PARA RESOURCES INC.

Consolidated Financial Statements
(Expressed in Canadian Dollars, unless otherwise stated)

For the year ended December 31, 2018

Grant Thornton

Independent auditor's report

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To the shareholders of Para Resources Inc.:

Opinion

We have audited the consolidated financial statements of Para Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018, and December 31, 2017 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and 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 Para Resources Inc. 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 (IFRSs).

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 financial statements, which indicates that the Company incurred a net and comprehensive loss of $9,308,165 and negative cash flows from operations of $10,848,609 for the year ended December 31, 2018. As at December 31, 2017, the Company had an accumulated deficit of $26,893,508. 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 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 (IFRSs), 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 Group 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 Robert J. Riecken.

Grant Thornton LLP

Vancouver, Canada
April 22, 2019

Chartered Professional Accountants

Para Resources Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	December 31, 2018 $	December 31, 2017 $
ASSETS			
Current assets			
Cash		389,446	104,233
Short-term investment	7	3,383,216	-
Receivables	8	660,756	288,686
Inventory	9	317,426	162,273
Prepaids and deposits	10	810,951	665,044
Advance royalties		27,717	-
Total current assets		5,589,512	1,220,236
Non-current assets			
Mineral properties	6,11	30,970,616	23,842,291
Exploration and evaluation assets	12	2,241,833	1,741,451
Plant and equipment	6,13	10,649,596	9,560,462
Total non-current assets		43,862,045	35,144,204
TOTAL ASSETS		49,451,557	36,364,440
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	14	2,032,738	2,075,345
Due to related parties	14	39,390	113,050
Loans	6,15	-	13,559,304
Pre-paid forward gold purchase liability	16	4,981,078	-
Total current liabilities		7,053,206	15,747,699
Deferred income tax liability	19	3,958,710	3,223,005
Loans	15	7,297,780	9,625,592
Pre-paid forward gold purchase liability	16	16,188,503	-
Total non-current liabilities		27,444,993	12,848,597
TOTAL LIABILITIES		34,498,199	28,596,296
SHAREHOLDERS' EQUITY			
Share capital	17	26,128,752	21,032,716
Shares to be issued	17	-	765,382
Share option and warrant reserve	17	2,893,560	1,927,107
Contributed surplus	15	11,196,272	-
Deficit		(26,893,508)	(16,750,458)
Accumulated other comprehensive income (loss)		835,486	(419,879)
Equity attributable to shareholders		14,160,562	6,554,868
Non-controlling interests	5	792,796	1,213,276
		14,953,358	7,768,144
TOTAL LIABILITIES AND EQUITY		49,451,557	36,364,440

Nature of operations and going concern (Note 1)
Subsequent events (Note 24)

The accompanying notes are an integral part of these consolidated financial statements.

Para Resources Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	**12 months ended December 31, 2018 $**	**15 months ended December 31, 2017 $**
Expenses			
Business investigation		63,903	553,039
Consulting	14	1,351,590	2,250,354
Depreciation	13	31,799	54,706
Investor relations		300,642	193,125
Office and miscellaneous	14	1,593,155	1,356,478
Professional fees		595,749	797,607
Regulatory and other filing fees		58,211	53,442
Repairs and maintenance		7,582	-
Salaries	14	1,602,676	1,336,999
Share-based compensation	14,17	890,203	627,725
Loss before other items		(6,495,510)	(7,173,053)
Interest expense	15	(2,097,576)	(2,754,659)
Financing expense	16	(744,783)	-
Gain on fair value of loan	15	-	83,716
Loss on revaluation of derivative	16	(1,340,841)	-
Loss from debt settlement	15	(793,613)	-
Loss on property settlement	12	-	(337,500)
Other expenses	18	(333,103)	(50,422)
Other income		93,364	-
Loss for the period before tax		(11,712,062)	(10,231,918)
Deferred income tax recovery	19	1,019,245	247,960
Loss for the period after tax		**(10,692,817)**	**(9,983,958)**
Other Comprehensive Income (Loss)			
Items that may be reclassified subsequently to profit or loss:			
Gain (loss) on translating foreign operations		1,384,652	(404,660)
Total Comprehensive Loss for the period		**(9,308,165)**	**(10,388,618)**
Loss for the period attributable to:			
Owners of the parent		(10,143,050)	(9,218,100)
Non-controlling interests		(549,767)	(765,858)
		(10,692,817)	(9,983,958)
Comprehensive loss for the period attributable to:			
Owners of the parent		(8,887,685)	(9,553,415)
Non-controlling interests		(420,480)	(835,203)
		(9,308,165)	(10,388,618)
Basic and Diluted Loss per Common Share		(0.08)	(0.08)
Weighted Average Number of Common Shares Outstanding		154,992,950	117,562,612

The accompanying notes are an integral part of these consolidated financial statements.

Para Resources Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital								
	Number of Shares	Amount	Share option and warrant reserve	Shares to be issued	Contributed surplus	Deficit	AOCI	NCI	Total
		$	$	$		$	$	$	$
Balance as at September 30, 2016	**104,338,074**	**14,361,482**	**1,353,316**	**50,000**	**-**	**(8,758,585)**	**(84,564)**	**2,350,069**	**9,271,718**
Shares issued pursuant to private placement	26,915,125	5,383,025	-	(50,000)	-	-	-	-	5,333,025
Share issue costs	-	(99,270)	12,770	-	-	-	-	-	(86,500)
Shares issued pursuant to property settlement	1,250,000	337,500	-	-	-	-	-	-	337,500
Subscriptions received	-	-	-	765,382	-	-	-	-	765,382
Acquisition of Non-controlling interest	-	-	-	-	-	1,226,227	-	(1,226,227)	-
Non-controlling interest on Gold Road	-	-	-	-	-	-	-	924,638	924,638
Share-based payments	-	-	627,725	-	-	-	-	-	627,725
Warrant exercise	5,280,241	1,049,979	(66,704)	-	-	-	-	-	983,275
Loss for the period	-	-	-	-	-	(9,218,100)	-	(765,858)	(9,983,958)
Other comprehensive loss for the period	-	-	-	-	-	-	(335,315)	(69,346)	(404,661)
Balance as at December 31, 2017	**137,783,440**	**21,032,716**	**1,927,107**	**765,382**	**-**	**(16,750,458)**	**(419,879)**	**1,213,276**	**7,768,144**
Shares issued pursuant to private placement	26,434,800	5,286,960	-	(765,382)	-	-	-	-	4,521,578
Share issue costs	-	(190,924)	76,250	-	-	-	-	-	(114,674)
Share-based payments	-	-	890,203	-	-	-	-	-	890,203
Shareholder contribution – debt settlement (Note 14b)	-	-	-	-	7,341,549	-	-	-	7,341,549
Subordinated convertible note - equity	-	-	-	-	3,854,723	-	-	-	5,280,442
Income (loss) for the year	-	-	-	-	-	(10,143,050)	-	(549,767)	(10,692,817)
Other comprehensive income (loss) for the year	-	-	-	-	-	-	1,255,365	129,287	1,384,652
Balance as at December 31, 2018	**164,218,240**	**26,128,752**	**2,893,560**	**-**	**11,196,272**	**(26,893,508)**	**835,486**	**792,796**	**14,953,358**

The accompanying notes are an integral part of these consolidated financial statements.

Para Resources Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	12 months ended December 31, 2018 $	15 months ended December 31, 2017 $
OPERATING ACTIVITES		
Loss for the period	(10,692,817)	(9,983,958)
Non-cash items:		
Gain on fair value of loan	-	(83,716)
Loss from revaluation of derivative	1,340,841	
Loss from debt settlement	793,613	-
Loss on property settlement	-	337,500
Loss from property write-off	39,664	-
Depreciation	31,799	54,706
Interest expense	2,005,170	2,385,119
Income tax expense (refund)	(1,019,245)	(247,960)
Share-based payments	890,203	627,725
Foreign currency exchange loss (gain)	6,615	24,294
Changes in non-cash working capital items:		
Short-term investment	(3,383,216)	-
Receivables	(372,070)	27,687
Prepaids and deposits	(145,907)	(469,487)
Advance royalties	(27,717)	-
Inventory	(155,153)	-
Accounts payable and accrued liabilities	(86,729)	924,958
Due to related parties	(73,660)	4,188
	(10,848,609)	**(6,398,944)**
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(275,157)	(471,406)
Mineral property costs	(4,737,566)	(3,970,260)
Acquisition of North Otu	-	(312,000)
Acquisition of Gold Road	-	(1,314,813)
Purchase of equipment	(832,748)	(665,623)
	(5,845,471)	**(6,734,102)**
FINANCING ACTIVITIES		
Share issuance	4,021,578	6,098,407
Share issuance costs	(114,674)	(86,500)
Warrant exercise	-	983,275
Proceeds from loans	19,915,486	5,612,950
Repayment of loans	(6,573,844)	(324,425)
	17,248,546	**12,283,707**
Foreign exchange effect on cash	(269,253)	(1,535)
INCREASE (DECREASE) IN CASH DURING THE PERIOD	285,213	(850,874)
CASH, BEGINNING OF THE PERIOD	104,233	955,107
CASH, END OF THE PERIOD	**389,446**	**104,233**

Supplemental Cash Flow Information (Note 23)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Para Resources Inc. (the "Company" or "Para") is the parent company of its consolidated group and was incorporated on April 13, 2010 under the Business Corporations Act (British Columbia). The Company was a capital pool company pursuant to the policies of the TSX Venture Exchange ("Exchange"). On April 30, 2012 the Company completed its Qualifying Transaction by acquiring all of the issued and outstanding shares of Angra Metals Mineração Ltda. ("ANGRA") from Goldsource Mines Inc. (formerly Eagle Mountain Gold Corp.) ("Goldsource") after obtaining approval from the Exchange. Effective May 2, 2012, the Company was classified as a Mineral Exploration and Development company and is currently listed on the Exchange under the trading symbol "PBR".

The Company's principal business activity is the acquisition, exploration and development of mineral properties.

The registered office of the Company is 1000-840 Howe Street, Vancouver, British Columbia, Canada, V6Z 2M1 and its head office is 450-1090 Georgia Street, Vancouver, British Columbia, V6C 3V7.

The consolidated financial statements were prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development and to place these properties into production, renewal of underlying titles to the mining properties and/or future proceeds from the disposition thereof.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future which is at least, but not limited to, twelve months from the end of the reporting year. Management is aware in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, as explained in the following paragraph.

The Company has not yet generated income or cash flows from operations. As at December 31, 2018, the Company had an accumulated deficit of $26,893,508 (December 31, 2017 – $16,750,458). For the year ended December 31, 2018, the Company incurred a loss of $10,692,817 (15 months ended December 31, 2017 - $9,983,958), had negative cash flow from operations amounting to $10,848,609 (15 months ended December 31, 2017 – $6,398,944) and had a working capital deficit of $1,463,694 (December 31, 2017 – working capital deficit of $14,527,463). The Company will require additional financing, through various means including but not limited to equity financing and cash flow generated from operations, to continue the exploration program and to meet its future option payment obligations and all of its general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds.

Although these consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, the above noted conditions raise significant doubt regarding the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

(Expressed in Canadian Dollars, unless otherwise stated)

2. BASIS OF PRESENTATION

Change in year end and 2017 comparative consolidated financial statements
Effective in 2017, the Company changed its financial year-end from September 30 to December 31 as the Company moved to align its year end with that of its subsidiaries. Accordingly the comparative consolidated financial statements present the results of operations for 15 months ended December 31, 2017.

Statement of compliance
The Company's consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee, effective for the Company's reporting for the year ended December 31, 2018.

These consolidated financial statements were approved by the board of directors for use on April 22, 2019.

Basis of measurement
These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

Basis of consolidation
These consolidated financial statements include the financial statements of the Company and its controlled subsidiaries.

Name of subsidiary	Place of incorporation	Ownership interest at December 31, 2018	Principal activity
Angra Metals Mineracao Ltda ("Angra")	Brazil	100%	Operating exploration company
Z79 (Gold) USA Corp. ("Z79")	USA	100%	Holding company
Gold Road Mining Corp. ("Gold Road")	USA	89%	Operating development gold company
Colombia Milling Ltd. ("CML")	Belize	100%	Holding company

The financial statements of CML contain the results of Four Points Mining SAS ("Four Points"), a Colombian entity that CML has 87% ownership of. The consolidated financial statements attribute an amount to NCI related to Four Points and Gold Road.

Control is achieved when the Company is exposed or has the rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. All intercompany transactions and balances are eliminated upon consolidation.

The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Functional and presentation currency
The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of Para is the Canadian dollar. The functional currency of ANGRA is the Brazilian Real. The functional currency of CML, Four Points and Gold Road Mining is the US dollar. The presentation currency of the Company is the Canadian dollar.

Entities whose functional currencies differ from the presentation currency are translated into Canadian dollars 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 income or loss as cumulative translation differences.

On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of loss.

3. SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies and disclosures
The Company applied IFRS 15 and IFRS 9 effective January 1, 2018, the nature and effect of which are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the comparative period.

IFRS 15 - Revenue from Contracts with Customers
IFRS 15 applies to all revenue arising from contracts with its customers. The new revenue standard establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognized when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled. The standard also requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

IFRS 9 – Financial Instruments
Under IFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, in accordance with IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost. Investments in equity instruments are required to be measured by default at FVTPL (but there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income). Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Company adopted IFRS 15 using the modified retrospective approach, which means the cumulative impact of adoption will be recognized as at January 1, 2019 and comparatives will not be restated**.** There is no impact from adoption of IFRS 15. IFRS 9 allows for an exemption from restating prior periods in respect of the standard's classification and measurement requirements. The Company has chosen to apply this exemption upon initial adoption. However, it was determined that the adoption of IFRS 9 has no impact on the comparative year's consolidated financial statements. There was no impact on hedging as the Company does not apply hedge accounting. The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The adoption of IFRS 9 had no quantitative impact on the Company's financial instruments; however, it has an impact on the classification and disclosure of the Company's financial instruments compared to the old standard IAS 39 as follows:

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Cash	Loans and receivable	Amortized cost
Short-term investment	Loans and receivable	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Loans	Amortized cost	Amortized cost

Financial instruments
Financial assets are classified and measured at: FVTPL, FVOCI and amortized cost. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. Measurement and classification of financial assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset i.e. whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost if both of the following conditions are met: the financial asset is held with the objective to collect contractual cash flows; and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI"). This is referred to as the SPPI test.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Interest received is recognized as part of finance income. Gains and losses are recognized when the asset is derecognized, modified or impaired. The Company's financial assets at amortized cost include:

- cash;
- short-term investment; and

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value i.e. fail the SPPI test. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at FVTPL in its entirety. This is applicable to the Company's trade receivables which are subject to provisional pricing.

These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price stipulated in the contract and causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at FVTPL from the date of sale, with subsequent movements being recognized in revenue in the statement of comprehensive income.

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the Company has transferred substantially all the risks and rewards of ownership. On derecognition, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities

<u>IAS 39</u>

Financial liabilities may be classified as Fair Value through Profit or Loss ("FVTPL") or as other financial liabilities, based on the purpose for which the liability was incurred. Other financial liabilities include accounts payable and accrued liabilities, loans payable, due to related parties and other loans. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

<u>IFRS 9</u>

Financial liabilities are classified and measured at FVTPL or amortized cost, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments, such as the Company's pre-paid forward gold purchase liability. Gains or losses on financial liabilities at FVTPL are recognized in profit or loss.

Loans and borrowings and payables
After initial recognition, interest-bearing loans and accounts payable and accrued liabilities, and related party balances are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income. Gains and losses are recognized when the financial liability is derecognized.

The Company's financial liabilities at amortized cost include:

- accounts payable and accrued liabilities;
- due to related parties; and
- loans.

A financial liability is derecognized when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income or loss. The modification accounting also requires that gain or loss to be recognized in the statement of profit or loss.

Financial liabilities are derecognized when the obligation specified in the underlying contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss, unless the financial liability is settled with the Company’s shares, in which case it is recognized in profit or loss or equity.

Compound financial instruments
Compound financial instruments issued by the Company comprise convertible notes that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value. The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured. Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

IAS 39

At each reporting date, the Company assess whether there is objective evidence that a financial asset is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on estimated future cash flows of that asset. An impairment loss is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at their original effective interest rate. The carrying amount of the asset is reduced either directly or indirectly through the use of an allowance account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. All impairment losses are recognized in profit or loss except for available-for-sale assets, where a reversal of an impairment loss is recognized immediately in profit or loss but only to an amount that does not exceed previously recognized impairment losses for the asset. Any excess of the fair value above the amount of the impairment reversal is recognized in Other Comprehensive Income (“OCI”).

IFRS 9

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

The Company recognizes loss allowances for ECLs on financial assets measured at amortized cost. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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.

Loss or earnings per common share
Basic loss or earnings per common share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares issued and outstanding for the relevant period.

Diluted loss or earnings per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Revenue recognition

<u>IAS 18</u>

The Company recognizes revenue when:
- The significant risks and rewards of ownership have been transferred;
- The amount of revenue can be measured reliably
- It is probable the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 mineral properties.

Proceeds from the sales prior to commencing commercial production are credited to mineral property.

<u>IFRS 15</u>

Revenue relating to the sale of metals is recognized when control of the metal is transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those products. In determining whether the Company has satisfied a performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether: the Company has a present right to payment; the customer has a legal title to the asset; the Company has transferred physical possession of the asset to the customer; and the customer has significant risks and rewards of ownership of the asset. Revenue from the sale of concentrates is based on prevailing market prices and estimated mineral content which is subject to adjustment upon final settlement based on metal prices, weights and assays. For each reporting period until final settlement, estimates of metal prices are used to record sales. Trade receivables (subject to provisional pricing) are non-interest bearing, are exposed to future commodity price movements over the QP and, hence, fail the SPPI test and are measured at fair value up until the date of settlement. These trade receivables are initially measured at the amount which the Company expects to be entitled, being the estimate of the price expected to be received at the end of the quotational period. Revenue is recorded in the consolidated statement of comprehensive income or loss, gross of treatment and refining costs paid to counterparties under the terms of the sales agreements.

Provisions
Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense. 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 certain that a reimbursement will be received, and the amount receivable can be measured reliably.

Cash
Cash consists of deposits in banks.

Inventory
Materials and supplies inventory is measured at the lower of cost and net realizable value. Costs include acquisition, freight and other directly attributable costs. A periodic review is undertaken to determine the extent of any provision for obsolescence. Major spare parts and standby equipment are included in plant and equipment when they are expected to be used over more than one period, if they can only be used in connection with an item of plant and equipment.

Mineral properties
The costs associated with exploration and evaluation properties are transferred to mine properties once the work completed to date supports the future development of the property and such development receives appropriate approvals. At the time of transfer these capitalized costs are subject to an impairment test. All costs relating to the construction, installation or completion of a mine that are incurred subsequent to the exploration and evaluation stage are capitalized to mine properties. Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

The Company assesses the stage of each mine under construction to determine when a property reaches the stage when it is in the condition for it to be capable of operating in a manner intended by management. Upon commencement of commercial production, costs capitalized during development are amortized.

The Company has determined that as at December 31, 2018 the El Limon, Gold Road and North Otu mines are not yet in commercial production. Once a mineral property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for development programs which constitute a betterment, which will be deferred and depleted over the remaining useful life of the related assets. Mine properties include decommissioning and restoration costs related to the reclamation of mine properties. Mine properties are derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds received and the carrying amount of the asset is recognized in profit or loss.

Upon entering commercial production, mine properties are depreciated and depleted on a unit-of-production basis using the mineable tonnes extracted from the mine in the period as a percentage of the total estimated mineable tonnes to be extracted in current and future periods based on mineral resources.

Mine properties are recorded at cost, net of accumulated depreciation and depletion and accumulated impairment losses and are not intended to represent future values.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

Exploration and evaluation assets

Exploration and evaluation ("E&E") assets are comprised of mineral rights acquired and capitalized exploration expenditures. Expenditures incurred on activities that precede exploration for and evaluations of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately.

E&E assets includes rights to explore in mineral properties ("mining rights"), paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost or at fair value in the case of a devaluation caused by an impairment of value. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production.

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

E&E expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E expenditures include overhead expenses directly attributable to related activity.

Cash flows attributable to capitalized E&E costs are classified as investing activities in the statements of cash flows.

Plant and equipment

Plant and equipment are stated at historical cost net of accumulated depreciation and impairment losses.

The cost of an item of plant and 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, if any.

Where an item of plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Costs incurred for major overhaul of existing equipment and sustaining capital are capitalized as plant and 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:

Office equipment	4-5 years
Vehicles	5-7 years

Buildings and construction	20 years
Machinery	10 years

Share capital
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs include commissions, facilitation payments, professional fees, and regulatory fees.

For the unit offerings, the proceeds from the issuance of units are allocated between common shares and common share purchase warrants using the residual method, allocating fair value first to the common shares and then share purchase warrants.

In the event the Company receives funds in advance for shares that have not yet been issued the Company will record the amount within equity as shares to be issued. Once the shares have been issued the Company will reallocate the value to share capital.

Share purchase warrants that are issued for goods and services are initially accounted for under IFRS 2 as equity instruments. Subsequent to their issuance, share purchase warrants issued for goods and services are considered as equity for their entire life. The fair value of such share purchase warrants is not re-measured. When these share purchase warrants are exercised, the cash proceeds received, and the applicable amounts of share purchase warrants are credited to share capital. Where share purchase warrants expire or are forfeited then these amounts remain in equity under share option and warrants reserve.

Stock options
Employees and directors of the Company receive remuneration in the form of share-based payment transactions, whereby services are rendered as consideration for equity instruments ("equity-settled transactions"). For equity-settled transactions, the Company measures the fair value of share-based awards using an option pricing model as of the date of grant and recognizes the cost as an expense over the applicable vesting period with a corresponding increase in share option and warrants reserve. The Company estimates the number of equity instruments that will ultimately vest, based on the awards meeting the related service conditions at the vesting date, when calculating the share-based payment expense. When share-based awards are exercised, share option reserve is reduced by the applicable amount and share capital is increased by the same amount. Share-based payments also include warrants that are issued as payment for agency fees or other transaction costs. Share based payments for services are measured at the fair value of the services rendered.

The Board of Directors of the Company may, from time to time, at its discretion, grant to directors, officers, and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent of the issued and outstanding common shares exercisable for a period not to exceed five years from the Company's listing date. The following is a continuity schedule of outstanding options for the reporting period.

Valuation of equity units issued in private placements
The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to common shares issued in the private placements at their fair value as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded as share option and warrants reserve in equity. Share issue costs are netted against share proceeds on a pro rata basis.

Non-controlling interests
Non-controlling interest is measured at its proportionate share of the acquirer's identifiable net assets or liabilities. Net income or loss and comprehensive income or loss, for the period, are allocated between non-controlling interest and owners of the parent. Non-controlling interest in subsidiaries must be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

Changes in a Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

New accounting standards, not yet effective
IFRS 16 was issued by the IASB in January 2016 and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of 'low-value' assets (e.g., personal computers); and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from current accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

In transitioning to IFRS 16, a lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Company plans to adopt IFRS 16 using the modified retrospective approach, which means the cumulative impact of adoption will be recognized as at January 1, 2019 and comparatives will not be restated. The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

In 2018, the Company initiated a detailed impact assessment and implementation project which included reviewing contracts, aggregating data to support the evaluation of the accounting impacts and identifying where key accounting policy decisions were required. Work completed by the Company to date indicates the new leases standard is not expected to have a material effect on the consolidated financial statements. The Company's existing operating leases will be the main source of leases under the new standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

Estimates

Fair value measurements
The Company measures financial instruments, such as provisionally priced trade receivables, at fair value at each reporting date. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or CGU at FVLCD. Fair values of financial instruments measured at amortized cost are disclosed in Note 20.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

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.

Mineral resource estimate
The life of the El Limon and Gold Road mines is determined from the ore reserves that are available to be extracted at the end of each reporting period. The Company initially estimates the ore reserve available based on the findings of qualified, independent, mining professionals. These estimates are updated from time to time as additional technical and economic information becomes available. Factors that impact the computation of reserves available include the geological data on the size, depth and shape of the ore body, the prevailing and expected market price for the underlying metals to be extracted and the expected costs to extract and process the mined material. Changes in the mineable ore reserve available may impact the carrying value of mine property, exploration and evaluation properties, plant and equipment, site closure and reclamation provision and changes in the recognition of deferred tax amounts in addition to changes in the recognition of depreciation and depletion.

Income taxes
Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company’s current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Share-based payment transactions
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. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Derivatives
The Company measures derivatives at the fair value. The determination of fair value is based on widely acceptable valuation models, including but not limited to a discounted cash flow model, Black Scholes, etc. The Company uses observable inputs in the valuation where practically possible.

Judgments

Business combination and asset acquisition
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. Management has determined that the acquisition of CML constituted a business combination as CML met the definition of a business. A business consists of inputs to which processes are applied resulting in outputs that provide a return to the Company and its shareholders.

Business combinations are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition.

If an acquisition does not meet a business combination definition, it is accounted for as an asset acquisition. Refer to Note 6 for discussion on Gold Road acquisition completed in the comparative period.

Exploration and evaluation assets
The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

Although the Company has taken steps to ensure the title to mineral property interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

Commencement of commercial production
The Company assesses the stage of each mine under construction to determine when a property reaches the stage when it is substantially complete and ready for its intended use. Criteria used to assess when a property has commenced commercial production include, among other considerations:

- the level of capital expenditures incurred relative to the expected costs to complete;
- he completion of a reasonable period of testing of the mine plant and equipment;
- the ability to produce saleable metals;
- the attainment of relevant permits;
- the ability to sustain ongoing production; and
- the achievement of pre-determined production targets.

When management determines that a property has reached commercial production, costs capitalized during development are amortized.

Impairment of exploration and evaluation assets
The application of the Company's accounting policy for determining whether it is likely that costs incurred on exploration and evaluation assets will be recovered through successful exploration and development also requires significant judgment. Management evaluates impairment with consideration of the economic and political environments and current mining codes of the countries where they perform exploration.

Pre-paid forward gold purchase liability
The Company assessed the appropriate accounting treatment and the fair value of a derivative based on the terms of the agreement and expected future production results, forecast metal prices and assumptions made regarding exercises of certain clauses of the agreement. In addition, the Company assessed weighing of probabilities pertaining to the rights of the Buyer.

Modification or extinguishment of financial liabilities
The Company makes qualitative and quantitative analysis over modification or replacement of financial liability terms. The Company makes judgments over qualitative aspects of the modified or extinguished financial liability.

Settlement of liabilities with entity's own shares
When the Company settles liabilities with its own shares, the resulting gain or loss is classified either as gain or loss in the statement of profit and loss or equity depending on the substance of relationship of creditor to the Company. The Company makes judgments to assess the nature of relationship.

5. NON-CONTROLLING INTERESTS

On December 31, 2016 the Company increased its ownership of Four Points to 77%. The increase in ownership was based on the cash payments made by the Company to fund operations of Four Points. The Company recorded a decrease in non-controlling interest of $1,021,856, as there was no consideration paid to the non-controlling interest the amount was recorded against the equity of the parent. On July 1, 2017 the Company increased its ownership to 80% and recorded a decrease to non-controlling interest of $204,372.

On December 31, 2018 the Company increased its ownership in Four Points to 84%. The increase in ownership was based on the cash payments made by the Company to fund operations of Four Points.

6. ACQUISITION OF GOLD ROAD

On August 23, 2017 the Company finalized an agreement to acquire 88% interest of the assets comprising the "Gold Road Mine ("Gold Road") located in Oatman Arizona. The assets include all of the patented and unpatented claims, the existing mill site and water rights claims, the mining and milling equipment consisting of a 500 tonnes per day cyanide leach facility, the related buildings, vehicles and all assets comprising the facility. Gold Road was last an operating mine in June 2016. The Company accounted for the acquisition as an asset acquisition as Gold Road does not constitute a business.

The consideration for the assets is as follows:

(Expressed in Canadian Dollars, unless otherwise stated)

- US$767,540 paid on closing ($963,416)
- US$6,000,000 promissory note with annual principal repayments of US$1,000,000, maturing on August 23, 2023. Interest on the loan is only accrued if the Company defaults on a payment, at which time the interest rate would be 10% per annum. The Company fair valued the note using a discount rate of 24.5% and determined the fair value to be US$2,984,692 ($3,746,385)
- The Company has also granted a 2% NSR on all Gold Road mined products and a 1% NSR on all Gold Road processed products.

The Company incurred US$279,953 ($351,397) of acquisition costs which are capitalized. The allocation of the total purchase price of $6,780,679 is as follows:

Allocation of Purchase Price	**$**
Machinery	4,040,865
Gold Road mineral property	3,664,451
Non-controlling interest	(924,637)
	6,780,679

The Company has recorded the mining equipment as plant and equipment.

7. SHORT-TERM INVESTMENT

On August 30, 2018, the Company purchased US$4,500,000 in redeemable short-term interest investment certificate. The terms of the investment certificate are as follows:

- A simple interest rate of 2.05% on the outstanding balance
- The term is 364 days
- Funds are fully redeemable at any time in full or part with the interest paid on any funds that remain 30 days or longer.

As at December 31, 2018, the short-term investment balance is $3,383,216 (US$2,480,000 equivalent).

8. RECEIVABLES

The Company's receivables consist of the following:

	December 31, 2018	**December 31, 2017**
	$	**$**
Value-added tax receivable	606,698	270,336
GST receivable	51,701	18,350
Other	2,357	-
	660,756	**288,686**

$163,571 (15 months ended December 31, 2017 – $50,422) of value-added tax receivable was written off during the year ended December 31, 2018.

(Expressed in Canadian Dollars, unless otherwise stated)

9. INVENTORY

The Company's inventory consists of supplies and parts and is valued at the lower of average cost and net realizable value. Costs include acquisition, freight and other directly attributable costs.

10. PREPAIDS AND DEPOSITS

The Company's prepaids and deposits amounts consist of the following:

	December 31, 2018	December 31, 2017
	$	$
Investor relation	181,634	291,467
Advances to suppliers	183,578	125,923
Advances to mine contractor	246,984	-
Reclamation deposit	162,233	149,188
Other advances	29,230	93,466
Insurance	7,292	5,000
	810,951	**665,044**

11. MINERAL PROPERTIES

The Company's mineral property balance consists solely of mines under construction.

As at December 31, 2018 the Company's mineral properties balance consisted of the following:

	El Limon	North Otu	Gold Road	Total
	$	$	$	$
Balance, September 30, 2016	**15,189,475**	**-**	**-**	**15,189,475**
Acquisition of Gold Road	-	-	3,664,451	3,664,451
Acquisition cost North Otu	-	312,000	-	312,000
Transfer from Exploration assets	-	973,895	-	973,895
Development costs	4,164,773	72,500	24,994	4,262,267
Foreign exchange translation	(531,889)	(25,864)	(2,004)	(559,797)
Balance, December 31, 2017	**18,822,359**	**1,332,531**	**3,687,401**	**23,842,291**
Development costs	5,254,429	-	2,369,839	5,246,110
Incidental revenues	(2,378,157)	-	-	(2,378,157)
Foreign exchange translation	1,306,794	127,689	447,732	1,882,215
Balance, December 31, 2018	**23,005,424**	**1,460,220**	**6,504,972**	**30,970,616**

El Limon

As part of the acquisition of CML the Company acquired the El Limon gold mine held in Four Points. The mine is subject to a 3% NSR payable quarterly on gold production of at least 100 ton per day for 30 consecutive days, to a maximum of US$2,000,000. Upon reaching the US$2,000,000 NSR threshold, the NSR decreases to 0.05% payable to a maximum of US$1,000,000.

North Otu Properties

On July 7, 2016 the Company announced through its newly incorporated 100% Colombian subsidiary, Zara Holdings S.A.S. ("Zara"), that it had entered into a Definitive Agreement (the "Agreement") with OTU Gold Ltd ("OTU") to acquire certain mining titles, as well as several mining applications, which are located within the Republic of Colombia, (collectively the "North Otu Properties"). The acquisition of the mining titles was recorded as an asset acquisition at cost. The mining titles and application of the North Otu Properties are the only assets of Zara.

(Expressed in Canadian Dollars, unless otherwise stated)

The purchase of the North Otu Properties and the assignment and transfer to Zara of these properties includes all the rights and interests of OTU except for the rights pertaining to non-metallic minerals on the North Otu Properties. The purchase price is US$1,000,000 (the "Purchase Price") and will be paid to OTU as follows:

- US$500,000 non-refundable deposit (paid)
- US$250,000 payable July 7, 2017 (paid - $312,000)
- The issuance of 1,270,000 common shares of the Company. The shares were issued on September 9, 2016 and fair valued at $317,500

Additionally, Zara will pay a 2% NSR royalty from the sale of minerals produced from the North Otu Properties. The NSR will be calculated from the results of direct exploitation, through formalization contracts or subcontracts of operations or any figure that allows economic benefit as a result of the exploitation of minerals in these areas. Zara may, at its discretion at any time until June 28, 2021, reduce the NSR from 2% to 1%, paying the amount of US$1,000,000 to OTU. This amount will be constituted by US$750,000 in cash and US$250,000 by the issuance of that number of common shares of Para calculated based on the volume weighted average closing price of Para's shares on the Exchange for the five trading days immediately before reduction of the NSR.

During the period ended December 31, 2017 the Company incurred $72,500 of development costs and considers the North Otu a mine under development. The mine is not yet in commercial production, all revenues associated with the mine will be capitalized as development costs.

12. EXPLORATION AND EVALUATION ASSETS

Tucumã gold project

The Company owns a 100% interest in the Tucumã copper/gold exploration project, located in the Carajas metallogenic province in the State of Pará, Brazil. The annual fees for the concessions are approximately $16,500. Prior to a concession expiring, the Company must present to the authority a technical report on the concession, which serves a basis for determining a renewal.

	December 31, 2018	**December 31, 2017**
	$	**$**
Acquisition Cost		
Balance, beginning of period	1	1
Addition, during the period	-	-
Impairment charge	-	-
Balance, end of the period	1	1
Deferred Exploration Costs		
Balance, beginning of the period	1,741,450	1,509,409
Addition during the period		
Assays	-	1,468
Consulting	177,163	213,487
Field supplies	16,345	56,627
Licenses	19,890	22,392
Personnel	41,317	59,552
Project administration	11,195	93,933
Vehicle expenses	9,247	23,947
Foreign exchange on mineral property	225,225	(239,365)
Total additions during the period	500,382	232,041
Balance, end of the period	**2,241,833**	**1,741,451**

(Expressed in Canadian Dollars, unless otherwise stated)

Cumaru-Gradaus Gold project
On May 11, 2015 the Company executed an agreement with Mineracao Iraja S/A (the "Vendor") bringing into effect a Mineral Rights Purchase and Sale Agreement (the "Agreements").

On December 30, 2016 the Company announced that it and its wholly owned Brazilian subsidiary Angra Metals Mineração Ltda.have entered into a Mutual Release Agreement and Amendment Agreement to the Mutual Release Agreement (together the "Settlement Agreements") with Sercor Ltd. ("Sercor"), Mineração Iraja S/A (the "Vendor") and Mineracao Gradaus Ltda and Brason Consultoria Inportacao Exportacao Ltda (together the "Royalty Holders"), under which the parties have terminated the Mineral Rights Purchase and Sale Agreement dated September 8, 2014 (the "Acquisition Agreement") whereby the Company through Angra was to acquire a 100% right, title and interest in and to the Cumaru-Gradaús Gold Project located in Para State, Brazil (the "Project"), as well as subsequent acknowledgement agreement (the "Acknowledgment Agreement") with Sercor, under which the Vendor assigned to Sercor its right to receive the share consideration from the Company under the Acquisition Agreement. The Company issued 1,250,000 common shares in connection with the settlement; the shares were fair valued at $337,500 and recorded as a loss on property settlement.

Gold Road Project
On April 4, 2018, the Company entered into option agreements to acquire parcels of land adjacent to the Gold Road mine. The terms of option agreements are shown below:

Agreement	**Max Term (Years)**	**License Fee Year 1, US$**	**License Fee Year 2, US$**	**License Fee Year 3, US$**	**License Fee Year 4, US$**	**Termination Date**	**Purchase Price US$**
United Western to Telluride	4	50,000	75,000	100,000	200,000	4/3/2022	4,179,535
Blue Ridge	3	5,000	5,000	5,000	n/a	4/3/2021	347,490
United Western Extension	3	5,000	5,000	5,000	n/a	4/3/2021	365,910
Gold Ore	3	5,000	5,000	5,000	n/a	4/3/2021	375,000
Gold Road	3	5,000	5,000	5,000	n/a	4/3/2021	240,000
Silver Creek	2	5,000	5,000	n/a	n/a	4/3/2020	327,000
United Western	15	10,000	10,000	10,000	10,000	8/22/2032	900,000
		85,000	**110,000**	**130,000**	**210,000**		**6,734,935**

The part of the option agreements cost includes up to 2,500,000 share purchase warrants of the Company, exercisable at the Company's discretion under a particular option agreement. No costs associated with the share purchase warrants were recognized in the consolidated financial statements because it is conditional upon exercise of option agreement(s) and the management cannot reliably estimate whether such options will be exercised and, if exercised, a number of share purchase warrants exercised.

The Company paid the license fees of $102,315 (US$75,000 equivalent) on April 4, 2018.

13. PLANT AND EQUIPMENT

	Buildings	**Machinery**	**Office equipment**	**Vehicles**	**Construction in progress**	**Total**
Cost	**$**	**$**	**$**	**$**	**$**	**$**
September 30, 2016	**760,232**	**4,751,719**	**47,414**	**104,685**	**-**	**5,664,050**
Additions	97,767	4,570,441	32,934	3,094	-	4,704,236
Foreign exchange	(32,501)	(200,140)	(3,044)	(4,083)	-	(239,768)

(Expressed in Canadian Dollars, unless otherwise stated)

December 31, 2017	**825,498**	**9,122,020**	**77,304**	**103,696**	**-**	**10,128,518**
Additions	6,326	289,786	9,637	116,004	410,993	832,748
Transfers	-	207,892	-	19,043	(226,935)	-
Transfers*	3,095,479	(3,434,445)	10,663	328,303	-	-
Write-off	-	(148,462)	(1,813)	(3,315)		(153,591)
Foreign exchange	327,839	500,604	8,113	47,233	15,401	899,190
December 31, 2018	**4,255,142**	**6,537,395**	**103,904**	**610,964**	**199,459**	**11,706,865**

	Buildings	Machinery	Office equipment	Vehicles	Construction in progress	Total
Accumulated Depreciation	**$**	**$**	**$**	**$**	**$**	**$**
September 30, 2016	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation	38,221	231,276	21,402	33,304	-	324,203
Foreign exchange	(2,430)	(14,705)	(1,361)	(2,117)	-	(20,613)
December 31, 2017	**54,863**	**455,149**	**26,337**	**31,707**	**-**	**568,056**
Depreciation	40,531	468,013	14,220	17,579	-	540,343
Write-off	-	(108,799)	(1,813)	(3,315)	-	(113,927)
Foreign exchange	6,067	51,792	2,015	3,374	-	62,797
December 31, 2018	**101,461**	**866,155**	**40,759**	**48,895**	**-**	**1,057,269**
Net Book Value						
December 31, 2017	**770,635**	**8,666,871**	**50,967**	**71,989**	**-**	**9,560,462**
December 31, 2018	**1,058,202**	**9,105,685**	**52,482**	**233,767**	**199,459**	**10,649,596**

*The Company made the assessment of the acquired assets pursuant to the Gold Road acquisition; refer to Note 6 for more details. As a result, some assets were reclassified from machinery to other categories (buildings, office equipment and vehicles).

During the year ended December 31, 2018, $508,544 (15 months ended December 31, 2017 - $269,497) of depreciation was capitalized to mineral properties and $31,799 was recorded as depreciation expense.

14. RELATED PARTY TRANSACTIONS

All amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment unless otherwise stated. Transactions with related parties are measured at the exchange amount of consideration established and agreed to by the related parties. The Company paid or accrued remunerations to its directors and officers during the year ended December 31, 2018 and 15 months ended December 31, 2017 are as follows:

(Expressed in Canadian Dollars, unless otherwise stated)

	December 31, 2018 $	December 31, 2017 $
Consulting fees	342,272	637,799
Share-based payments	583,825	-
Salaries and benefits	583,305	593,295
	1,509,402	1,231,094

As at December 31, 2018 the Company had $39,390 (2017 - $113,050) in amounts owing to related parties These amounts were loaned to the Company and consisted of the following:

- $4,739 (2017 - $52,908) was owing to a private company controlled by the executive, the amount owing bear interest at 1% per month, compounded monthly and due on demand. During the year ended December 31, 2018 the Company also paid $41,669 of office rent to a Company controlled by CEO (2017 - $nil).
- $19,199 (2017 - $19,199) was owing to Goldsource Mines Inc., a company with common directors and officers.
- $23,252 (2017 - $40,943) was owing to a private company which is controlled by the director of the Company.
- $7,800 (2017 - $nil) owed to the Company by a private entity controlled by CEO.

$217,693 (2017 - $187,210) was due to the executive and director of the Company, the amounts owing are non-interest bearing and due on demand. This amount is included in accounts payable and accrued liabilities. The Company paid $29,995 to directors of the Company in the form of share-based payments during the year ended December 31, 2018. The Company prepaid a consulting fee of $29,230 for administrative services to a private company controlled by the executive as at December 31, 2018.

15. LOANS

a) Convertible Subordinated Note

On August 3, 2018, the Company restructured the Conex loans, Conterra loan and Gold secured loan, whereby all outstanding loans and accrued interest, previously made to the Company and to its subsidiary Gold Road were converted into a five-year Convertible Subordinated Note, convertible into common shares of the Company. The face value of the convertible subordinated note is $11,996,078. The interest is compounded monthly at 12% and principal and compounded interest are repayable at the end of the term to Conex Services Inc., a related party. The principal may be converted into common shares of the Company at the following conversion prices:

- Between months 1-36 at $0.30 per common share
- Between months 37-60 at $0.40 per common share

On December 21, 2018, the Company restructured the remaining balance of the Conex loans.
The Company recognized a loss of $242,745 from debt extinguishment, which is included in loss from debt settlement in the statement of loss, due to transaction costs of $37,880 incurred and difference in value of loan extinguished and value of loan assumed.

(Expressed in Canadian Dollars, unless otherwise stated)

	Conex Loans	Conterra Loan	Gold Secured Loan	Total
	$	$	$	$
Balance, September 30, 2016	**2,866,689**	**-**	**-**	**2,866,689**
Additions	451,934	3,763,500	1,334,300	5,549,734
Interest and accretion	1,049,158	167,199	-	1,216,357
Foreign exchange on translation	-	-	(79,800)	(79,800)
Balance, December 31, 2017	**4,367,781**	**3,930,699**	**1,254,500**	**9,552,980**
Additions	1,101,460	-	-	1,101,460
Interest and accretion	654,505	297,750	-	952,255
Foreign exchange on translation	-	140,718	43,800	184,518
Fair value of the convertible subordinated note	(6,328,611)	(4,369,167)	(1,298,300)	(11,996,078)
Loss from debt extinguishment	204,865	-	-	204,865
Balance, December 31, 2018	**-**	**-**	**-**	**-**

Management used an effective interest rate of 24% to estimate the present value of a liability component ($6,715,636) of the convertible subordinated note, the residual value of $5,280,442 was classified as a contributed surplus on the statement of financial position. The tax impact of $1,425,719 was recorded against the contributed surplus, see Note 19 for more details. The loan balances and changes up to December 31, 2018 were as follows:

	$
Balance, December 31, 2017	**-**
Additions	6,715,636
Interest	582,144
Balance, December 31, 2018	**7,297,780**

Conex Loans
During the 15 months ended December 31, 2017 the Company received additional loans from Conex in the amount of $535,650; the loans are repayable on December 31, 2019 and bear interest at 12% per annum. There were no financing costs associated with the loans. The Company fair valued the loans using a discounted cash flow model using a discount rate of 24.5 percent, the loan was recorded at a fair value of $451,934 and the Company recorded a $83,716 gain on the fair value of the loan. On January 28, 2017 Conex increased the facility to a maximum of $5,000,000 for no additional consideration.

During the year ended December 31, 2018 the Company received an additional $1,101,460 of loans from Conex.

Conterra Loan
On August 4, 2017 the Company, through its wholly owned subsidiary Gold Road, entered into a loan agreement for US$2,000,000 with an annual interest rate of 12%, maturing on August 4, 2019. The Company

(Expressed in Canadian Dollars, unless otherwise stated)

received an additional US$1,000,000 on October 16, 2017 with an annual interest rate of 12%, maturing on August 4, 2019. The Company fair valued the loans at US$2,457,511 using a 24.5% discount rate.

Gold Secured Loan
On December 15, 2016 the Company entered into a Gold Secured Loan ("Gold Loan") in the amount of US$1,000,000 to be repaid over 12 months in gold deliveries commencing September 15, 2017. As per the terms of the agreement the Company will deliver 104 ounces of gold at each delivery date, assuming a gold price of $1,160, or the cash equivalent. The amount of each gold delivery will be based on the closing gold price at each delivery date and therefore the lender will not be exposed to any future gold price fluctuations. During the period ended December 31, 2017, the Company entered into an amended agreement to extend the gold repayments from September 15, 2017 to September 15, 2018.

Gold secured loan by a) a first priority security interest over the El Limon mine, concessions and property and equipment, b) pledge from Para Resources, the Guarantor, over its shares of the CML, the Borrower, c) any other security as may be reasonably required by Conex Services Inc., the Lender.

b) Helm Bank and Rayforte Loans

On April 1, 2018, the Helm Bank and the Rayforte loans, which were outstanding as at December 31, 2017, were by agreement settled with a minority shareholder in Four Points. As creditor was acting in the capacity of shareholder, the outstanding carrying amounts were transferred to equity. The loan balances and changes up to the date of debt settlement were as follows:

	Helm Bank Loan	**Rayforte Loan**	**Total**
	$	**$**	**$**
Balance, September 30, 2016	**-**	**963,386**	**963,386**
Loan assumed on acquisition of CML	5,569,794	-	5,569,794
Interest and accretion	263,947	434,855	698,802
Foreign exchange on translation	(250,979)	(66,823)	(317,802)
Balance, December 31, 2017	**5,752,419**	**1,331,418**	**7,083,837**
Interest and accretion	55,335	99,702	155,037
Foreign exchange on translation	106,616	(3,941)	102,675
Transfer of the outstanding carrying amount to equity	(5,914,370)	(1,427,179)	(7,341,549)
Balance, December 31, 2018	**-**	**-**	**-**

As at December 31, 2017, Four Points had an outstanding interest-bearing loan of US$3,500,000 with the Helm Bank Colombia with a 5% annual interest rate and is due on demand.

Upon completing the acquisition of CML the Company assumed its loan payable to Rayforte of US$960,623 with an interest rate of 3% and an April 1, 2018 maturity date. The Company fair valued the loan using an effective interest of 24.5%.

c) Redrock Resources Loan

As part of the consideration paid by CML to acquire Four Points, CML issued a promissory note for US$1,000,000 with an annual interest rate of 5% payable on May 15, 2018. The Company valued the loan using an effective interest of 24.5%. The Company repaid $1,026,163 for cash ($526,163) and the issuance of 2,500,000 of shares ($500,000) during the year ended December 31, 2018 to settle the debt, the Company recorded a gain of $80,536 on the debt settlement. The loan payable at December 31, 2018 and December 31, 2017 and the changes for the periods then ended are as follows:

(Expressed in Canadian Dollars, unless otherwise stated)

	$
Balance, September 30, 2016	**987,568**
Payment	(324,425)
Interest and accretion	339,809
Foreign exchange on translation of loan	(41,107)
Balance, December 31, 2017	**961,845**
Interest and accretion	106,406
Foreign exchange on translation of loan	38,448
Payment	(1,026,163)
Gain on debt settlement	(80,536)
Balance, December 31, 2018	**-**

d) Gold Road Loan

On August 23, 2017, as part of the consideration for the Gold Road Mine acquisition the Company issued a US$6,000,000 promissory note with annual principal repayments of US$1,000,000 maturing on August 23, 2023. Interest on the loan is only accrued if the Company defaults on a payment, at which time the interest rate would be 10% per annum. The Company measured the note using a discount rate of 10% and determined the value to be US$4,354,577 ($5,465,865). The Company repaid the note on August 3, 2018 and recognized a loss of $631,404. The loan payable at December 31, 2018 and December 31, 2017 and the changes for the periods then ended are as follows:

	$
Balance, September 30, 2016	**-**
Additions	5,465,865
Interest	127,186
Foreign exchange on translation of loan	(6,817)
Balance, December 31, 2017	**5,586,234**
Interest and accretion	206,242
Foreign exchange on translation of loan	197,450
Loss on debt settlement	631,404
Repayment	(6,621,330)
Balance, December 31, 2018	**-**

16. PRE-PAID FORWARD GOLD PURCHASE LIABILITY

On August 3 ,2018, the Company, along with its subsidiaries, Z79 Gold (USA) Corp. and Gold Road Mining Corp. (collectively, “Sellers”) entered into a pre-paid forward gold purchase agreement (the “PPG Agreement”), with PPG Arizona Holdings LP, an entity affiliated with Pandion Mine Finance LP (“Pandion” or “Buyer”). Under the PPG Agreement, Pandion advanced US$14,450,000 (equivalent of $18,860,140) (the “Gold Prepayment Amount”) to the Company, as pre-payment for the purchase of 44,100 ounces of gold from Para and its subsidiaries (the “Gold Financing”). No gold is required to be delivered by the Company during the first 12 months. Pandion would pay to the Company, together with each delivery of gold, an amount per ounce of gold equal to the market price at the time, less a specified discount of US$500. During the term of the PPG Agreement, Pandion also participates in the upside of any increase in the price of gold. Pandion may elect to reduce the Contract Quantity by up to 2,000 ounces in exchange for the issuance of up to 6,352,683 common shares of the Company. Under the terms of the PPG Agreement, the Company's obligations are secured by a first priority charge in favour of Pandion on all the assets of the Company and its subsidiary companies, Z79 Gold (USA) Corp., Gold Road Mining Corp., as well as pledges of the shares of Z79 Gold (USA) Corp. and Gold Road Mining Corp.

(Expressed in Canadian Dollars, unless otherwise stated)

The use of proceeds of the gold prepayment amount under the PPG Agreement was to finance (i) re-payment of US$5,100,000 to Mojave Desert Minerals, LLC to extinguish the secured notes used in the acquisition of the Gold Road mine and processing facility in Arizona, U.S.A., (ii) the development and restart of the Gold Road mine, (iii) general working capital, and (iv) the payment of certain outstanding liabilities and/or debt of Para.

Pandion has an option to extend the term of financing from 54 to 66 months and an option to pay an additional prepayment amount up to US$5,550,000 in exchange for an additional tranche of gold quantities in its sole discretion.

PPG Arizona Holdings LP as lender withheld US$450,000 from Para in satisfaction of the non-refundable origination fee. This non-refundable origination fee along with other transaction costs incurred were expensed during the year ended December 31, 2018 and classified as financing expense in the consolidated statement of loss and comprehensive loss.

The Gold Prepayment agreements contains the following provisions which causes the contract to fail the own use exemption under IAS 32 – Financial instruments: presentation and accordingly the contract is accounted for as a derivative: liability and measured at fair value through profit and loss.

- Upside participation amount whereby Pandion participates in a portion of the upside of an increase in the price of gold; and
- Contract quantity exchange option whereby Pandion can elect to reduce the quantity of ounces to be delivered by up to 2,000 ounces on a pro-rata basis in exchange for 6,352,683 shares of Para, exercisable in increments of 100 ounces per 317,635 shares of the Company.

The derivative liability was initially recorded at fair value based on the value of the consideration paid to Pandion. The derivative liability is subsequently measured at fair value based on changes in the above provisions (upside participation and contract exchange amount) and outstanding prepayment amount using an implied discount rate of 23% with changes in fair value recognized in the consolidated statement of loss and comprehensive loss. The amount of the change in the fair value of the financial liability that is attributable to changes in credit risk is $Nil as the credit risk of the Company did not change between August 31, 2018 and December 31, 2018.

The pre-paid forward gold purchase liability balance and changes during the year ended December 31, 2018 are as follows:

	$
Balance, December 31, 2017	**-**
Additions	18,860,140
Loss on revaluation of derivative	1,340,841
Foreign exchange translation	968,600
Balance, December 31, 2018	**21,169,581**
Less: Current portion	4,981,078
Non-current portion	**16,188,503**

17. SHARE CAPITAL

Authorized

Unlimited common shares without par value.

During the year ended December 31, 2018 the Company completed the following financings:

On February 15, 2018, the Company closed a non-brokered private placement (the "Private Placement") for total gross proceeds of $1,557,160. The Private Placement consisted of 7,785,800 units at a price of $0.20 per unit (each a "Unit"). Each Unit is comprised of one common share of the Company and one-half common share purchase warrant (each whole such warrant a "Warrant"). Each Warrant entitles the holder to acquire one common share of the Company for a period of 18 months at a price of $0.30, subject to an accelerated expiry if the closing trading price of the Company's shares is greater than $0.40 for a period of 10 consecutive trading days. The Company fair valued the warrants at $nil using the residual method, first allocating value to the common shares.

On June 5, 2018, the Company closed the first tranche of a non-brokered private placement consisting of 14,049,000 units (each a "PP Unit") at $0.20 per PP Unit for gross proceeds of $2,809,800.

On June 29, 2018, the Company closed the second tranche consisting of 3,025,000 PP Units at $0.20 per PP Unit for gross proceeds of $605,000. Each PP Unit consists of one common share of the Company and one share purchase warrant. Each warrant is exercisable for a period of 3 years from the date of issuance at an exercise price of $0.30, subject to certain acceleration clauses. The Company fair valued the warrants at $60,500 using the residual method, first allocating value to the Common shares. The Company incurred cash financing costs of $114,674.

On July 10, 2018, the Company closed the third tranche of a non-brokered private placement consisting of 1,575,000 PP Units at $0.20 per PP Unit for gross proceeds of $315,000. The Company fair valued the warrants at $15,750 using the residual method, first allocating value to the Common shares.

During the 15 months ended December 31, 2017 the Company completed the following financings:

On April 28, 2017 the Company closed the first tranche of its non-brokered private placement issuing 8,295,375 units (each individual "Unit") at $0.20 per Unit, for gross proceeds of $1,659,075. Each Unit consists of one common share of the Company and one-half common share purchase warrant with each whole warrant entitling the holder to acquire one common share of the Company for a period of 18 months at $0.18 per warrant. The Company values warrants using the residual method and allocated a nil value to the warrants.

On May 19, 2017 the Company closed the 2nd tranche of its non-brokered private placement issuing 3,650,000 Units at $0.20 per Unit, for gross proceeds of $730,000. The Company values warrants using the residual method and allocated a nil value to the warrants.

On June 15, 2017 the Company closed the 3rd and final tranche of its non-brokered private placement issuing 14,969,750 Units at $0.20 per Unit, for gross proceeds of $2,993,950. The Company values warrants using the residual method and allocated a nil value to the warrants.

The Company incurred $59,500 of cash financing costs and issued 127,750 finders' warrants. The finders warrants were fair valued at $12,770 using the black-scholes option pricing model using the following assumptions: expected life 1.5 years; expected dividend nil; volatility 117%; risk free rate 1.09%; expected forfeiture rate nil.

(Expressed in Canadian Dollars, unless otherwise stated)

Stock options

The balance of stock options as at December 31, 2018 and December 31, 2017 and the changes for the periods then ended are as follows:

	Number of Options	Weighted Average Exercise Price $	Weighted Average Remaining Contractual Life (years)
Balance, September 30, 2016	**1,890,000**	**0.21**	**3.24**
Granted	3,740,000	0.22	
Expired	(365,000)	0.75	
Balance, December 31, 2017	**5,265,000**	**0.18**	**1.54**
Granted	5,975,000	0.25	4.22
Balance, December 31, 2018	**11,240,000**	**0.21**	**2.97**

During the year ended December 31, 2018 the Company granted 5,975,000 (15 months ended December 31, 2017 - 3,740,000) options to employees, directors and consultant. The Company fair valued the options at using the Black-Scholes option pricing model using the following inputs for various grants:

	February 23, 2018	May 10, 2018	July 3, 2018
Risk free rate	2.04%	2.22%	2.04-2.43%
Expected life	5 years	5 years	4.76-5 years
Expected volatility	131.0%	132.7%	131.7-133.0%
Forfeiture rate	Nil	Nil	Nil
Expected dividends	Nil	Nil	Nil

Stock options outstanding and exercisable at December 31, 2018 are as follows:

Expiry Date	Exercise Price $	Options Outstanding	Options Exercisable
October 28, 2019	0.09	2,000,000	2,000,000
December 30, 2019	0.22	340,000	340,000
December 30, 2019	0.05	600,000	600,000
July 1, 2020	0.22	300,000	300,000
January 28, 2021	0.09	925,000	925,000
October 28, 2021	0.22	800,000	800,000
January 10, 2022	0.25	300,000	300,000
December 14, 2022	0.15	1,725,000	858,333
February 23, 2023	0.23	2,000,000	2,000,000
May 10, 2023	0.23	250,000	250,000
July 3, 2023	0.30/0.40	2,000,000	500,000
	0.21	**11,240,000**	**8,873,333**

Stock options outstanding and exercisable at December 31, 2017 are as follows:

(Expressed in Canadian Dollars, unless otherwise stated)

Expiry Date	Exercise Price $	Options Outstanding	Options Exercisable
October 28, 2019	0.09	2,000,000	2,000,000
December 30, 2019	0.22	340,000	340,000
December 30, 2019	0.05	600,000	600,000
July 1, 2020	0.22	300,000	300,000
January 28, 2021	0.09	925,000	925,000
October 28, 2021	0.22	800,000	800,000
January 10, 2022	0.25	300,000	300,000
	0.13	**5,265,000**	**5,265,000**

Warrants

The Company's warrants outstanding as at December 31, 2018 and December 31, 2017 and the changes for the periods then ended are as follows:

	Number of Warrants	Exercise Price $
Balance, September 30, 2016	**10,798,395**	**0.19**
Issued	13,585,313	0.30
Expired	(5,518,154)	0.19
Exercised	(5,280,241)	0.19
Balance, December 31, 2017	**13,585,313**	**0.30**
Issued	25,055,900	0.29
Expired	(13,585,313)	0.30
Balance, December 31, 2018	**25,055,900**	**0.29**

Warrants outstanding as at December 31, 2018 were as follows:

Expiry Date	Exercise Price $	Outstanding Warrants
August 16, 2019	0.30	3,892,900
June 5, 2021	0.30	14,049,000
June 28, 2021	0.30	3,025,000
July 11, 2021	0.30	1,589,000
April 4, 2023	0.20	2,500,000
		25,055,900

Weighted average remaining contractual life is 2.35 years.

Warrants outstanding as at December 31, 2017 were as follows:

(Expressed in Canadian Dollars, unless otherwise stated)

Expiry Date	Exercise Price $	Outstanding Warrants
October 28, 2018	0.30	4,147,688
November 19, 2018	0.30	1,825,000
December 15, 2018	0.30	7,612,625
		13,585,313

Weighted average remaining contractual life is 0.91 years.

18. OTHER EXPENSES

The Company's other expenses consist of the following:

	December 31, 2018	December 31, 2017
	$	$
VAT receivable write-off	163,571	50,422
Equipment write-off (Note 12)	39,664	-
Other	129,868	-
	333,103	**50,422**

19. INCOME TAXES

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive income (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 or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those 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 future taxable profit will allow the deferred tax asset to be recovered.

The tax effects of temporary differences between amounts recorded in the Company's accounts and the corresponding amounts as computed for income tax purposes gives rise to deferred tax liabilities as follows:

	December 31, 2018	December 31, 2017
	$	$
Property, equipment and mineral property	(7,973,006)	(6,285,821)
Convertible debt	(1,414,465)	-
Tax loss carry forwards	4,989,833	2,630,585
Prepaid taxes	438,927	432,231
Deferred tax liabilities	**(3,958,710)**	**(3,223,005)**

(Expressed in Canadian Dollars, unless otherwise stated)

As at December 31, 2018 no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets:

	December 31, 2018	December 31, 2017	Expiry Date Range
	$	$	
Tax loss carry forwards	11,278,800	8,058,000	2027-2038
Share issue costs	173,000	142,000	2037-2043
Pre-paid forward gold purchase liability	2,339,745	-	2037-2043
Brazil exploration assets	469,000	93,000	Indefinite

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 27% (2017 – 26%) as follows:

	December 31, 2018	December 31, 2017
Canadian statutory rate	27%	26%
Income tax recovery at Canadian statutory rates	3,162,257	2,512,496
Effect of different tax rates in foreign jurisdictions	150,405	(309,614)
Permanent differences and other	(1,314,634)	(896,246)
Change in unrecognized deductible temporary difference	(1,085,494)	(1,258,415)
Change due to foreign translation and other	106,711	199,738
	1,019,245	**247,960**

20. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its mineral properties to commercial production.

To date, the Company has depended on external financing to fund its activities. The capital structure of the Company currently consists of equity attributable to shareholders of $14,160,562 (December 31, 2017 – 6,554,868). The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or sell assets to fund operations. Management reviews its capital management approach on a regular basis and there have been no changes to the Company's approach during the year ended December 31, 2018 and 15 months ended December 31, 2017. The Company is not subject to externally imposed capital requirements.

21. FINANCIAL RISK MANAGEMENT

The carrying values of the Company's financial instruments are classified into the categories below. Fair values are determined either directly by reference to published price quotations in an active market, or from valuation techniques using observable inputs.

(Expressed in Canadian Dollars, unless otherwise stated)

	December 31, 2018	December 31, 2017
	$	$
Financial assets at amortised cost:		
Cash	389,446	104,233
Short-term investment	3,383,216	-
Liabilities at amortised cost:		
Accounts payable and accrued liabilities	2,032,738	2,075,345
Due to related parties	39,390	113,050
Loans	7,297,780	23,184,896
Derivative financial instruments:		
Pre-paid forward gold purchase liability	21,169,581	-

Fair value measurements
The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuation based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates;
Level 3: valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The carrying value of cash, short-term investment, accounts payable and accrued liabilities, and due to related parties approximate their fair values because of their short-term nature.

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as at December 31, 2018 and December 31, 2017. As required by IFRS 13, assets and liabilities are classified in their entirety on the lowest level of input that is significant to the fair value measurement.

As at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Loans (convertible subordinated note)	$ -	$ 7,297,780	$ -	$ 7,297,780
Pre-paid forward gold purchase liability	$ -	$	$ 21,169,581	$ 21,169,581

As at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Loans	$ -	$ -	$ -	$ -

The convertible subordinated note is fair valued using a discounted cash flow model and effective interest rate of 24. As the determination of an effective interest rate is based on inputs that are indirectly observable from quoted market rates, this financial instrument is categorized as Level 2 in the fair value hierarchy.

The fair value of pre-paid forward gold purchase liability was calculated using the Black Scholes Merton model and the Binomial Tree model ("Binomial Model"). This derivative has been classified as Level 3 in the fair value hierarchy.

Key assumptions used in the models at initial recognition and as at December 31, 2018 are summarized below:

(Expressed in Canadian Dollars, unless otherwise stated)

Valuation Date	August 3, 2018	December 31, 2018
Spot gold price	US$1,218	US$1,281
Exercise price	US$1,215	US$1,215
US treasury yield	2.43%	2.63%
Historical volatility of gold prices matching the term of the option	9.6 - 14.4%	8.4 - 13.4%
Trading price of the Company's 6,352,683 common shares as at the valuation date	$979,368	$651,779
Strike price of the discount on 2,000 ounces of gold	US$1,000,000	US$1,000,000
Expected volatility of the Company's shares in pre-production and post-production	75% and 62%	75% and 59%
Risk free rate for contract quantity exchange option	2.82%	2.51%

Risks arising from financial instruments and risk management
The Company's activities expose it to a variety of risks including interest rate risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by the officers of the Company and discussed with the Board of Directors. The officers of the Company are charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the expectations of the Board of Directors.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk with respect to its cash; however, the risk is minimal because of their short-term maturity. All of the Company's interest bearing debt instruments have fixed interest rates and are not subject to interest rate cash flow risk.

Credit risk
Credit risk is the risk of a loss if a customer or third party to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk arises from cash, short-term investment and receivables. The Company mitigates this risk by placing its cash in large reputable Canadian financial institution. The Company considers the credit risk related to cash and accounts receivable to be minimal.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company develops forecasts and budgets to better manage its obligations while supporting ongoing operations and capital expenditures. The Company relies on debt and equity offerings to raise the financing it needs to meet its ongoing requirements. The Company's cash is available on demand.

The Company's current and expected remaining contractual maturities for its financial liabilities with agreed repayment periods are presented below. The table includes the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to satisfy the liabilities.

	Remaining maturities of financial liabilities			
	< 1 year	**1 – 5 years**	**> 5 years**	**Total**
Accounts payable and accrued liabilities	2,032,738	-	-	2,032,738
Due to related parties	39,390	-	-	39,390
Loans	-	7,297,780	-	7,297,780
Pre-paid forward gold purchase liability	4,981,078	16,188,503	-	21,169,581
Total	**7,053,206**	**23,486,283**	**-**	**30,539,489**

Currency risk
Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Company's currency risk primarily arises from financial instruments denominated in US dollars that are held at the parent company level, as the functional currency of the parent company is Canadian dollars. Conversely for the Company's subsidiaries whose functional currency is US dollars, currency risk primarily arises from financial instruments denominated in Canadian dollars that are held at the subsidiary company level. The Company does not consider the currency risk to be material to the future operations of the Company and, as such, does not have a hedging program or any other programs to manage currency risk.

The Company's financial assets and liabilities as at December 31, 2018 are denominated in Canadian dollars, Brazilian real, Colombian Peso, Euro and US dollars as follows:

	Canadian dollar	US dollar	Colombian Peso	Euro	Brazilian real	Total
	$	$	$	$	$	$
Financial assets						
Cash	146,572	229,095	10,881	-	2,898	389,446
Short-term investment	-	3,383,216	-		-	3,383,216
	146,572	3,612,311	10,881	-	2,898	3,772,662
Financial liabilities						
Accounts payable and accrued liabilities	225,408	536,842	1,176,797	28,103	65,587	2,032,738
Due to related parties	39,390	-	-	-	-	39,390
Loans	7,297,780	-	-		-	7,297,780
Pre-paid forward gold purchase liability	-	21,169,581	-	-	-	21,169,581
	7,562,578	21,706,423	1,176,797	28,103	65,587	30,539,489

The Company's financial assets and liabilities as at December 31, 2017 are denominated in Canadian dollars, Brazilian real, Colombian Peso and US dollars as follows:

	Canadian dollar	US dollar	Colombian Peso	Euro	Brazilian real	Total
	$	$	$	$	$	$
Financial assets						
Cash	4,309	97,282	-	-	2,642	104,233
	4,309	97,282	-	-	2,642	104,233
Financial liabilities						
Accounts payable and accrued liabilities	335,032	786,357	905,733	-	48,223	2,075,345
Due to related parties	113,050	-	-	-	-	113,050
Loans	4,367,781	12,679,253	-	-	-	17,047,034
	4,815,863	13,465,610	905,733	-	48,223	19,235,429

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

(Expressed in Canadian Dollars, unless otherwise stated)

Price risk
The Company is exposed to the risk of fluctuations in prevailing market commodity prices for gold which it sells into global markets. The market price of gold is one of the key drivers that impacts valuation of pre-paid forward gold purchase liability.

22. SEGMENTED DISCLOSURE

The Company manages its operating segments by reviewing each individual resource project and segregates the projects between properties under development and exploration properties.

Operating segment:

The Company has identified the following operating segments: the Colombian mines under development consisting of El Limon and North Otu, Gold Road property as mine under development and exploration and evaluation assets. The performance of the company's operating segments as at December 31, 2018 and for the year then ended and December 31, 2017 and for the 15 months then ended is as follows.

	As at and for the year ended December 31, 2018				
	Colombian Mines	Gold Road	Exploration and evaluation	Corporate and other	Total
	$	$	$	$	$
Net income (loss) for the year	(1,818,841)	(3,356,886)	(66,151)	(5,450,939)	(10,692,817)
Total assets	30,983,077	11,957,678	2,433,000	4,077,802	49,451,557
Total liabilities	5,443,347	147,775	65,587	28,841,490	34,498,199

	As at and for 15 months ended December 31, 2017				
	Colombian Mines	Gold Road	Exploration and evaluation	Corporate and other	Total
	$	$	$	$	$
Net loss for the period	2,112,086	1,652,149	-	6,467,683	10,231,918
Total assets	26,258,780	7,943,137	1,753,648	408,875	36,364,440
Total liabilities	10,643,736	9,865,469	48,224	8,038,867	28,596,296

23. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	Loans	
October 1, 2016	**$**	**10,557,094**
Cash flows:		
Proceeds		5,612,950
Repayment		(324,425)
Non-cash:		
Assumption of loan in acquisition		5,465,865
Accrued interest and fair value revaluation		1,873,412
December 31, 2017	**$**	**23,184,896**

(Expressed in Canadian Dollars, unless otherwise stated)

Cash flows:		
Proceeds		1,055,346
Repayment		(6,573,844)
Non-cash:		
Issuance of shares to settle loan		(7,841,549)
Classification of loan's portion as contributed surplus		(5,280,442)
Accrued interest and fair value revaluation		2,753,373
December 31, 2018	**$**	**7,297,780**

24. SUBSEQUENT EVENTS

On January 10, 2019, the "Company" announced that effective January 1, 2019, it has entered into a Final Services Agreement with Clark Construction Group, LLC ("Clark"), a Maryland, limited liability company whereby Clark will provide contract mining services at the Company-owned, Gold Road Mine in Oatman, Arizona. The contract transitions from the original "time and materials" contract that was previously announced in November 2018 with an open book Target Pricing contract.

On February 5, 2019, the Company announced that underground mining has commenced at the Company's Gold Road Mine in Oatman, Arizona. The initial plant production target is 250 tonnes per day, ramping up to full capacity of 500 tons per day in Q2 2019.

On February 20, 2019 the company announced that it has arranged a non-brokered private placement for total gross proceeds of up to $5,000,000. The Private Placement will consist of up to 27,777,778 units at a price of $0.18 per unit. Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant.

On February 28, 2019, the Company completed the successful re-start of the Gold Road mill and Carbon-In-Leach plant. Low-grade inventory is being used for the initial feed in order to properly balance the system. Higher grade production from current mining faces will be fed to the plant once steady state conditions are achieved, expected within several weeks. The full circuit, including crushing, grinding and leaching has been fully tested.