
Operating activities		
Net loss	\$ (2,211,692)	\$ (1,373,793)
Items not affecting cash:		
Foreign exchange loss on investment (note 7)	5,456	-
Loss on disposal of exploration and evaluation property (note 5)	384,903	-
Share-based payments (note 9)	676,500	240,000
Unrealized loss on investments (note 7)	99,950	8,750
Changes in non-cash working capital:		
Goods and services tax receivable	(19,484)	(26,669)
Accounts receivable and prepaids	154,741	(127,516)
Accounts payable and accrued liabilities	122,285	98,545
Cash used in operating activities	<u>(787,341)</u>	<u>(1,180,683)</u>
Investing activities		
Exploration and evaluation property acquisition expenditures (note 4)	(43,606)	(2,544,709)
Exploration and evaluation property exploration expenditures	(3,033,850)	(286,051)
Exploration and evaluation property exploration recoveries	1,115,261	-
Exploration and evaluation property disposal	64,250	-
Purchase of equipment	(121,193)	-
Investments	(53,536)	-
Cash used in investing activities	<u>(2,072,674)</u>	<u>(2,830,760)</u>
Financing activities		
Proceeds from private placements (note 9)	200,000	3,000,000
Proceeds from exercise of warrants (note 9)	2,537,842	1,237,629
Proceeds from exercise of options (note 9)	173,916	30,000
Share issuance costs	(26,156)	(256,416)
Share subscription received (note 12)	50,000	-
Cash provided by financing activities	<u>2,935,602</u>	<u>4,011,213</u>
Foreign exchange effect on cash	(85,477)	-
Net decrease in cash	(9,890)	(230)
Cash, beginning of year	<u>58,327</u>	<u>58,557</u>
Cash, end of year	\$ 48,437	\$ 58,327

During the year ended December 31, 2018, the Company received interest totaling \$101 (2017 - \$40) relating to operating activities.

The accompanying notes form an integral part of these consolidated financial statements

1. Nature of operations and going concern

Altiplano Metals Inc. (“Altiplano” or the “Company”) was incorporated under the Business Corporations Act (Alberta) on March 5, 2010. On November 10, 2010, the Company was continued into the Province of British Columbia under the *Business Corporations Act* (British Columbia). The Company’s common shares are listed for trading on the TSX Venture Exchange under the trading symbol “APN”, on the OTCQB Venture Market under the trading symbol “ALTPF”, and on the Frankfurt Stock Exchange under the trading symbol “9AJ1”. The Company’s head office is at Suite 210, 8429-24 Street NW, Edmonton, Alberta, T6P 1L3. The Company is focused on evaluating and acquiring exploration projects with significant potential for advancement from discovery through to production, in Canada and abroad.

The Company is focused on evaluating and acquiring exploration projects with significant potential for advancement from discovery through to production, in Canada and abroad.

While these consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations for the foreseeable future, there are significant uncertainties related to certain adverse conditions and events that may cast doubt on the validity of this assumption. As at December 31, 2018, the Company had working capital of \$127,355 (2017 - \$92,388) and an accumulated deficit of \$5,824,903 (2017 - \$3,613,211). The Company anticipates that its cash resources will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds may be required for further exploration to delineate deposits and make a production decision. Additional funds will also be required for the Company to acquire and explore other mineral interests. The Company is dependent upon obtaining additional equity or debt financing to fund any operating expenditures or acquisition opportunities in order to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses, and the classifications on the statement of financial position.

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on April 24, 2019.

These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries Altiplano Minerals Chile SPA, and SCM Comet Exploration Chile. All intercompany transactions and balances have been eliminated.

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Altiplano Minerals Chile SPA	Chile	100%	Holding company
SCM Comet Exploration Chile	Chile	100%	Holds mineral interests in Chile

These consolidated financial statements are prepared using the functional currency of the Company and each of its subsidiaries. Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of Altiplano is the Canadian Dollar and the functional currency of Altiplano Chile and Comet Chile is the Chilean Peso. The Canadian dollar is the presentation currency of the Company. All entities whose functional currency differs from the presentation currency are translated as follows: assets and liabilities at the closing rate as at the reporting date and income and expenses at the average rate of the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences.

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian Dollars unless otherwise noted.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Management estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in its financial statements and related notes. Those include estimates that, by their nature, are uncertain and actual results could differ materially from those estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The areas which require management to make significant estimates, judgments and assumptions in determining carrying values include:

Estimates and assumptions

Share-based compensation and non-cash share issuance costs

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

The fair values of share-based compensation and non-cash share issuance costs relating to the issuance of agents' warrants and stock options are determined using the Black-Scholes Option Pricing Model based on estimated fair values at the date of grant. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimates.

Impairment of non-current assets

Recognition of exploration and evaluation property expenditures requires judgment from management in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management is required to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established, and takes into considerations variables such as long-term commodity prices, exploration potential and extraction costs. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures are unlikely, the amounts capitalized are written off in profit or loss in the period when the new information becomes available.

Useful life of depreciable assets

Management reviews its estimate of useful lives of depreciable assets at each reporting date, based on the expected utility of the assets

Judgments

Business combinations

On the acquisition of a subsidiary, the Company must determine whether the acquisition is a business combination by applying the definition in IFRS 3 Business Combinations. If the assets and liabilities assumed do not constitute a business the transaction would be accounted for as an asset acquisition. A business consists of inputs to which processes are applied resulting in outputs that provide a return to the Company and its shareholders.

Due to the fact that the Company is in advanced exploration stage, the Company has accounted for its acquisition of SCM Comet Chile (note 4) as an asset acquisition, whereby acquired assets and liabilities are measured at cost or an assigned fair value based on their relative fair values at the acquisition date; no goodwill is recognized; and acquisition-related costs are capitalized to the assets.

Determination of functional currency

The determination of functional currency for each company requires an analysis of various indicators which IFRS splits between primary and additional indicators. The primary factors include analyzing (a) the currency that mainly influences sales prices for goods and services, (b) the currency of the country whose competitive forces and regulations mainly determine the sales price of its goods or services. There is judgement in determining whether the functional currency is Chilean Pesos or Canadian Dollars.

The additional factors for consideration under IFRS which include examining (a) the currency of the financing activities, (b) the currency in which the receipts from operating activities are usually retained, (c) whether the activities of foreign operations are carried out as an extension of the Company or operate with a large degree of autonomy, (d) whether the transactions between the entities is a high or low proportion of the foreign operation's activities, (e) whether cash flows from activities of a foreign operation directly affect the cash flows of the Company and (f) whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations.

Exploration and evaluation assets

The Company is in advanced stage of exploration, carrying out bulk sampling during the period. The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

b) Cash

Cash is comprised of cash on hand and cash on deposit with the Company's financial institution on which it earns variable amounts of interest.

c) Revenue recognition

Prior to revenue being recognized, the Company must have an enforceable sales contract, in accordance with customary business practices that clearly outline each party's rights regarding the goods to be transferred, payment terms, etc; the contract must have economic substance; and it must be probable that the Company will ultimately receive payment. The Company determines the transaction price, which is the agreed upon contract price and allocations the transaction proceeds to the performance obligations stated in the contract. The only performance obligation the Company has is to deliver the goods to the customer.

Revenue is measured at the fair value of consideration received or receivable. Any sales that occur prior to the commencement of commercial production are credited to exploration and evaluation properties.

The Company's interest revenue relates to its cash on deposit with the Company's financial institutions and is recognized as earned.

d) Financial instruments

The classification of a financial asset or liability is determined at the time of initial recognition. The Company does not enter into derivative contracts.

Financial assets

A financial asset is recognized when the Company has the contractual right to collect future cash flows. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial assets are recognized at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost.

Cash and cash equivalents are recognized at their fair value and carried at amortized cost.

Receivables are initially recognized at their fair value, less transaction costs and subsequently carried at amortized cost using the effective interest method less impairment losses.

Equity investments are initially recognized at their fair value. Changes in the fair value of equity investments are recognized in comprehensive income (loss) in the period in which they occur.

Interest income is recognized by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets

IFRS 9 replaces the incurred loss model from IAS 39 with an expected loss model (“ECL”). The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39. The ECL model applies to the Company’s trade receivables.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and forecasts that affect the expected collectability of future cash flows of the instrument.

In applying this forward-looking approach, the Company separates instruments into the below categories:

1. financial instruments that have not deteriorated significantly since initial recognition or that have low credit risk.
2. financial instruments that have deteriorated significantly since initial recognition and whose credit loss is not low.
3. financial instruments that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognized for the first category while ‘lifetime expected credit losses’ are recognized for the second category.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. To calculate, the Company uses historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis when they possess shared credit risk characteristics and days past due.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

Financial assets, other than those at FVTPL and amortized cost, are assessed for indicators of impairment at each reporting period. Financial assets are 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 investment have been impacted.

De-recognition of financial assets

A financial asset is derecognized when the contractual right to the asset’s cash flows expire or the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

Financial liabilities:

A financial liability is recognized when the Company has the contractual obligation to pay future cash flows. Financial liabilities such as accounts payable and accrued liabilities and bank loan are recognized at amortized cost using the effective interest rate method.

e) Foreign and functional currency

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at exchange rates in effect on the date of the consolidated statement of financial position. Non-monetary items are translated at historical exchange rates, except where such items are carried at fair value, in which case they are translated at the exchange rate in effect at the date of the consolidated statement of financial position. The resulting foreign exchange gains or losses are recognized in net income (loss) in the periods in which they occur, except for foreign currency gains and losses arising from fluctuations in currency exchange rates on the net investment of the Company in its foreign operations, which is reported as a component of other comprehensive income until the Company's net investment in foreign operations changes, at which time the associated accumulated amount of foreign exchange gains and losses are reclassified from accumulated other comprehensive income to net income (loss).

f) Equipment

Equipment is recorded at historical cost less accumulated depreciation and impairment losses.

The cost of an item of equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and for qualifying assets, the associated borrowing costs. Where an item of equipment is comprised of major components with different useful lives, the components are accounted for as separate items of equipment.

Costs incurred for major overhaul of existing equipment and sustaining capital are capitalized as equipment and are subject to depreciation once they are available for use. Major overhauls include improvement programs that increase the productivity or extend the useful life of an asset beyond that initially envisaged. The costs of routine maintenance and repairs that do not constitute improvement programs are accounted for as a repairs and maintenance.

The carrying amounts of plant and equipment are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of mine or lease, if shorter. Depreciation starts on the date when commissioning is complete, and the asset is ready for its intended use. The major categories of plant and equipment are depreciated at the following useful lives:

Computer hardware	3-6 years
Furniture and fixtures	3-10 years
Machinery equipment	5-10 years

g) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for indicators of impairment at the end of each reporting period. If there are indicators of impairment, an evaluation is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs to sell and its value-in-use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the assets are grouped together into the smallest group of assets that generate independent cash inflows and then a review is undertaken at the cash-generating unit level.

If the carrying amount of an individual asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recorded profit or loss to reflect the asset at the lower amount. In assessing the value-in use, the relevant future cash flows expected to arise from the continuing use of such assets and from their disposal are discounted to their present value using a pre-tax discount rate which reflects the current market's assessments of the time value of money and asset-specific risks for which the cash flow estimates have not been adjusted. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties.

A reversal of a previously recognized impairment loss is recorded in profit or loss when events or circumstances indicate that the estimates used to determine the recoverable amount have changed since the prior impairment loss was recognized. The carrying amount is increased to the recoverable amount but not beyond the carrying amount net of amortization which would have arisen if the prior impairment loss had not been recognized. After such a reversal, the amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life

h) Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit and loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to the instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

i) Exploration and evaluation properties

Exploration and evaluation property acquisition costs and exploration costs directly related to specific properties are deferred, commencing on the date that the Company acquires legal rights to explore a property, until technical and economic feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. Exploration costs may include costs such as materials used, surveying costs, drilling costs, payments made to contractors, analysing historical exploration data, geophysical studies, and depreciation on equipment used during the exploration stage. All other costs, including administrative overhead are expensed as incurred. If the properties are put into commercial production, the acquisition and exploration expenditures will be depleted using the units of production basis based upon the proven reserves available. If the properties are sold or abandoned, these expenditures will be written off.

Where the Company's exploration commitments for an area of interest are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations.

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed the recoverable amount. Where there is evidence of impairment, the net carrying amount of the asset will be written down to its recoverable amount. Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many resource properties.

j) Comprehensive income (loss) and equity

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) ("OCI"). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources. When applicable, components of OCI are recorded net of related income taxes. Cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI"), which is presented as a category of equity in the statements of changes in equity.

k) Income (loss) per share

Income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments. In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

During the year ended December 31, 2018 and 2017, all the outstanding share options and warrants were anti-dilutive as the Company reported a net loss.

l) Share-based compensation

Share-based compensation related to the issuance of stock options to employees, consultants, directors, and officers pursuant to the Company's stock option plan is accounted for using the fair value method whereby compensation expense related to these programs is recorded in profit or loss with a corresponding increase to option and warrant reserve in equity. Share-based compensation related to compensation warrants and options issued pursuant to private placements to non-employees is recorded at the fair value of the goods or services received and is recorded as share issue costs with a corresponding increase to share option and warrant reserve.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured using the Black-Scholes Option Pricing Model. Consideration paid on the exercise of stock options and warrants is credited to share capital. Upon the exercise of the stock options or compensation warrants, consideration received together with the amount previously recognized in option and warrant reserve is recorded as an increase to share capital. The Company incorporates an estimated forfeiture rate for stock options and agents warrants that may not vest.

m) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of both parties. The Company has one joint operation, as described in note 4. When a group entity undertakes its activities under joint operations, the Company as a joint operator recognizes in relation to its interest in the joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. The Company accounts for its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

n) Valuation of equity units issued in a private placement

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to the shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Where the fair value of the common shares included in the unit is determined to be equal to or greater than the consideration received for the unit, the consideration received is allocated to common shares and nil to the warrants.

The fair value of finder's warrants is calculated based on the Black-Scholes valuation model.

o) Share issuance costs

Share issue costs, which includes commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital.

p) New accounting standards and recent pronouncements

Accounting standards and pronouncements adopted by the Company

During the period, the Company has adopted revisions to certain accounting standards as described below. The adoption of these revisions did not result in any material changes to the financial statements.

IFRS 9 - *Financial Instruments* utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. It also introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The Company adopted this standard effective January 1, 2018. As the standard permits on transition to IFRS 9, the Corporation has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements. The difference in the carrying amount of trade receivables is immaterial as of January 1, 2018.

IFRS 15 – *Revenue from Contracts with Customers*, IFRS 15 replaced IAS 18, “Revenue”. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Company adopted this standard effective January 1, 2018 and applied retrospectively using the cumulative effect method.

Under IAS 18, the previous standard, the amount of revenue was equal to the fair value of the consideration received or receivable, which was the price negotiated with the customer. Under IFRS 15, the transaction price is equal to the amount of consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer, which will continue to be the price negotiated with the customer. As such, there was no change in the amount of revenue recognized in the consolidated financial statements under the new standard based on the Company’s current operations.

As the Company is still in the exploration stage, it has no significant, ongoing sources of revenue. Beginning in 2018, incidental revenue is being generated through sale of mineralized materials that has been applied against exploration and evaluation property. In accordance with IFRS 15, the Company recognizes revenue when the mineralized material is received by the customer. Delivery of the mineralized material is considered to be the only performance obligation and revenue is measured based on the consideration specified in the contract with the customer. Sales generated from bulk sampling activities is credited against exploration expenses.

Accounting standards and pronouncements issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company does not anticipate any material changes to the financial statements upon adoption of these new revised accounting pronouncements.

IFRS 16 – *Leases*, eliminates the classification of leases as either operating or finance leases and requires the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less, or the underlying asset has a low value. The amended standard is effective for annual periods beginning on or after January 1, 2019.

4. Acquisition of SCM Comet Exploration Chile

In December of 2017, Altiplano entered into a binding letter of intent (the “LOI”) with Comet to acquire all of Comet’s remaining 50% interest in the Comet Joint Venture (“CJV”). Pursuant to the LOI, the Company was to issue to Comet 7,500,000 common shares of Altiplano at a deemed value of \$0.20 per share and pay AUD50,000 to Comet in consideration of Comet’s issuance to the Company of common shares of Comet at a price of AUD0.10 per share or lower, on the same terms as would be offered to arm’s length third parties. For accounting purposes, the shares issued were recorded at \$0.30 per share, representing the Company’s share price on date of issuance. In addition, Comet will retain a 10% net profits interest in the Projects, until Comet has been paid \$1.5 million. The LOI was subject to certain conditions, including the acceptance of the TSX Venture Exchange.

On May 9, 2018 the parties executed a Supplemental Agreement (the “Supplemental Agreement”) that outlined the various closing procedures for the transfer of Comet’s remaining 50% interest in the CJV to Altiplano. Among other things, the Supplemental Agreement provided for the transfer of Comet’s Chilean subsidiary to Altiplano, the delivery of Comet’s release, and Comet’s and Altiplano’s mutual termination of the Agreement, in exchange for 7,500,000 common shares of Altiplano. The closing documents were held in escrow by a Chilean law firm, pending approval of the demerger transaction by the Chilean Tax Authority.

On September 18, 2018, the Chilean Tax Authority approved the demerger transaction and therefore the Company completed its acquisition of SCM Comet Exploration Chile.

The CJV is not a business and a cost-based measurement approach is used in accounting for the acquisition. Any existing assets in the CJV are not remeasured. The amounts shown below represent relative fair value of net assets on the effective date of the demerger transaction, which was May 31, 2018.

Assets acquired:	
Cash	\$ 59,101
Other current assets	602,419
Equipment	162,695
Mineral interests - Farellon and Maria Luisa projects (note 5)	<u>2,895,890</u>
	3,720,105
Less: liabilities assumed:	
Accounts payable and accrued liabilities	<u>(297,946)</u>
Total purchase consideration	\$ 3,422,159
Settlement of amount payable to Altiplano Metals Inc.(i)	<u>(1,128,553)</u>
Shares transferred and transaction costs (ii)	<u>\$ 2,293,606</u>

- (i) The Company had lent \$1,128,553 to SCM Comet Exploration Chile to fund further exploration costs prior to the transaction, this balance is eliminated on consolidation, in the statement of financial position, at December 31, 2018.
- (ii) In addition to the shares issued in consideration for the acquisition of SCM Comet Exploration Chile, the Company incurred costs totaling \$43,606. These costs were incurred in the process of the acquisition and include fees relating to accounting and legal fees.

5. Exploration and evaluation properties

Farellon and Maria Luisa Properties

In January of 2017, the Company entered into a definitive earn-in and joint venture agreement (the "Agreement") with Comet Exploration Ltd. ("Comet") in respect of acquiring a participating interest in a joint venture on two copper and gold projects called the Farellon and Maria Luisa projects, which are located near the town of La Serena, Republic of Chile (collectively, the "Projects"). Comet is a private Australian exploration and development company with a focus in Chile principally in base metal and gold projects, held through its Chilean subsidiary.

Pursuant to the Agreement, the Company may earn up to an initial 20%, 35% or 50% interest in the CJV, by funding up to an aggregate of US\$0.75 million, US\$1.25 million, or US\$2.0 million. In November of 2017, Altiplano completed its US\$2.0 million funding requirements and held a 50% interest in the CJV.

On September 18, 2018, the Company completed a transaction to acquire 100% interest in the Farellon and Maria Luisa projects (note 4).

Total costs incurred by the Company on the Farellon and Maria Luisa Properties are summarized as follows:

	<u>Acquisition</u>	<u>Exploration</u>	<u>Total</u>
Balance, December 31, 2017	\$ 2,656,524	\$ 205,152	\$ 2,861,676
Acquisition costs	2,895,890	-	2,895,890
Fieldwork	-	1,822,985	1,822,985
Geological consulting	-	239,517	239,517
Recovery on sale of mineralized materials	-	(1,128,687)	(1,128,687)
Foreign exchange translation	(106,321)	-	(106,321)
Balance, December 31, 2018	\$ 5,446,093	\$ 1,138,967	\$ 6,585,060

During the year ended December 31, 2018, the Company generated proceeds of \$1,128,687 by sending certain extracted mineralized material for toll milling and subsequent sale.

Orogrande Property

Total costs incurred on the Orogrande Property are summarized as follows:

	<u>Acquisition</u>	<u>Exploration</u>	<u>Total</u>
Balance, December 31, 2017	\$ 229,017	\$ 84,626	\$ 313,643
Acquisition costs	225,000	-	225,000
Claims and land use	-	40,511	40,511
Disposal of property	(454,017)	(125,137)	(579,154)
Balance, December 31, 2018	\$ -	\$ -	\$ -

On November 30, 2016, the Company entered into an option to purchase (the "Option") with Velocity USA, Ltd. ("Velocity") to acquire twelve (12) mining claims located in Idaho, known as the Orogrande Property, subject to a 1.5% net smelter returns royalty.

To exercise the Option, the Company issued Velocity 1,250,000 common shares at a deemed value of \$0.09 per share and made a cash payment of \$25,000 for further staking of claims near or adjacent to the Orogrande Property and which thereafter formed a part of the property for the purpose of this Option.

In addition, Altiplano was to:

- On or before the first anniversary of the Option, incur exploration expenditures on the property of not less than CDN\$500,000, and issue a further 1,250,000 common shares;
- On or before the second anniversary of the Option, incur exploration expenditures on the property of not less than CDN\$750,000, and issue a further 1,250,000 common shares; and
- On or before the third anniversary of the Option, incur exploration expenditures on the property of not less than \$750,000.

In October of 2017, Altiplano and Velocity signed an amendment to the Option which resulted in Altiplano having exercised the Option and acquired the mining claims comprising the property. The amendment requires that Altiplano will issue the remaining 2,500,000 common shares of the Company at a deemed value of \$0.09 per share within thirty days of confirmation by the Bureau of Land Management Idaho State Office ("BLM Idaho") that the claims are active, in good standing, and have been transferred in Altiplano's name. In addition, Velocity has released the Company from any further obligation to carry out exploration work on the property

In January of 2018, the Company received confirmation from BLM Idaho that the claims were transferred in good standing and therefore Altiplano issued the remaining 2,500,000 common shares to Velocity.

On September 13, 2018, the Company entered into an agreement for the sale and transfer of all its interests in the Orogrande Property in Idaho to Montego Resources Inc. ("Montego"), in consideration of Montego's payment to the Company of US\$50,000, and Montego's issuance to the Company of 520,000 common shares in three (3) instalments at a deemed price of CDN\$0.25 per share, subject to certain resale restrictions as described in the agreement.

As a result, the Company recorded a loss on disposal of \$384,903, representing the carrying amount less the consideration received.

6. Equipment

	Machinery equipment	Furniture and fixtures	Computer hardware	Total
Balance, December 31, 2017	\$ -	\$ -	\$ -	\$ -
Acquisition of SCM Comet	111,469	47,464	3,762	162,695
Additions	115,232	7,684	1,305	124,221
Depreciation	(17,065)	(5,925)	(765)	(23,755)
Foreign exchange	(4,672)	(1,989)	(158)	(6,819)
Balance, December 31, 2018	\$ 204,964	\$ 47,234	\$ 4,144	\$ 265,342

During the year ended December 31, 2018, the Company capitalized \$23,755 in depreciation to mineral properties.

7. Investments

As at	December 31 2018	December 31 2017
Financial assets at fair value through profit and loss:	\$ 37,500	7,500
Listed equity investments (i)	48,131	-
Non-listed equity investments (ii)	-	-
	\$ 85,631	\$ 7,500

- (i) The Company holds listed equity shares of publicly which it has classified as financial assets at fair value through profit and loss, carried at a fair value, with an unrealized loss recognized in comprehensive loss for the year. The Company recorded an unrealized loss as of December 31, 2018 of \$99,950 (2017 – \$8,750).
- (ii) The Company hold equity shares of a non-listed public company which it has classified as financial assets at fair value through profit and loss, carried at a fair value, with an unrealized loss recognized in comprehensive loss for the year. For the year ended December 31, 2018, the Company realized a loss on financial assets of \$5,456 (2017 - \$nil) recorded in net loss relating to foreign exchange.

8. Deferred taxes

Deferred tax assets have not been recognized in respect of the following items:

	December 31 2018	December 31 2017
Tax losses	\$ 515,669	\$ 840,834
Deductible temporary differences	<u>1,343,888</u>	<u>200,376</u>
	<u>\$ 1,859,557</u>	<u>\$ 1,041,210</u>

The tax losses expire between 2030 and 2038. Deferred tax assets have not been recognized in respect of the preceding items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

In assessing whether the deferred tax assets are realizable, management considers whether it is probable that some portion or all of the deferred tax assets will be utilized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. As at December 31, 2018 and 2017, the Company has not recognized any deferred tax assets.

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the combined statutory income tax rate of approximately 27.00% (2017 – 27.00%) to the net loss before income taxes for the years as follows:

	December 31 2018	December 31 2017
Expected tax recovery from operations	\$ (597,157)	\$ (370,924)
Increase (decrease) resulting from:		
Non-deductible amounts	192,381	66,390
Change in unrecognized deferred tax assets	404,776	304,075
Prior period adjustments	<u>-</u>	<u>459</u>
Income tax (expense) recovery	<u>\$ -</u>	<u>\$ -</u>

9. Share capital

a) Common shares

The Company's articles authorize an unlimited number of common shares without par value and an unlimited number of preferred shares.

A summary of changes in common share capital in the period is as follows:

	Number of shares	Amount
Balance at December 31, 2016	10,714,312	\$ 2,218,205
Shares issued in private placements	20,000,000	3,000,000
Shares issued upon the exercise of warrants	7,615,700	1,237,629
Shares issued upon exercise of options	250,000	45,000
Shares issued for property	1,250,000	112,500
Share issuance costs	-	(382,837)
Balance at December 31, 2017	39,830,012	\$ 6,230,497
Shares issued in private placements	800,000	200,000
Shares issued upon exercise of options	982,750	325,843
Shares issued upon the exercise of warrants	14,461,174	2,637,146
Shares issued for property (note 4)	7,500,000	2,250,000
Shares issued for property (note 5)	2,500,000	225,000
Advanced share subscription	-	50,000
Share issuance costs	-	(26,156)
Balance at December 31, 2018	66,073,936	\$ 11,892,330

On February 27, 2017, the Company completed a non-brokered private placement of 20.0 million units at \$0.15 per unit to raise \$3,000,000 in gross proceeds. Each unit consisted of one common share and one non-transferable share purchase warrant of the Company. Each warrant is exercisable to acquire one additional common share at \$0.25 per share until February 27, 2019. The Company also paid finders' fees of \$195,631 and issued 1,264,213 warrants to certain arm's length finders.

On September 14, 2018, the Company completed a non-brokered private placement of 800,000 units at \$0.25 per unit to raise \$200,000 in gross proceeds. Each unit consisted of one common share and one non-transferable share purchase warrant of the Company. Each warrant is exercisable to acquire one additional common share at \$0.35 per share until September 14, 2020.

b) Stock options

Pursuant to the Company's stock option plan (the "Plan") for directors, officers, employees, and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares; the exercise price to be determined on the date of issuance of the options. The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, officer, consultant or employee of the Company for reasons other than death, one year after the death of an optionee or on the tenth anniversary of the date the option was granted.

A summary of stock option activity in the period is as follows:

	Number of options	Weighted average exercise price
Outstanding options, December 31, 2016	550,000	0.12
Issued	2,000,000	0.16
Exercised	(250,000)	0.12
Forfeited	(250,000)	0.18
Outstanding options, December 31, 2017	2,050,000	0.15
Issued	2,050,000	0.30
Exercised	(982,750)	0.18
Outstanding options, December 31, 2018	3,117,250	\$ 0.24

A summary of the options outstanding and exercisable is as follows:

December 31, 2018			December 31, 2017		
Exercise Price	Number of options	Remaining contractual life (years)	Exercise Price	Number of options	Remaining contractual life (years)
\$ 0.12	166,500	2.7	\$ 0.12	250,000	3.7
0.20	200,000	3.4	0.20	300,000	4.4
0.15	250,000	3.8	0.15	250,000	4.8
0.14	650,750	3.8	0.14	1,250,000	4.8
0.30	1,850,000	4.4	-	-	-
\$ 0.24	3,117,250	4.1	\$ 0.15	2,050,000	4.6

- i On June 8, 2017, the Company granted stock options to acquire up to an aggregate 500,000 common shares of the Company under the Plan, vesting immediately upon grant. The stock options are exercisable at a price of \$0.20 per common share and have an expiry date of June 8, 2022 or earlier in accordance with the terms of the Plan. The estimated fair value of these options of \$75,000, or \$0.15 per option, has been recorded as share-based compensation expense in the 2017 fiscal year and as an increase to option and warrant reserve, and was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: grant date stock price \$0.20; expected life, 5 years; expected volatility, 101%; risk-free rate 0.94%; expected dividends, 0%. The options were issued with an exercise price equal to the quoted market price of the Company's common shares on the date of issuance.
- ii On October 12, 2017, the Company granted stock options to acquire up to an aggregate 1,500,000 common shares of the Company under the Plan, vesting immediately upon grant. The stock options are exercisable at a weighted average price of \$0.14 per common share and have an expiry date of October 12, 2022 or earlier in accordance with the terms of the Plan. The estimated fair value of these options of \$165,000, or \$0.11 per option, has been recorded as share-based compensation expense in the 2017 fiscal year and as an increase to option and warrant reserve, and was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: grant date stock price \$0.15; expected life, 5 years; expected volatility, 100%; risk-free rate 1.75%; expected dividends, 0%. The options were issued with an exercise price equal to the quoted market price of the Company's common shares on the date of issuance.

iii On June 8, 2018, the Company granted stock options to acquire up to an aggregate 2,050,000 common shares of the Company under the Plan, vesting immediately upon grant. The stock options are exercisable at a price of \$0.30 per common share and have an expiry date of June 8, 2023 or earlier in accordance with the terms of the Plan. The estimated fair value of these options of \$676,500, or \$0.33 per option, has been recorded as share-based compensation expense in the 2018 fiscal year and as an increase to option and warrant reserve, and was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: grant date stock price \$0.35; expected life, 5 years; expected volatility, 160%; risk-free rate 2.15%; expected dividends, 0%. The options were issued with an exercise price equal to the quoted market price of the Company's common shares on the date of issuance.

c) Warrants

A summary of share purchase warrant activity in the periods is as follows:

	Number of Warrants	Weighted average exercise price
Outstanding warrants, December 31, 2016	3,000,000	0.15
Issued in private placement	21,264,213	0.17
Exercised	(7,615,700)	0.16
Expired	(148,000)	0.15
Outstanding warrants, December 31, 2017	16,500,513	\$ 0.18
Issued	800,000	0.35
Exercised	(14,461,174)	0.18
Outstanding warrants, December 31, 2018	2,839,339	\$ 0.23

A summary of the warrants outstanding and exercisable is as follows:

Exercise Price	December 31, 2018		Exercise Price	December 31, 2017	
	Number of warrants	Remaining contractual life (years)		Number of warrants	Remaining contractual life (years)
\$ 0.17	1,768,163	0.2	\$ 0.17	15,236,300	1.2
0.25	271,176	0.2	0.25	1,264,213	1.2
0.35	800,000	1.7	-	-	-
\$ 0.23	2,839,339	0.7	\$ 0.18	16,500,513	1.2

i 1,264,213 warrants were issued to agents pursuant to the non-brokered private placement closing on February 27, 2017 as compensation for services provided by the agents. The estimated fair value of the agents' warrants of \$126,421, or \$0.10 per agents' warrant, has been recorded as a decrease to share capital as a cost of share issuance and an increase to option and warrant reserve, and was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price \$0.19; expected life, 2 years; expected volatility, 111%; risk free rate, 0.73%; expected dividends, 0%.

10. Financial instruments and risk management

The Company is exposed to the following financial risks:

- i) Market risk
- ii) Credit risk
- iii) Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board and the Company's finance function is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility and to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. Further details regarding these policies are set out below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: currency risk, interest rate risk, other price risk.

Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates relative to their functional currency. The amount of foreign currency held is nominal.

Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company holds no interest-bearing financial liabilities; therefore, interest rate risk is limited to potential decreases on the interest rate offered on cash held with its financial institution. The Company considers this risk to be minimal.

Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held with reputable institutions in Canada. The Company is not exposed to any material credit risk. The Company's maximum exposure to credit risk is \$48,437 (2017 - \$58,327).

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company monitors its risk by monitoring the maturity dates of its existing debt and other payables. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

To achieve this objective, the Company regularly monitors working capital positions and updates spending plans as considered necessary. Monthly working capital and expenditure reports are prepared by the Company's finance function and presented to management for review and communication to the Board.

As at December 31, 2018, the Company's working capital was \$127,355 (2017 - \$92,388) and it does not have any monetary long-term liabilities. The continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future.

Determination of fair value

The statements of financial position carrying amounts for cash, accounts receivable and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Capital management

The Company monitors its equity as capital.

The Company's objectives in managing its capital are to maintain a sufficient capital base to support its operations and to meet its short-term obligations and at the same time preserve investor's confidence and retain the ability to seek out and acquire new projects of merit. The Company is not exposed to any externally imposed capital requirements.

11. Related party transactions

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties. The Company incurred and paid fees to directors and officers for management and professional services as follows:

For the year ended	December 31 2018	December 31 2017
Management fees paid to key management and directors	\$ 150,953	\$ 268,500
Investor relations fees paid to a director	65,045	60,000
Office and admin fees paid to a corporation controlled by key management	52,306	33,000
	\$ 268,304	\$ 361,500

During the year ended December 31, 2018, 600,000 (2017 – 1,100,000) options were issued to key management resulting in a non-cash share-based compensation expense of \$198,000 (2017 – \$129,000).

At December 31, 2018, accounts payable and accrued liabilities include \$61,508 (2017 - \$9,048) due to key management, directors of the Company and companies controlled by management or directors for services provided. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

During the year ended December 31, 2018, the Company received advanced share subscriptions in the amount of \$50,000 from key management/director.

12. Subsequent events

Subsequent to the year ended December 31, 2018 the Company announced that it has arranged a non-brokered private placement of up to 6,666,665 units at \$0.15 per Unit to raise up to \$1,000,000 in gross proceeds. Each Unit will consist of one (1) common share and one (1) non-transferable share purchase warrant of the Company. Each warrant will be exercisable to acquire one (1) additional common share for two years from the closing date at a price of \$0.20 per share. In the event that the common shares of the Company trade at a closing price greater than \$0.25 per share for a period of 10 consecutive days, then the Company may deliver a notice to the Warrant holders that they must exercise their Warrants within the next 30 days, or the Warrants will expire. The Company may pay finder's fees raised in connection with the financing to arm's length finders in accordance with the policies of the TSX Venture Exchange and as permitted by law.

On April 23, 2019, the Company closed the first tranche of 1,809,977 units, to raise gross proceeds of \$271,500.