



# **LATIN AMERICAN MINERALS INC.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

Expressed in Canadian Dollars

### **NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the company have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements.

## MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Latin American Minerals Inc.:

Management is responsible for the preparation and presentation of the accompanying unaudited condensed interim consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the unaudited condensed interim consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

We draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on May 30, 2019 and were signed on behalf of Management by:

*“Mathew Wilson”*  
Mathew Wilson, CEO

*“Dennis Logan”*  
Dennis Logan, CFO

# LATIN AMERICAN MINERALS INC.

Expressed in Canadian Dollars

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	As at March 31, 2018	As at December 31, 2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	719,078	767,145
Short-term investments	-	-
Sales tax receivable	11,288	6,779
Prepaid expenses	4,198	5,743
<b>Total Current Assets</b>	<b>734,564</b>	<b>779,667</b>
Property and equipment (Notes 7 and 8)	-	-
Property rights, evaluation and exploration assets (Notes 7 and 8)	150,000	150,000
	<b>150,000</b>	<b>150,000</b>
<b>Total Assets</b>	<b>884,564</b>	<b>929,667</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank loans current (Note 10)	-	-
Accounts payable and accrued liabilities (Note 9)	1,047,513	1,011,386
<b>Total Current Liabilities</b>	<b>1,047,513</b>	<b>1,011,386</b>
<b>Total Liabilities</b>	<b>1,047,513</b>	<b>1,011,386</b>
<b>Shareholders' Equity</b>		
Share capital (Note 11)	26,825,203	26,825,203
Warrants (Note 11)	7,082,798	7,082,798
Contributed surplus (Note 11)	13,765,607	13,765,607
Accumulated other comprehensive income	-	-
Deficit	(47,836,557)	(47,755,327)
<b>Total Shareholders' Equity</b>	<b>(162,949)</b>	<b>(81,719)</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>884,564</b>	<b>929,667</b>

Going concern (Note 1)

Commitments (Note 8)

The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on May 30, 2019 and were signed on its behalf by:

***“Stephen Keith”***

Stephen Keith, Director

***“Richard Patricio”***

Richard Patricio, Director

# LATIN AMERICAN MINERALS INC.

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## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

	Three months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>General and Administrative Expenses</b>		
Share-based payments (Note 11)	-	637,200
General and administration	15,912	46,099
Investor relations	794	408
Management fees (Note 13)	51,000	129,744
Professional fees	8,342	8,970
Amortization	-	56,012
Net foreign exchange (gain) loss	5,182	(8,871)
<b>Net operating loss for the period</b>	<b>81,230</b>	<b>869,562</b>
Interest expense	-	21,453
<b>Net loss</b>	<b>81,230</b>	<b>891,015</b>
Deferred tax recovery	-	-
<b>Net (income) loss after tax</b>	<b>81,230</b>	<b>891,015</b>
<b>Other Comprehensive loss</b>		
Net income (loss) for the period	(81,230)	(891,015)
<i>Items that may be reclassified subsequently to profit/loss</i>		
Foreign currency translation adjustment income (loss)	-	126,159
<b>Comprehensive loss for the period</b>	<b>(81,230)</b>	<b>(764,856)</b>
<b>Net Income (loss) per share for the period</b>		
Basic and fully diluted loss per share	<b>\$0.00</b>	<b>(\$0.01)</b>
Weighted Average Number of Shares Outstanding	134,680,420	115,057,700

## LATIN AMERICAN MINERALS INC.

Expressed in Canadian Dollars

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

	Number of shares outstanding	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Equity
<b>Balance at January 1, 2018</b>	<b>115,057,700</b>	<b>26,347,520</b>	<b>6,754,087</b>	<b>13,090,097</b>	<b>(26,305,549)</b>	<b>(374,795)</b>	<b>19,511,360</b>
Share based payments - Issuance of share options	-	-	-	637,200	-	-	637,200
Other comprehensive income (loss)	-	-	-	-	-	126,159	126,159
Net income (loss) for the period	-	-	-	-	(891,015)	-	(891,015)
<b>Balance at March 31, 2018</b>	<b>115,057,700</b>	<b>26,347,520</b>	<b>6,754,087</b>	<b>13,727,297</b>	<b>(27,196,564)</b>	<b>(248,636)</b>	<b>19,383,704</b>
Expiry of warrants	-	-	-	-	-	-	-
Shares and warrants issued on private placement	13,844,000	379,785	318,609	-	-	-	698,394
Share issuance costs	678,720	(20,515)	20,515	-	-	-	-
Shares issued on warrant exercise	100,000	8,000	-	-	-	-	8,000
Value of warrants exercised	-	10,413	(10,413)	-	-	-	-
Shares issued on property option acquisition	5,000,000	100,000	-	-	-	-	100,000
Share-based payments - Issuance of share options	-	-	-	38,310	-	-	38,310
Other comprehensive loss	-	-	-	-	-	248,636	248,636
Net loss for the year	-	-	-	-	(20,558,763)	-	(20,558,763)
<b>Balance at December 31, 2018</b>	<b>134,680,420</b>	<b>26,825,203</b>	<b>7,082,798</b>	<b>13,765,607</b>	<b>(47,755,327)</b>	<b>-</b>	<b>(19,465,423)</b>
<b>Balance at January 1, 2019</b>	<b>134,680,420</b>	<b>26,825,203</b>	<b>7,082,798</b>	<b>13,765,607</b>	<b>(47,755,327)</b>	<b>-</b>	<b>(81,719)</b>
Expiry of warrants	-	-	-	-	-	-	-
Share-based payments - canceled options	-	-	-	-	-	-	-
Net loss for the year	-	-	-	-	(81,230)	-	(81,230)
<b>Balance at March 31, 2019</b>	<b>134,680,420</b>	<b>26,825,203</b>	<b>7,082,798</b>	<b>13,765,607</b>	<b>(47,836,557)</b>	<b>-</b>	<b>(162,949)</b>

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## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>Operating activities</b>		
Net loss for the period	\$ (81,230)	\$ (891,015)
Add (deduct) non-cash items:		
Share-based payments	-	637,200
Amortization	-	56,012
Other non-cash charges	-	(248,588)
	<u>(81,230)</u>	<u>(446,391)</u>
<b>Net change in non-cash working capital</b>		
Amounts receivable	-	-
Sales tax recoverable	(4,509)	13,451
Prepaid expenses	1,545	(145,126)
Accounts payable and accrued liabilities	36,127	24,978
<b>Cash flow used in operating activities</b>	<u>(48,067)</u>	<u>(553,088)</u>
<b>Investing activities</b>		
Purchase of property rights, evaluation and exploration costs	-	(423,865)
<b>Cash flow used in investing activities</b>	<u>-</u>	<u>(423,865)</u>
<b>Financing activities</b>		
Interest paid on bank loans and lines of credit	-	(21,453)
Repayment of long-term liabilities	-	(15,383)
Repayment of long-term debt	-	(75,086)
<b>Cash flow provided by financing activities</b>	<u>-</u>	<u>(111,922)</u>
Effect of foreign exchange on cash	-	(583)
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<u>(48,067)</u>	<u>(1,089,458)</u>
Cash and cash equivalents at beginning	767,145	1,794,778
<b>Cash and cash equivalents at ending</b>	<u>\$ 719,078</u>	<u>\$ 705,320</u>

# LATIN AMERICAN MINERALS INC.

## FOR THE THREE MONTHS ENDED MARCH 31, 2019

*Expressed in Canadian Dollars*

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

#### 1) Nature of operations and going concern

Latin American Minerals Inc. ("LAT" or "the Company") was incorporated under the Canada Business Corporations Act on December 9, 2003. The Company's principal business activity is the exploration and development of resource properties. The head office of the Company is located at Suite 502 – 211 Yonge Street Toronto, ON, M5B 1M4. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol LAT.

These unaudited condensed interim consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

There exist material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of exploration and evaluation expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Consistent with other companies in the sector of mineral exploration, the Company has incurred operating losses since inception and is unable to self-finance operations. The Company has significant cash requirements to meet its overhead and maintain its mineral interests.

For the Company to continue to operate as a going concern, it must continue to obtain additional financing to maintain operations. Although the Company has been successful in the past at raising funds, there can be no assurance that this will continue in the future.

These unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

#### 2) Statement of compliance and basis of preparation

These unaudited condensed interim financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs") as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim financial statements were authorized for issuance by the Board of Directors on May 30, 2019.

#### 3) Summary of significant accounting policies

##### a) Basis of measurement

The unaudited condensed interim consolidated financial statements have been prepared on the accrual basis and are based on historical costs, modified where applicable.

##### b) Basis of consolidation

These unaudited condensed interim financial statements incorporate the financial statements of the Company and the entities controlled by the Company up to the point control ceased, which consist of:

1. Latin American Minerals Paraguay S.A. ("LAMPA"), owned 100% by the Company until September 1, 2018.
2. Minera Ita Pora S.A. ("MIPSA"), owned 100% by the Company until December 1, 2018.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

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

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##### **c) Foreign currency translation**

These unaudited condensed interim financial statements are presented in Canadian dollars. The functional currency of each entity is determined using the currency of the primary economic environment in which the entity operates. The functional currency, as determined by management, of the parent company is the Canadian dollar. The functional currency of LAMPA and MIPSAs was the Paraguayan Guarani.

Transactions in currencies other than the functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rates of the date of the initial transaction.

Exchange differences are recognized in profit and loss in the period in which they arise.

For the purpose of presenting financial statements, the assets and liabilities of the foreign entities are translated to Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognized as a separate component of equity and as a foreign currency translation adjustment in other comprehensive loss.

##### **d) Cash and cash equivalents**

Cash and cash equivalents represent cash on hand and short-term bank deposits with original maturity dates of less than three months at the time of acquisition or which are readily convertible into known amounts of cash.

##### **e) Property, plant and equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value. Cost includes the purchase price (after deducting trade discounts and rebates), any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the estimate of the present value of the costs of dismantling and removing the item and restoring the site.

The costs of day-to-day servicing are recognized in profit or loss as incurred.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

##### Subsequent costs

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

Depreciation is charged using the straight-line method over the estimated useful lives as follows:

Vehicles and machinery	3-5 years
Geological and communication equipment	3-15 years
Software	1-3 years
Office furniture and equipment	3-5 years

##### **f) Evaluation and exploration costs**

Evaluation and exploration costs ("E&E") generally include the direct costs of licenses, technical services and studies, environmental studies, seismic studies, exploration drilling and testing, borrowing costs, and directly attributable overhead and administration expenses including remuneration of operating personnel and supervisory management. These costs do not include general prospecting or evaluation costs incurred prior to having obtained the rights to



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explore an area, which are expensed as they are incurred. E&E expenditures are capitalized and carried forward until technical feasibility and commercial viability of extracting the resource is established.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, expenditures are reclassified to development assets within property, plant and equipment and are carried at cost until the properties to which the expenditures relate are sold, abandoned or determined by management to be impaired in value.

The establishment of technical feasibility of a mineral property is assessed based on a combination of factors including the extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 have been identified through a feasibility study or similar document.

Evaluation and exploration costs are tested for impairment immediately prior to reclassification to development assets.

#### Proceeds generated from bulk sampling prior to commercial production

Prior to reaching commercial production, proceeds from the sale of gold derived from the Company's bulk sampling facility have been offset against property rights and evaluation and exploration costs and the cost of gold incurred in the Company's bulk sampling facility is capitalized in property rights and evaluation and exploration costs.

#### Property rights

Acquisition costs for mineral exploration rights are deferred until it is determined that these costs will not be recovered from future operations, at which point these costs are written off to operations. These costs are depleted on a unit-of-production basis commencing at the onset of commercial production for the related property.

#### Impairment of non-financial assets

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss for the period.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### Reversal of impairment

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

#### **g) Environmental remediation and mineral property reclamation liabilities**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment and the reclamation of environmental disturbances caused by exploration and evaluation activities. The net present value of future rehabilitation cost estimates is capitalized along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated over the economic life of the related asset, through amortization using either the unit of production or the straight-line method as appropriate.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to

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mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss.

##### **h) Share-based payments**

The Company has a stock option plan whereby employees (including officers), directors and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Stock options granted during the year are accounted for in accordance with the fair value method of accounting for share-based payments. The fair value for these options is estimated at the date of grant using the Black-Scholes Option Pricing Model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of share-based payments. The cost of options is recognized, together with a corresponding increase in contributed surplus, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant optioned becomes fully entitled to the award (the "vesting date"). The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Company's best estimate of the number of options that will ultimately vest on the vesting date. The Company records share-based payment expense and credits contributed surplus for all stock options granted which represents the movement in cumulative expense recognized as at the beginning and end of that period. Any consideration received on the exercise of stock options is credited to capital stock.

Where the terms of a stock option award are modified, the minimum expense recognized in share-based payment is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the option or is otherwise beneficial to the optioned as measured at the date of modification.

Where an option is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

##### **i) Loss per share**

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

##### **j) Warrants issued in equity financing transactions**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are measured at fair value on the date of issue using the Black-Scholes Option Pricing Model and included in share capital with the common shares that were concurrently issued. Broker compensation options are classified as issuance costs and a deduction from equity and measured at fair value on the date of issue using the Black-Scholes Option Pricing Model.

After issuance the terms of warrants may be modified throughout the warrant life. At the time of the modification the warrant is valued under the new terms immediately preceding and immediately after the modification using the Black-

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Scholes pricing model. The incremental value in the warrants issued as compensation for services is added to warrant equity and a warrant modification expense is recorded to the consolidated statement of loss and comprehensive loss.

#### **k) Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

#### **l) Income taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **m) Financial instruments**

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) on a retroactive basis in accordance with the transitional provisions. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). The standard promulgates a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. The adoption of IFRS 9 did not result in any change in the carrying values of any of the Company’s financial assets on the transition date; therefore, comparative figures have not been restated.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial asset/ liability	Original classification IAS 39	New classification IFRS 9
Cash	Fair value through profit and loss	Amortized cost
Short-term investments	Fair value through profit and loss	Fair value through profit and loss
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Bank loans	Amortized cost	Amortized cost

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##### Expected Credit Loss Impairment Model

IFRS 9 introduces a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

Financial assets and financial liabilities are initially recognized at fair value; subsequent measurement is dependent on the applicable classification. The Company has classified loans when a floating rate does not apply and receivables at amortized cost, which approximates fair value. The Company has classified marketable equity securities at fair value through profit and loss. The Company has classified accounts payable and accrued liabilities as other financial liabilities. The carrying amounts of accounts payable approximates the fair values of those financial instruments, due to the short-term maturity of such instruments.

#### 4) Critical accounting judgements, estimates and assumptions

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in which the estimates are revised and in any future period affected.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the Consolidated Financial Statements.

##### a) Critical estimates

###### Useful life of property, plant and equipment

The Company reviews the estimated lives of its property, plant and equipment at the end of each reporting period. There were no material changes in the lives of property and equipment during the three months ended March 31, 2019.

###### Share-based payments

Management uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and finder's warrants which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair market value estimate and the Company's results and equity reserves.

###### Impairment of non-financial assets

Judgment is involved in assessing whether there is any indication that an asset or cash generating unit may be impaired. This assessment is made based on the analysis of, amongst other factors, changes in the market and business environment, the events that have transpired that have impacted the asset or cash generating unit, and information from internal reporting.

###### Income taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

###### Decommissioning provision

The value of decommissioning liabilities depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

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

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##### b) Critical judgements

###### Going concern evaluation

As discussed in note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Consolidated Financial Statements, then adjustments would be necessary to the carrying value of assets and liabilities and the reported expenses and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at March 31, 2019.

###### Carrying value and recoverability of property rights, evaluation and exploration assets and impairment

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of property rights, evaluation and exploration assets. The amounts shown for evaluation and exploration costs do not necessarily represent present or future values. The recoverability of the assets' carrying values is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits to complete development and future profitable production or proceeds from the disposition thereof.

At each reporting date of the consolidated balance sheet, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of operations and comprehensive income (loss), unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

###### Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defects. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

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##### 5) New Accounting standards issued and adopted in the current period and recent Accounting pronouncements not yet adopted

###### New Standards Adopted in the Current Year

###### *New standard IFRS 16 “Leases”*

This new standard replaces IAS 17 “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. As of March 31, 2019 the Company has not entered into any leases and the adoption of this standard did not have any impact on the Company’s condensed interim consolidated financial statements.

###### Accounting Pronouncements Issued but not yet Effective

On October 22, 2018, the IASB issued a narrow scope amendments to IFRS 3 Business Combinations. The amendment narrowed and clarified the definition of a business as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. This amendment is effective on January 1, 2020.

The Company intends to adopt this amendment in its consolidated financial statements for the annual period beginning January 1, 2020. The extent of the impact of the adoption of this amendment has not yet been determined.

On October 31, 2018, the IASB issued amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors. These amendments clarify and align the definition of material and provide guidance to help improve consistency in the application of materiality when used in other IFRS standards. These amendments are effective on January 1, 2020. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2020. The extent of the impact of the adoption of these amendments has not yet been determined.

##### 6) Financial instruments and risk management

###### a) Fair value hierarchy

Financial instruments are recorded at fair value are classified using a fair value hierarchy that reflects the significant of the inputs used in making the measurements.

The fair value of hierarchy has the following levels:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in the markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company’s financial instruments include cash and cash equivalents, short-term investments, accounts payable, and bank loans. The carrying value of cash and cash equivalents is carried at fair value. Short-term investments, accounts payable and accrued liabilities, and bank loans approximate their fair value due to their short-term nature.

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

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##### **b) Credit risk**

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial instrument. Credit risk arises from cash and cash equivalents with banks and financial institutions. It is management's opinion that the Company is not exposed to significant credit risk arising from these financial instruments. The Company limits credit risk by entering into business arrangements with high credit-quality counterparties.

##### **c) Interest rate risk**

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

##### **d) Currency risk**

The Company historically operated internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company incurs certain expenditures US dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the Company or subsidiary that holds the financial asset or liability. The Company's risk management policy is to review its exposure to non-Canadian dollar forecast operating costs on a case-by-case basis. The majority of the Company's forecast operating costs are in Canadian dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of foreign currency financial assets and liabilities in Canadian dollars as at March 31, 2019 is as follows:

<b>Canadian Dollar amounts of foreign currency assets and liabilities</b>		
	Assets	Liabilities
US Dollars	\$248,195	\$866,493

Based on the financial instruments held as at March 31, 2019, the Company's deficit would have changed by \$82,623 had the Canadian dollar shifted by 10% as a result of foreign exchange effect on translation of non-Canadian dollar denominated financial instruments.

##### **e) Liquidity risk**

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

As at March 31, 2019, the Company had a working capital deficiency of \$312,949 and operating cash flow will not provide sufficient funds to cover all the Company's expenditures for the next 12 months. Cash constraints have caused the Company to consider financing alternatives.

The Company's potential sources of cash flow in the upcoming year will be from possible proceeds of possible equity financings, loans, lease financing and entering into joint venture agreements; or any combination thereof.

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##### 7) Property, plant and equipment

	Processing Plant & Geology			Furniture & Equipment	Total
	Land	Equipment			
<b>Cost</b>					
<b>Balance January 1, 2018</b>	\$125,005	\$2,927,589	\$691,431	\$3,744,025	
Additions		297,209		297,209	
Disposals	-	(2,459,101)	(351,211)	(2,810,312)	
Impairment of property plant and equipment (Note 7)	(129,015)	(842,019)	(344,003)	(1,315,037)	
Foreign exchange	4,010	76,322	3,783	84,115	
<b>Balance December 31, 2018</b>	\$ -	\$ -	\$ -	\$ -	
<b>Reclass</b>					
Additions	-	-	-	-	
Disposals	-	-	-	-	
Impairment of property plant and equipment (Note 7)	-	-	-	-	
Foreign exchange	-	-	-	-	
<b>Balance March 31, 2019</b>	\$ -	\$ -	\$ -	\$ -	
<b>Accumulated Amortization</b>					
<b>Balance January 1, 2018</b>	\$0	(\$2,141,366)	(\$319,714)	(\$2,461,080)	
Amortization	-	(178,407)	(838)	(179,245)	
Foreign exchange	-	(139,328)	(30,659)	(169,987)	
<b>Balance December 31, 2018</b>	\$ -	\$ -	\$ -	\$ -	
Amortization	-	-	-	-	
Disposals	-	-	-	-	
Additions	-	-	-	-	
Foreign exchange	-	-	-	-	
<b>Balance March 31, 2019</b>	\$ -	\$ -	\$ -	\$ -	
<b>Carrying Amounts</b>					
<b>At December 31, 2018</b>	\$ -	\$ -	\$ -	\$ -	
<b>At March 31, 2019</b>	\$ -	\$ -	\$ -	\$ -	

The Company assessed the value of certain assets and expenditures that had been capitalized to property, plant and equipment based on the results of its exploration program that was completed in July 2018. These assets were associated with its mining operations at the Paso Yobai project. At the time the Company determined that the current configuration of the mine would not allow it to obtain sufficient throughput to make the plant and milling circuit economically viable and determined that continued capitalization of these amounts was no longer justifiable on a value in use basis. Furthermore, given the limited legal mining activity in Paraguay and lack of a developed resale market for used mining and milling equipment in the country, management was unable to assess the net realizable value of these assets from a potential sale, making continued capitalization of these amounts no longer justified. For the year ended December 31, 2018, the Company recorded an impairment charge of \$1,315,037 against the amounts previously capitalized reducing the carrying amount of expenditures that had been capitalized to property plant and equipment to \$nil.



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

##### 8) Property rights, evaluation and exploration assets

	Butt Township	Paso Yobai	Total
<b>Carrying value</b>			
<b>Balance January 1, 2018</b>	\$ -	\$19,114,839	\$19,114,839
Additions	150,000	1,734,793	1,884,793
Interest capitalized	-	2,792	2,792
Impairment of exploration and evaluation assets	-	(21,516,557)	(21,516,557)
Foreign exchange	-	664,133	664,133
<b>Balance December 31, 2018</b>	<b>150,000</b>	<b>\$ -</b>	<b>\$150,000</b>
Additions	-	-	-
Interest capitalized	-	-	-
Impairment of exploration and evaluation assets (Note 7)	-	-	-
Foreign exchange	-	-	-
<b>Balance March 31, 2019</b>	<b>\$150,000</b>	<b>\$ -</b>	<b>\$150,000</b>

##### Paso Yobai Project Impairment and Disposal

The Paso Yobai project comprises the Discovery Trend property, which was 99% owned by the Company; the other 1% being owned by a third party that receives 1% net smelter returns royalty on a yearly basis and the X-Mile Trend exploration property, which is 100% owned by the Company.

The Company assessed the value of certain expenditures that had been capitalized to the exploration and evaluation assets and determined that continued capitalization of these amounts was no longer justified during the year ended December 31, 2018. The Company recorded an impairment charge of \$21,516,557 against the amounts previously capitalized reducing the carrying to nil.

As at December 31, 2018 the Company no longer held any property rights, evaluation or exploration assets in Paraguay.

##### Butt Township Uranium and Rare Earth Project

On August 24, 2018, the Company entered into an option agreement (the "Option Agreement") with Grifco Corporation ("Grifco") pursuant to which the Company has been granted the right to earn a 100% ownership interest in the Butt Township uranium and rare-earth mineral property (collectively, the "Property") in Ontario. The following is required to exercise the option:

- the payments of \$50,000 (paid) and the issuance of 5,000,000 (issued) common shares to Grifco on September 27, 2018, the date the TSX V granted approval of the transaction (the "Effective Date");
- the payment of \$25,000, the issuance of 2,500,000 Common Shares to Grifco and the Company incurring \$200,000 in expenditures on the Property on or before the first anniversary of the Effective Date;
- the payment of \$25,000, the issuance of 2,500,000 Common Shares to Grifco and the Company incurring a further \$200,000 in expenditures on the Property on or before the second anniversary of the Effective Date; and
- the payment of \$25,000, the issuance of 2,500,000 Common Shares to Grifco and the Company incurring a further \$500,000 in expenditures on the Property on or before the third anniversary of the Effective Date.

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##### 9) Accounts payable and accrued liabilities

	March 31, 2019	December 31, 2018
Accounts Payable	\$ 1,009,513	\$ 831,502
Accrued liabilities	38,000	36,000
<b>Total</b>	<b>\$ 1,047,513</b>	<b>\$ 867,502</b>

##### 10) Bank loan

On June 19, 2014, the Company received USD\$700,000 (\$758,520) loan provided by the Banco Bilbao Vizcaya Argentaria ("BBVA") in Paraguay, which is divided in two parts. The first part is a secured 6-year loan ("Term Loan") of USD\$600,000 including a one-year grace period on capital, bearing an annual interest rate of 10%. Subject to a penalty of 4% over the balance outstanding, the Company is allowed to prepay the Term Loan. The second part is a revolving line of credit ("Line of Credit") of USD\$100,000 bearing an annual interest rate of 8.5%.

Both the Term Loan and the Line of Credit were secured by the pilot plant machinery and certain real estate in Paraguay.

Effective September 1, 2018 the Company sold 100% of its ownership in the Paso Yobai Project (see Note 7) and the acquirer assumed the outstanding loan.

	March 31, 2019	December 31, 2018
<b>Opening balance</b>	\$ -	\$376,255
Repayments	-	(75,086)
Interest capitalized in property rights, evaluation and exploration costs	-	-
Interest paid on term loan and line of credit	-	(22,492)
Foreign exchange	-	19,379
Balance assumed by acquirer of subsidiary	-	(320,548)
<b>Ending Balance</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Current portion</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Non-current portion</b>	<b>\$ -</b>	<b>\$ -</b>

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

#### 11) Share capital

##### a) Authorized

Unlimited number of common shares without par value.

	Number of Shares
Balance January 1, 2017	115,057,700
Shares issued on private placement	14,522,720
Shares issued on exercise of warrants	100,000
Shares issued on property acquisitions	5,000,000
<b>Balance at December 31, 2018</b>	<b>134,680,420</b>
Balance at January 1, 2019	134,680,420
Shares issued on exercise of warrants	-
Shares issued on property acquisitions	-
Shares issued on private placement	-
<b>Balance March 31, 2019</b>	<b>134,680,420</b>

##### b) Stock options

The Company has established an incentive stock option plan (the "Plan") for management, directors, and consultants of the Company, as designated and administered by a committee of the Company's Board of Directors. Under the Plan, the Company may grant options for up to 10% of the issued and outstanding common shares of the Company.

The following table summarizes information about stock options outstanding as at March 31, 2019:

Expiry date	Exercise Price	March 31, 2019 Outstanding	March 31, 2019 Exercisable
July-7-2019	\$0.17	350,000	350,000
July-26-2021	\$0.35	1,250,000	1,250,000
June-5-2022	\$0.15	1,150,000	1,150,000
July-18-2022	\$0.15	1,000,000	1,000,000
September-11-2022	\$0.15	345,000	345,000
January-9-2023	\$0.13	3,050,000	3,050,000
		<b>7,145,000</b>	<b>7,145,000</b>
			<b>March 31, 2019</b>
The outstanding options have a weighted-average exercise price of:			\$0.18
The weighted average remaining life in years of the outstanding options is:			3.18

The following table reflects the continuity of stock options for the periods presented:

Stock option activity	March 31, 2019	Weighted Average Exercise price	December 31, 2018	Weighted Average Exercise price
<b>Balance – beginning</b>	10,545,000	\$0.19	5,914,000	\$0.26
Granted	-	\$0.00	4,950,000	\$0.13
Cancelled	(3,400,000)	\$0.20	(319,000)	\$0.60
Forfeited	-	\$0.00	\$0	\$0.00
<b>Balance – ending</b>	<b>7,145,000</b>	<b>\$0.18</b>	<b>10,545,000</b>	<b>\$0.19</b>

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

##### c) Warrants

The following table summarizes warrants outstanding at March 31, 2019:

Date of Issuance	Date of Expiry	Exercise Price	March 31,
			2018
			Outstanding
May-15-2017	May-15-2019	\$0.15	14,618,167
June-02-2017	June-02-2019	\$0.12	1,082,280
December-01-2017	December-01-2022	\$0.10	14,046,667
December-20-2017	December-20-2022	\$0.10	14,619,999
December-28-2017	December-28-2022	\$0.10	1,433,334
December-28-2017	December-28-2022	\$0.08	1,058,959
June-12-2018	June-12-2020	\$0.10	13,844,000
June-12-2018	June-12-2020	\$0.05	678,720
			<b>61,382,126</b>

  

		March 31,
		2019
The outstanding warrants have a weighted-average exercise price of:		\$0.11
The weighted average remaining life in years of the outstanding warrants is:		2.20

Warrant activity	March 31, 2019	Weighted Average Exercise price	December 31, 2018	Weighted Average Exercise price
<b>Balance – beginning</b>	61,382,126	\$0.26	102,995,413	\$0.14
Issuance of special warrants	-	\$0.00	-	\$0.00
Issued on private placements	-	\$0.00	14,522,720	\$0.10
Issued from exercise of broker warrants	-	\$0.00	100,000	\$0.10
Exercised	-	\$0.00	(100,000)	\$0.08
Expired	-	-	(56,136,007)	\$0.16
<b>Balance – ending</b>	<b>61,382,126</b>	<b>\$0.26</b>	61,382,126	\$0.26

##### 12) Capital management

The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

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##### 13) Related party transactions

Related party transactions are summarized as follows:

Name and principal position	Year	Remuneration or fees <sup>(1)</sup>	Share based payments <sup>(1)</sup>	Included in accounts payable <sup>(1)</sup>
Mathew Wilson, CEO - management fees <sup>2</sup>	2019	\$30,000	\$ -	\$28,250
	2018	30,000	64,364	-
Dennis Logan, CFO - management fees <sup>2</sup>	2019	\$21,000	\$ -	\$14,775
	2018	21,000	38,618	-
Bira De Oliveira, COO - management fees	2019	\$ -	\$ -	\$21,921
	2018	37,941	64,364	-
Jeremy Niemi, Director of Exploration <sup>2</sup>	2019	\$ -	\$ -	\$ -
	2018	25,500	128,727	-
Directors -director fees	2019	\$2,000	\$ -	\$8,000
	2018	2,000	218,836	-

<sup>(1)</sup> Amounts disclosed were paid or accrued to the related party during the three months ended March 31, 2019 and 2018.

<sup>(2)</sup> Amounts paid to the individuals indirectly through companies controlled by the related party.