AURANIA

AURANIA RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

INDEX

	PAGE(S)
Independent Auditor's Report	1-3
Consolidated Statements of Financial Position	4
Consolidated Statements of Changes in Equity (Deficiency)	5
Consolidated Statements of Loss and Comprehensive Loss	6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8-43

UHY McGovern Hurley LLP
Chartered Professional Accountants

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
Canada

Tel 416-496-1234
Fax 416-496-0125
Email info@uhymh.com
Web www.uhymh.com

Independent Auditor's Report

To the Shareholders of Aurania Resources Ltd.

Opinion

We have audited the consolidated financial statements of Aurania Resources Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of changes in equity (deficiency), consolidated statements of loss and comprehensive loss 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 the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had an accumulated deficit of $25,668,365 as at December 31, 2018 and, as of that date, the Company's current liabilities exceeded its current assets by $2,711,823. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 IFRS, 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 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 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 judgement 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 risks 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.

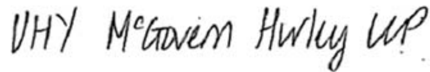
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 of the audit resulting in this independent auditor's report is Jessica Glendinning.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 11, 2019

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

AS AT	December 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash	**$817,021**	$671,346
Restricted cash (note 9(c))	**255,912**	-
Prepaid expenses and receivables	**97,454**	64,882
Total current assets	**1,170,387**	736,228
Non-current assets		
Property, plant and equipment (note 7)	**137,897**	52,573
TOTAL ASSETS	**$1,308,284**	$788,801
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 15 and 18)	**$390,233**	$464,956
Promissory notes (note 9)	**579,915**	1,273,000
Derivative liability on convertible debenture (note 9)	**435,390**	-
Convertible debenture (note 9)	**2,476,672**	-
Total liabilities	**3,882,210**	1,737,956
EQUITY (DEFICIENCY)		
Share capital (note 10)	**319**	273
Share premium (note 10)	**19,983,179**	13,019,518
Warrants (note 12)	**1,123,509**	883,874
Contributed surplus	**1,987,432**	1,206,201
Deficit	**(25,668,365)**	(16,059,021)
Total equity (deficiency)	**(2,573,926)**	(949,155)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)	**$1,308,284**	$788,801

Nature of operations and business continuance (note 1)
Commitments and contingencies (notes 8,18)
Subsequent events (note 20)

APPROVED BY THE BOARD:

Signed, "Marvin K. Kaiser", Director

Signed, "Keith M. Barron", Director

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

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in Canadian Dollars)

	ISSUED CAPITAL		RESERVES				
	Common Shares #	**Share Capital $**	**Share Premium $**	**Warrants $**	**Contributed Surplus $**	**Deficit $**	**Shareholders' Equity (deficiency) $**
Balance – December 31, 2016	**22,759,735**	**229**	**5,485,705**	**-**	**692,868**	**(6,813,699)**	**(634,897)**
Shares issued for private placement (note 10)	3,200,890	32	5,867,266	-	-	-	**5,867,298**
Shares issued for acquisition (note 10)	1,000,000	10	1,765,532	-	-	-	**1,765,542**
Shares issued for debt settlement (note 10)	375,000	2	749,998	-	-	-	**750,000**
Warrants issued for private placement (notes 10 and 12)	-	-	(750,476)	750,476	-	-	**-**
Agents' options compensation (note 10)	-	-	(133,398)	133,398	-	-	**-**
Stock-based compensation expense (note 11)	-	-	-	-	504,861	-	**504,861**
Stock-based compensation exp – RSU's (note 11)	-	-	-	-	23,363	-	**23,363**
Exercise of stock options (note 10)	50,000	-	34,891	-	(14,891)	-	**20,000**
Net (loss) for the year	-	-	-	-	-	(9,245,322)	**(9,245,322)**
Balance – December 31, 2017	**27,385,625**	**273**	**13,019,518**	**883,874**	**1,206,201**	**(16,059,021)**	**(949,155)**
Shares issued for private placements (notes 9 and 10)	2,219,400	22	4,061,951	-	-	-	**4,061,973**
Shares issued for exercise of options (note 10)	1,730,000	18	1,272,070	-	(532,088)	-	**740,000**
Shares issued for exercise of warrants (note 10)	530,536	5	1,840,380	(248,777)	-	-	**1,591,608**
Shares issued for exercise of agents' options (note 10)	137,813	1	409,023	(133,398)	-	-	**275,626**
Warrants issued for exercise of agents' options (note 12)	-	-	(15,000)	15,000	-	-	**-**
Warrants issued for private placements (note 12)	-	-	(578,000)	578,000	-	-	**-**
Stock-based compensation expense, options and RSU's (note 11)	-	-	-	-	1,330,366	-	**1,330,366**
Shares issued for RSU's (note 11)	33,500	-	17,047	-	(17,047)	-	**-**
Broker warrants compensation (note 10)	-	-	(43,810)	43,810	-	-	**-**
Expiry of 2017 broker warrants (note 12)	-	-	-	(15,000)		15,000	**-**
Net (loss) for the year	-	-	-	-	-	(9,624,344)	**(9,624,344)**
Balance – December 31, 2018	**32,036,874**	**319**	**19,983,179**	**1,123,509**	**1,987,432**	**(25,668,365)**	**(2,573,926)**

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

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(*Expressed in Canadian Dollars*)

For the years ended December 31,	2018	2017 2017 (note 16)
Operating Expenses		
Exploration expenditures (notes 8 and 14)	**$6,037,278**	$2,233,656
Stock-based compensation (notes 11,13)	**1,330,366**	528,224
Investor relations (note 15)	**697,342**	309,452
Office and general	**603,066**	231,910
Management fees (note 13)	**279,803**	243,040
Professional and administrative fees (note 15)	**148,303**	48,197
Regulatory and transfer agent fees	**117,545**	68,656
Directors' and advisor fees (note 13)	**68,396**	63,375
Amortization (note 7)	**23,023**	4,051
Project evaluation	**11,541**	35,476
Total expenses	**$9,316,663**	$3,766,039
Other expenses (income):		
Costs associated with acquisition of EcuaSolidus (note 6)	**-**	5,511,183
Loss (gain) on foreign exchange	**17,078**	(46,347)
Loss on derivative (note 9)	**8,563**	-
Interest income	**(9,127)**	-
Interest expense	**291,167**	14,447
Loss and comprehensive loss for the year	**$9,624,344**	$9,245,322
Basic and diluted loss per share	**$0.32**	$0.36
Weighted average common shares outstanding - Basic and diluted	**30,438,349**	25,487,461

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

AURANIA RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

For the years ended December 31,	2018	2017 (note 16)
Cash flow from the following activities:		
Operating activities:		
Net (loss) for the year	**$(9,624,344)**	$(9,245,322)
Adjustment for:		
Acquisition of EcuaSolidus S.A. (note 6)	**-**	5,511,183
Amortization (note 7)	**23,023**	4,051
Stock-based compensation (note 11)	**1,330,366**	528,224
Accretion of debt discount (note 9)	**239,764**	-
Loss on derivative (note 9)	**8,563**	-
Accrued interest (note 9)	**51,403**	15,100
Foreign exchange loss (gain) on promissory notes (note 9)	**67,668**	(93,880)
Non-cash items:		
Prepaid expenses and receivables	**(32,572)**	(40,322)
Accounts payable and accrued liabilities	**(74,723)**	(160,855)
Net cash used in operating activities	**(8,010,852)**	(3,481,821)
Financing activities:		
Shares issued for private placements (note 10)	**4,438,800**	6,401,780
Less share issue costs (note 10)	**(376,827)**	(534,482)
Shares issued for option exercises (notes 10,11)	**460,000**	20,000
Shares issued for warrant exercises (notes 12)	**1,591,608**	-
Shares issued for agents' options exercise (notes 9, 11)	**275,626**	-
Convertible debenture (note 9)	**2,631,579**	-
Promissory notes advances (note 9)	**-**	425,094
Repayment of promissory note (note 9)	**(500,000)**	(1,407,614)
Net cash provided by financing activities	**8,520,786**	4,904,778
Investing activities:		
Increase in restricted cash	**(255,912)**	-
Purchase of capital assets (note 7)	**(108,347)**	(51,784)
Acquisition of EcuaSolidus S.A. (note 6)	**-**	(703,769)
Net cash used in investing activities	**(364,259)**	(755,553)
Increase in cash	**145,675**	667,404
Cash – beginning of year	**671,346**	3,942
Cash – end of year	**$817,021**	$671,346

Supplemental Information	2018	2017
Issuance of broker warrants	**$43,810**	$133,398
Shares issued in settlement of debt	**-**	749,998
Shares issued for acquisition of EcuaSolidus, S.A.	**-**	1,765,542
Promissory note settled through the exercise of stock options	**280,000**	-

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

1. NATURE OF OPERATIONS AND BUSINESS CONTINUANCE

Aurania Resources Ltd. (the "Company") was incorporated under the laws of Bermuda on June 26, 2007 pursuant to the provisions of *The Companies Act 1981* (Bermuda). On February 18, 2011, the Company registered extra-provincially in the Province of Ontario, Canada. The registered head office of the Company is located at 31 Victoria Street, Hamilton, HM10, Bermuda. The corporate office is located at Ste. 1050 – 36 Toronto St., Toronto, ON M5C 2C5.

Aurania Resources Ltd. is a junior mineral exploration company engaged in the identification, evaluation, acquisition and exploration of mineral property interests, with a focus on precious metals.

On May 26, 2017, the Company acquired EcuaSolidus, S.A. ("EcuaSolidus" or "ESA"), a private Ecuador-based company, owned by the principal shareholder of the Company, in order to acquire all the rights, title and interest in certain mineral exploration licenses in Ecuador (the "Lost Cities – Cutucu Project" or the "Project"). **See note 8 – Mineral Property Interests.**

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration program will result in profitable mining operations. The recoverability of the carrying value of property, plant and equipment and the Company's continued existence is dependent upon the preservation of its interest in recoverable reserves, the achievement of profitable operations and, the ability of the Company to raise necessary financing to complete its planned exploration program.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration activities and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims and noncompliance with regulatory and environmental requirements. **See note 8 – Mineral Property Interests** regarding the current status of the Company's permits and licenses.

The Company's ability to continue operations and fund its future exploration property expenditures is highly dependent on Management's ability to secure additional financing. Management acknowledges that while it has been successful in raising sufficient capital in the past, there can be no assurance it will be able to do so in the future. These financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material. As a result of the financial matters discussed in the following paragraph, there is a material uncertainty that results in significant doubt regarding the ultimate applicability of the Company's going concern assumption.

As at December 31, 2018, the Company had cash on hand and restricted cash totaling $1,072,933 (December 31, 2017 - $671,346) to fund current liabilities of: accounts payable and accrued liabilities of $390,233 (December 31, 2017 - $464,956), a promissory note of $579,915 (2017 - $1,273,000) and a convertible debenture of $2,912,062 (including a derivative liability of $435,390), (2017 - $nil). Further, the Company had an accumulated deficit of $25,668,365 (December 31, 2017 - $16,059,021) and working capital deficiency of $2,711,823 (December 31, 2017 – $1,001,728). Subsequent to December 31, 2018, the Company added $5,254,667 gross proceeds to the treasury upon closing of a rights offering – **See note 20 - Subsequent Events.**

2. BASIS OF PRESENTATION

These annual consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities, which are measured at fair value. The Company's assets are located in Ecuador and Switzerland and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

3. CHANGES IN ACCOUNTING POLICIES

New and Amended IFRS standards that are in effect for the current year

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2018. The Company also adopted IFRIC 22 – Foreign Currency and Advance Consideration. There were no effects on opening balances at January 1, 2018 with respect to the adoption of these policies.

IFRS 9 - Financial Instruments

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets:		
Cash	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts receivables	Loans and receivables	Amortized cost

3. CHANGES IN ACCOUNTING POLICIES, continued

IFRS 9 - Financial Instruments, continued

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial liabilities:		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Promissory notes	Other financial liabilities	Amortized cost
Derivative liability on convertible debenture	FVTPL	FVPL
Convertible debenture	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 39.

Accounting policy under IFRS 9 applicable from January 1, 2018

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash, restricted cash and amounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income (loss) and is not reclassified to profit or loss.

3. CHANGES IN ACCOUNTING POLICIES, continued

Accounting policy under IFRS 9 applicable from January 1, 2018, continued

Financial assets, continued

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of operations.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, promissory notes and convertible debenture, which are each measured at amortized cost. The Company's derivative liability on convertible debenture is measured at FVPL. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in interest and accretion expense in the consolidated statements of loss.

Subsequent measurement – financial liabilities at FVPL
Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in gain (loss) on derivative in the consolidated statements of loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

3. CHANGES IN ACCOUNTING POLICIES, continued

Accounting policy under IAS 39 applicable prior to January 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities was as follows:

Other than a US dollar dominated convertible debenture detailed in note 9, the Company does not have any further derivative financial instruments. All other financial instruments are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or fair value through profit or loss (“FVTPL”).

Financial assets

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through the consolidated statement of loss. At December 31, 2017, the Company had no items classified as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. The Company’s cash and receivables are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At December 31, 2017, the Company had no financial assets classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured 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 of allocating 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. The Company’s accounts payable and accrued liabilities and promissory note are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes of financial liabilities classified as FVTPL are recognized through the consolidated statement of loss. At December 31, 2017, the Company had not classified any financial liabilities as FVTPL.

3. CHANGES IN ACCOUNTING POLICIES, continued

Accounting policy under IAS 39 applicable prior to January 1, 2018, continued

Financial liabilities, continued

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). As at December 31, 2018, the Company did not have any financial instruments recorded using the fair value hierarchy.

As at December 31, 2017, the Company designated its derivative liability on convertible debenture as FVPL which is measured at fair value and classified as Level 2.

Impairment of Assets

Financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the assets have been negatively impacted. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the amount of the impairment and the loss is recognized in the consolidated statement of loss.

If in a subsequent period, the amount of impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been, had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of loss.

New and Amended IFRS standards not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2019 or later periods. Many are not applicable to, or do not have a significant impact on, the Company and have therefore been excluded. The following have not been adopted and are being evaluated to determine their impact on the Company's consolidated financial statements:

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease-related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease

3. CHANGES IN ACCOUNTING POLICIES, continued

New and Amended IFRS standards not yet effective, continued

as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and **IAS 28 – Investments in Associates and Joint Ventures ("IAS 28")** were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The annual consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and have been consistently applied to all the years presented unless otherwise indicated.

These annual consolidated financial statements were approved and authorized by the Board of Directors on April 11, 2019.

(b) Basis of Consolidation

Subsidiaries

The annual consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries AuroVallis Sàrl ("AVS"), incorporated under the laws of Switzerland, and ESA, incorporated under the laws of Ecuador. The accounting entries for ESA have been consolidated only since the date of acquisition of ESA.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date that control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Transactions Eliminated on Consolidation

All intercompany transactions, balances, income and expenses are eliminated upon consolidation. Accounting policies of subsidiaries are consistent with those of the Company.

Functional and Reporting Currency

Items included in the annual consolidated financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar ("CAD"), which is also the reporting currency of the Company. All financial information has been presented in CAD, unless otherwise stated and "USD" represents United States dollars and "CHF" represents Swiss francs.

Segment Reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operated in one business segment - mineral exploration, and two geographical segments – Ecuador and Switzerland, during the years ended December 31, 2018 and 2017.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Significant accounting judgments and estimates, continued

The application of the Company's accounting policies in compliance with IFRS requires the Company's Management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Estimation of decommissioning and restoration costs and the timing of expenditure

Management is not aware of any material restoration, rehabilitation and environmental provisions as at December 31, 2018 and 2017. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value and these estimates are updated at least annually. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of a mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the share price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could affect the fair value estimates.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax-related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded,

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Significant accounting judgments and estimates, continued

such differences will impact the tax-related accruals and deferred income tax provisions in the period in which such determination is made.

Business combinations versus asset acquisitions

Determination of whether a set of assets acquired, and liabilities assumed, constitute a business requires the Company to make certain judgments, taking into account all facts and circumstances. In making this determination, the Company considers items including, but not limited to: whether there are inputs and processes attributable to the set of assets and liabilities, the extent of the infrastructure in place, the work required to bring the acquired assets to production and whether the project has resources or reserves. Such judgments are inherently uncertain and could have a significant effect on the method of accounting for the acquisition and the disclosures required.

Fair value of conversion feature of convertible debenture
The Company measures the convertible debenture embedded derivative using a binominal-lattice-based valuation model, taking into consideration Management's best estimate of the expected volatility, expected life of the derivative, foreign exchange rate and exercise price on the date of issue and at each reporting date. Assumptions are made and judgment used in applying valuation techniques. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could affect the fair value estimates.

See note 18 – Commitments and Contingencies.

(d) Compound financial instruments

The components of compound financial instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. The conversion feature of the convertible debentures issued does not meet the criteria for equity classification and accordingly, is accounted for as an embedded derivative liability. The derivative liability is calculated first, and the residual value is assigned to the debt component.

Subsequent to initial recognition, the embedded derivative component is re-measured at fair value at each reporting period with the changes in fair value recognized in operations. Subsequent to initial recognition, the liability component is accounted for at amortized cost using the effective interest rate method until the instrument is converted or the instrument matures. The liability component accretes up to the principal balance at maturity. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

(e) Exploration and evaluation expenditures

All acquisition and exploration costs are charged to operations in the period incurred until such time as it has been determined that a project is commercially viable and technically feasible, in which case, subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment. If a project is successful, the capitalized amounts related to the project are depleted on a unit-of-production method based on proven and probable reserves. If it is determined that the mineral property has no future economic value, then the related capitalized costs will be expensed.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Exploration and evaluation expenditures, continued

Costs include the cash consideration and the fair market value of shares issued for the acquisition of properties. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

(f) Decommissioning, restoration and similar liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an exploration property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the related asset as soon as the obligation to incur such costs arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset and the operating license conditions. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Changes in estimates of decommissioning costs are accounted for as a charge to operations. The periodic unwinding of the discount is recognized in operations as an accretion expense. Management is not aware of any significant decommissioning or restoration obligations at December 31, 2018 and 2017.

(g) Foreign currency translation

The reporting and functional currency of the Company and its subsidiary is the Canadian dollar. Foreign currency transactions are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities are translated using the exchange rate at the consolidated statement of financial position date.

(ii) Non-monetary assets and liabilities are translated at historic rates.

(iii) Revenues and expenses are translated at the average rate of exchange at the time of the transaction.

(iv) Exchange gains and losses arising from the translation of monetary items are taken directly to the consolidated statement of loss.

(h) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the recoverable amount is less than the carrying amount of the asset, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the consolidated statement of loss.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(i) Basic and diluted loss per share

Basic and diluted loss per share is calculated using the weighted average number of common shares outstanding for the period. Diluted loss per share reflects the dilution that would occur if outstanding warrants and options were converted into common shares. In order to determine diluted loss per share any proceeds from the exercise of dilutive warrants and options would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The Company's diluted loss per share for the periods presented does not include the effect of the outstanding stock options, warrants, restricted share units and convertible debenture as they are anti-dilutive.

(j) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the equity reserves note.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For those options that expire after vesting, the recorded value is transferred to deficit.

(k) Income taxes

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

Current tax
This is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax
Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period

4. SIGNIFICANT ACCOUNTING POLICIES, continued

of expected realization or settlement. Deferred income tax liabilities and assets are not recognized for taxable temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(l) Property, plant and equipment and amortization

Property, plant and equipment are carried at cost, less accumulated amortization and accumulated impairment losses. The assets' residual values, useful lives and methods of amortization are reviewed at each reporting period and adjusted prospectively if appropriate.

- Office furniture and equipment - 30% straight line
- Field equipment – 30% straight line
- Computer equipment - 30% straight line
- Leasehold improvements – 10% straight line

Amortization of property, plant and equipment related to exploration activities has been expensed to the consolidated statement of loss and equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. When parts of an item of equipment have different useful lives, the components are accounted for as separate items of equipment. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in profit or loss.

5. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Company manages its capital structure and adjusts it, based on the funds needed in order to support the acquisition and exploration of mineral property interests. Management does this considering changes in economic conditions and the risk characteristics of the underlying assets.

The Company is not subject to externally imposed capital requirements by a lending institution or regulatory body, other than those of the TSX Venture Exchange ("TSXV"), which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. As at December 31, 2018, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

The Company considers the capital that it manages to include share capital, share premium, warrants, contributed surplus and deficit, which at December 31, 2018 was a deficiency of $2,573,926 (December 31, 2017 - $949,155). There has been no change with respect to the overall capital risk management strategy during the years ended December 31, 2018 and 2017.

5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

Capital management, continued

Exercise of options and warrants

During the year ended December 31, 2018, a total of $2,327,234 was added to the treasury from the exercise of 1,030,000 stock options, 530,536 warrants and 137,813 agents' options. The exercise of an additional 700,000 stock options resulted in the settlement of $280,000 of promissory note debt. **See note 9 – Indebtedness.**

Capital raises, short-term loan

During the year ended December 31, 2018, the Company completed a private placement (the "2018 Offering") which yielded net proceeds of $4,061,973 to treasury. Further, in order to pay the 2018 mineral concession fees owed by ESA, the Company subscribed for a convertible debenture (the "Debenture") with the principal shareholder of the Company (the "Lender") for USD2,000,000 ($2,631,579 at date of issue; $2,726,012 at December 31, 2018).

Subsequent to December 31, 2018, the Company added $5,254,667 (gross) to the treasury from the completion of a Rights Offering. **See note 20 – Subsequent events**.

Extensions of Promissory Note
During the year ended December 31, 2018, the Lender extended the maturity date of a 2017 promissory note from May 29, 2018 to May 29, 2019. The note was then amended again to extend the maturity date to May 29, 2020. **See note 9 – Indebtedness and note 20 – Subsequent Events**.

Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency, and commodity price risk). Risk management is carried out by Management, with guidance from the Audit Committee under policies approved by the Board of Directors (the "Board"). The Board also provides regular guidance for overall risk management.

There have been no changes in the risks, objectives, policies and procedures during the years ended December 31, 2018 and 2017.

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company has no significant concentration of credit risk arising from its operations. Cash is held at select Canadian, Swiss and Ecuadorian financial institutions, from which Management believes the risk of loss to be low.

The Company does not have any material risk exposure to any single debtor or group of debtors.

Liquidity risk

Liquidity risk arises through an excess of financial obligations over financial assets at any point in time. The Company's approach to managing liquidity risk is to maintain sufficient readily available cash to continue

5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

Financial risk management, continued

operations and meet its financial obligations as they become due. As the Company has no producing assets, continued options are dependent upon its ability to raise adequate financing, through debt, equity or by the disposal of assets.

The Company generates cash flow primarily from its financing activities. As at December 31, 2018, the Company had available cash of $817,021 (2017 - $671,346) to settle current liabilities of $3,882,210. (2017 - $1,737,956). The Company also holds a restricted guaranteed investment that matures on December 18, 2019. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance and liquidity. All the Company's current financial liabilities, except for the promissory note and convertible debenture have contractual maturities less than 30 days and are subject to normal trade terms. Repayment of these liabilities is dependent upon the Company's ability to raise adequate financing, through debt, equity or by the disposal of assets.

As the Company has no steady source of revenues or cash flow and has implemented its exploration plan as anticipated, it is highly probable that additional financing will be required during 2019 to further advance exploration at the Project, to meet ongoing financial obligations and discharge the Company's liabilities, in the normal course of business. The Company is considering different sources of potential funding to advance exploration, including equity issuances, short-term loans, the exercise of warrants and stock options and joint venture partnerships.

Market risk is the risk related to changes in the market prices, such as fluctuations in foreign exchange rates and interest rates that will affect the Company's net earnings or the value of its financial instruments.

Interest rate risk

Cash balances are deposited in highly-accessible and low-interest bank accounts that are used for short-term working capital requirements. The Company regularly monitors compliance with its cash management policy.

Foreign currency risk

Certain of the Company's expenses are incurred in USD and CHF and are therefore subject to gains or losses due to fluctuations in these currencies. Management believes that the foreign exchange risk derived from currency conversions is best served by not hedging its foreign exchange risk. At December 31, 2018 and 2017, the Company's exposure to foreign currency risk with respect to amounts denominated in USD and CHF, was substantially as follows:

In Canadian $ equivalents	**December 31, 2018**	December 31, 2017
Cash	**29,301**	$8,393
Accounts payable, accrued liabilities and promissory note promissory note	**(773,638)**	(1,391,262)
Convertible debenture	**(2,912,062)**	-
Net exposure	**$(3,656,399)**	$(1,382,869)

5. CAPITAL AND FINANCIAL RISK MANAGEMENT, continued

Commodity price risk

Commodity price risk is defined as the potential adverse future impact on earnings and economic value due to commodity price movements and volatility. The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of gold, silver, copper, and other commodities.

Commodity prices have fluctuated significantly in recent years. There is no assurance that these metals will be produced in the future or that a profitable market will exist for them. At December 31, 2018 and 2017, the Company was not a metals commodity producer.

Sensitivity analysis

At December 31, 2018 and 2017, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to their short-term nature.

Based on Management's knowledge and experience of the financial markets, the Company believes that a 10% strengthening of the Canadian dollar against the USD and CHF at December 31, 2018 would have increased the net asset position of the Company by $365,640 (December 31, 2017 – $138,287). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

6. ACQUISITION OF ECUASOLIDUS, S. A.

On May 26, 2017, the Company acquired all the issued and outstanding shares of ESA (the "Transaction") pursuant to an Agreement of Purchase and Sale (the "Agreement") from Dr. Keith Barron, Chairman and CEO and significant shareholder of the Company (the "Vendor"). The purchase price consideration paid, and the net assets acquired by the Company were as follows:

Consideration paid	
Cash	$500,000
1,000,000 common shares	1,765,542
Transaction costs	203,769
	$2,469,311

Identifiable assets and liabilities assumed	
Equipment	$4,840
Sundry receivables and prepaid expenses	22,048
Trade payables and accrued liabilities	(365,200)
Promissory notes	(2,703,560)
Fair value of net liabilities assumed	$(3,041,872)

The deficiency of the fair value of the net assets of ESA over the purchase price, in the amount of $5,511,183 has been recognized in the consolidated statement of loss, principally in the second quarter. As a condition of the closing of the Transaction, the Company agreed to settle certain outstanding debt owed by the Company to the Vendor, or its affiliate or affiliates by issuing common shares of the Company to the Vendor or as he may so

direct, at a deemed price of $2.00 per common share, in an aggregate amount not to exceed $750,000 (the "Debt Settlement").

As a result of the Transaction, but not forming a part of it, the following obligations were acquired:

- A cash repayment of USD1,000,000 for the MCL as discussed above; and
- A two percent (2%) net smelter return royalty on metal production and a two percent (2%) net sales return royalty on non-metallic products, held by the Vendor.

7. PROPERTY, PLANT & EQUIPMENT

COST	Leasehold Improvements $	Field Equipment $	Furniture and Fixtures $	Computer Equipment $	Total $
At December 31, 2016	**-**	**-**	**-**	**4,081**	**4,081**
Additions	25,477	-	768	30,379	**56,624**
At December 31, 2017	**25,477**	**-**	**768**	**34,460**	**60,705**
Additions	2,068	66,624	5,590	34,065	**108,347**
At December 31, 2018	**27,545**	**66,624**	**6,358**	**68,525**	**169,052**
ACCUMULATED DEPRECIATION	**Leasehold Improvements $**	**Field Equipment $**	**Furniture and Fixtures $**	**Computer Equipment $**	**Total $**
At December 31, 2016	**-**	**-**	**-**	**(4,081)**	**(4,081)**
Additions	(851)	-	(38)	(3,162)	(4,051)
At December 31, 2017	**(851)**	**-**	**(38)**	**(7,243)**	**(8,132)**
Additions	(2,143)	(10,029)	(239)	(10,612)	(23,023)
At December 31, 2018	**(2,994)**	**(10,029)**	**(277)**	**(17,855)**	**(31,155)**
NET BOOK VALUE:					
At December 31, 2017	24,626	-	730	27,217	52,573
At December 31, 2018	**$24,551**	**$56,595**	**$6,081**	**$50,670**	**$137,897**

8. MINERAL PROPERTY INTERESTS

ECUADOR

a) Mineral Concessions and Obligations

Post-closing of the Transaction, the Company became the holder of the rights, title and interest in the Lost Cities Project, comprised of certain mineral concessions in the Cordillera de Cutucu, in Ecuador (the "Project"). In December 2016, the Company was granted renewable 25-year permits for the exclusive right to explore, exploit, process and sell any metallic minerals within the concessions.

Mineral concessions are regulated according to the following timeframes:

- up to four years of initial exploration ("Initial Exploration");
- up to four years of advanced exploration ("Advanced Exploration"); and
- up to two years of economic evaluation of the deposit, which can be extended for an additional two-year period.

8. MINERAL PROPERTY INTERESTS, continued

ECUADOR, continued

The key requirements for maintaining the good standing of concessions are as follows:

- Annual concession fees must be paid on or before March 31st in each year. The 2018 annual concession fees of USD2,004,923 ($2,626,449) were paid on March 20, 2018. The 2018 concession payment was financed pursuant to an interest-bearing convertible debenture loan with the Vendor. **See note 9 - Indebtedness.**

- Additional exploration expenditures for the Project, required by statute, are as follows:

Year [(1)]	Concession Fees (USD)	Minimum Expenditure Required (USD)	Committed Expenditure (USD) [(1)]
2018	2,004,923	1,038,820	1,090,000
2019	2,046,475	2,077,640	2,098,000
2020	2,050,000 (E)	2,077,640	Not yet determined

In 2018 the Company's expenditures exceeded the required amount.

- An environmental registration and environmental management plan are required for exploration of the concessions. These were received on June 30, 2017, and are valid for the four-year term of Initial Exploration (2017-2020).

- The Company is also required to meet certain other non-financial obligations in order to keep the concessions in good standing. Management believes the Company has complied with such obligations, to date.

b) Future Mineral Concession Maintenance Requirements

In 2021 and beyond, the Company would be regulated by the requirements for conducting Advanced Exploration which cannot be estimated by Management, at the reporting date.

c) Relinquishment or Cancellation of Concessions

The size of the concession area constituting the Project may be reduced at the Company's discretion, based on exploration results. Conversely, mineral concessions can be cancelled by the State, for various reasons including, misrepresentation by the concession-holder of the stage of the concessions' exploration and development, by causing an excessive environmental impact, irreparable damage to Ecuadorian cultural heritage, or by the violation of human rights.

See note 14 – Exploration Expenditures.

8. MINERAL PROPERTY INTERESTS, continued

SWITZERLAND

The Company, through its wholly-owned subsidiary AVS, has been maintaining a 100% interest in certain exploration permits (the "Permits") in Switzerland, in the Canton of Valais (the "Canton") subject to a 3% gross value royalty payable to the Canton and a 0.75% gross value royalty payable to the surface rights holders.

In 2015, the Company made formal application to obtain new five-year Permits and were advised that the Canton Authority intended to revise the Swiss Mining Law prior to issuing new permits. The applications were deemed legally "frozen"; therefore, Management believes all rights, title and interest under the Permits, have been preserved.

To December 31, 2018, Management is unaware of any change in the status of the Permits.

See note 14 - Exploration Expenditures.

9. INDEBTEDNESS

(a) Promissory Note - Mineral Concessions Loan ("MCL1")

On March 20, 2017 ("Date of MCL1"), the Lender advanced USD2,000,000 to ESA to facilitate the payment of the 2017 minerals concession fees, pursuant to an unsecured, promissory note loan. On May 29, 2017, the Company repaid USD1,000,000 of the MCL1 from the proceeds of the 2017 Offering. On May 29, 2018, the Lender extended the maturity date of the MCL1 to May 29, 2019, and on January 28, 2019, the Lender agreed to further extend the maturity date of the MCL1 to May 29, 2020. **See note 20 - Subsequent Events.**

On April 2, 2018 Dr. Barron settled $280,000 of MCL1 in consideration of exercising his 700,000 stock options, at $0.40 per option. Accordingly, the Company issued 700,000 common shares to Dr. Barron in exchange for reducing the principal owing on MCL1 by USD217,168 ($280,000). On August 16, 2018 the Company repaid $500,000 of MCL1 in cash. At December 31, 2018, the accrued interest owing on MCL1 is $34,347 (December 31, 2017 - $15,100).

For the year ended December 31,	**2018**	2017
Balance, beginning of year	**$1,273,000**	-
Proceeds of MCL1	**-**	$2,703,560
Cash repayment on closing of the Transaction	**-**	(1,351,780)
Accrued interest for 2018/2017	**19,247**	15,100
Settlements of debt (cash and shares)	**(780,000)**	**-**
Foreign exchange translation loss (gain)	**67,668**	(93,880)
Balance, end of year	**$579,915**	$1,273,000

9. INDEBTEDNESS, continued

(b) Convertible Debenture – Mineral Concession Loan ("MCL2")

On May 22, 2018 ("2018 Loan Date") the Company issued a USD2,000,000 face value convertible debenture (the "Debenture"), due May 29, 2019 for net proceeds of $2,631,579. The Debenture is interest-bearing at 2% per annum, payable in cash at maturity. However, the principal amount could be converted at the option of the holder, at any time prior to maturity, into 877,193 common shares of the Company. Upon review, Management concluded that the embedded conversion option of the Debenture did not pass the conditions for equity classification, therefore, the embedded conversion option would be subject to classification in the Company's consolidated financial statements in liabilities at fair value, both at inception, and subsequently therein, pursuant to IAS 32 and IFRS 9.

Accounting for the Convertible Debenture

Under the guidance of IAS 32 and IFRS 9, and because the face value of the note was denominated in other than the Company's functional currency, the conversion feature requires classification and measurement as a derivative financial instrument. Accordingly, it was concluded that this derivative financial instrument requires bifurcation and liability classification, at fair value. Current standards contemplate that the classification of financial instruments require evaluation at each reporting date.

The following table reflects the allocation of the proceeds and subsequent reporting since the financing date:

For the year ended December 31,	2018
Balance, beginning of year	-
Proceeds of MCL2	2,631,579
Embedded derivative at issue date of MCL2	(426,827)
Interest expense (accretion and coupon)	32,156
Amortization of debt discount	239,764
Balance, end of year	**$2,476,672**

The carrying value of the Debenture at December 31, 2017 was $nil and the carrying value at December 31, 2018 is $2,444,516 and accrued interest from inception to December 31, 2018 is $32,156.

Discounts (premiums) on the convertible notes arise from (i) the allocation of basis to other instruments issued in the transaction, (ii) fees paid directly to the creditor and (iii) initial recognition at fair value, which is lower than face value. Discounts (premiums) are amortized through charges (credits) to interest expense over the term of the debt agreement. Amortization of debt discounts (premiums) amounted to $239,764 during the period from inception to December 31, 2018.

Derivative Liabilities

The carrying value of the embedded derivative liability on the Debenture is on the consolidated statement of financial position, with changes in the carrying value being recorded as derivative (gain) loss on the consolidated statement of loss. The fair value of the embedded derivative liability as of December 31, 2018 is $435,390 and the derivative loss for the period from inception to December 31, 2018 is $8,563.

9. INDEBTEDNESS, continued

(c) Standby Letter of Credit

The Company has established a refundable reserve in the principal amount of $255,000 as a requirement of the payment clearing processor responsible for transmitting funds by credit card subscriptions in respect of the 2018 Offering. The reserve is invested in an interest-bearing guaranteed investment certificate issued by a Canadian chartered bank. The reserve is required to be in place until December 18, 2019. Accrued interest from inception to December 31, 2018 is $912.

(d) 2017 Shareholder Loan

	2017
Balance, December 31, 2016	**$380,740**
Cash advances	**189,715**
Bill payments	**18,257**
Services rendered	**217,122**
	805,834
Cash repayment	**(55,834)**
Settlement for 375,000 shares (notes 6 and 10)	**(750,000)**
Balance, December 31, 2017	**-**

In the prior year, from January 1 to June 30, 2017, the Lender made $189,715 cash advances to the Company, and paid bills totaling $18,257 on behalf of the Company, therefore shareholder loan increased by $207,972. In addition, from January 1, 2013 to May 31, 2017, a company controlled by the Lender ("ServiceCo") provided services to the Company including rental space and consulting services in the areas of administrative assistance, investor relations and IT. Unpaid service costs owed to ServiceCo during the first five months of 2017 was $54,000. Therefore, shareholder loan, comprised of the cumulative total of advances, bill payments and unpaid services to June 30, 2017, was $805,834. Post-closing of the Transaction, the shareholder loan was repaid by the Company with the issuance of common shares and cash: 375,000 common shares were issued to the Lender with a value of $2.00 per share to satisfy $750,000 of the shareholder loan, and the balance of $55,834 owed was paid in cash. **See note 6 – Acquisition of EcuaSolidus, S.A. and note 10 - Share Capital.**

10. SHARE CAPITAL

Authorized share capital at December 31, 2018 and 2017 is 1,000,000,000 common shares with a par value of $0.00001 per share. All shares issued are fully paid.

The number of issued and outstanding common shares at December 31, 2018 and 2017 is 32,036,874 (27,385,625).

(a) On April 19, 2017, ("Closing Date 2017"), the Company issued 3,200,890 common shares pursuant to a private placement financing for 3,200,890 units ("2017 Offering"), each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant was exercisable to acquire one common share at $3.00 until October 19, 2018. Total consideration for the units was $6,401,780, comprised of $6,380,916 cash and $20,864 for services rendered, in exchange for 10,432 units. Share issue costs of $534,482 attributable to the 2017 Offering, were deducted from the share premium account. The 1,600,445 warrants were assigned an estimated fair value of $750,476 using the Black-Scholes option pricing model, using the following assumptions: forfeiture rate 0%, dividend yield

10. SHARE CAPITAL, continued

0%, expected volatility 100%, a risk-free interest rate of 0.62% and an expected life of 18 months. Therefore, the valuation has attributed $1.76 to the common shares and $0.24 to the warrants.

(b) For the 2017 Offering, the Company agreed to pay compensation to the Agents including: cash payments of $288,400 and the issuance of 144,200 compensation options ("Agents' Options"). Each Agent Option was exercisable into one unit ("Agent Unit") at a price of $2.00 for a period of 18 months until October 19, 2018. Each Agent Unit consisted of one common share of the Company and one-half of one common share purchase warrant ("Agent Warrant"). Each Agent Warrant entitled the holder to acquire one common share at a price of $3.00 until October 19, 2018. The Agents' Warrants were assigned an estimated fair value of $133,398 using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 0.70% and an expected life of 18 months. For both the 2017 Offering and Agents' Units, if the volume weighted average trading price of the Company's common shares on the Company's principal stock exchange exceeds $3.00 for a period of 20 consecutive trading days, the Company may accelerate the expiry date to the date which is 30 days following the date upon which notice of the accelerated expiry date of the 2017 Offering and Agents' Warrants will be provided by the Company to the holders of said 2017 Warrants.

(c) On Closing Date 2017, the Company issued 1,000,000 common shares of the Company (the "Transaction Shares") to the Vendor as part of the Transaction purchase price. The Transaction Shares have been assigned an estimated fair value of $1,765,542 using the share price calculated using the Black-Scholes pricing model more particularly described in (a) above.

(d) On Closing Date 2017, the Company further issued 375,000 common shares (the "Settlement Shares") to the Lender as the settlement of $750,000 promissory note shareholder loans. For purposes of the Transaction, it was agreed between the Vendor and the Company to value the Settlement Shares at a deemed price of $2.00.

(e) In October 2017, an officer exercised 50,000 stock options for proceeds of $20,000.

(f) On January 31, 2018, an agent exercised 41,650 Agents' Options which resulted in the issuance of 41,650 Common Shares and 20,825 Agents' Warrants. The Agents' Warrants entitled the agent to purchase 20,825 common shares until October 19, 2018 for $62,475. The warrants were assigned an estimated fair value of $15,000 using the Black-Scholes option pricing model using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 9 months**. See note 12 – Warrants.**

(g) On June 29, 2018, ("Tranche 1"), the Company issued 2,000,000 units, pursuant to a private placement financing ("2018 Offering"). Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at $3.00 until December 29, 2019. Gross proceeds for the units were $4,000,000. Share issue costs of $360,911 attributable to the 2018 Offering, were deducted from the share premium account. The warrants were assigned an estimated fair value of $525,000 using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 18 months.

10. SHARE CAPITAL, continued

(h) For Tranche 1, the Company agreed to pay compensation to the Agents including: cash payments of $158,885 and the issuance of 79,442 broker warrants ("2018 Broker Warrants"). Each 2018 Broker Warrant entitles the holder to acquire one common share at a price of $3.00 until December 29, 2019. The 2018 Broker Warrants were assigned an estimated fair value of $43,810 using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.91% and an expected life of 18 months.

(i) On September 6, 2018, ("Tranche 2"), the Company issued 219,400 units, on the same terms as the units issued in Tranche 1, except the expiry date of the warrants for Tranche 2 is March 6, 2020. Gross proceeds for the Tranche 2 units were $438,800. Share issue costs of $15,916 attributable to Tranche 2, were deducted from the share premium account. The Tranche 2 warrants were assigned an estimated fair value of $53,000 using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk-free interest rate of 2.06% and an expected life of 18 months. There were no agents' fees paid or broker warrants issued for Tranche 2.

(j) In October 2018, the remaining two agents exercised their Agents' Options for the issuance of 96,163 common shares but waived their entitlement to the Agents' Warrants due to the short expiry period.

(k) On October 19, 2018 an aggregate of 20,825 Agents' Warrants expired.

(l) During the year ended December 31, 2018, the Company:

   (i) Issued 1,030,000 common shares as a result of the exercise of 1,030,000 stock options previously granted to directors, officers and consultants, for proceeds of $460,000;

   (ii) Issued 700,000 common shares as a result of the exercise of 700,000 stock options previously granted to a director/officer, in consideration of a debt settlement of $280,000 against the outstanding balance of MCL1. **See note 9 – Promissory Note – MCL1**;

   (iii) Issued 530,536 common shares to holders of 530,536 (2017 Offering) warrants, for proceeds of $1,591,608, or $3.00 per common share; and

   (iv) Issued an aggregate of 137,813 common shares for the exercise of 137,813 2017 Agents' Options. The consideration for the exercise of the Agents' Options was $275,626.

(m) On November 2, 2018, the Company issued 33,500 common shares for the issuance of 33,500 vested RSU's. **See note 11 – Stock-based compensation.**

11. STOCK-BASED COMPENSATION

Stock Option Plan ("SOP") and Restricted Stock Unit Plan ("RSUP")

The Company maintains a stock option plan and a restricted stock unit ("RSU") plan under which directors, officers, employees and consultants of the Company (the "Grantees") and its affiliates are eligible to receive stock options and RSU's.

Pursuant to the SOP, the Board may in its discretion grant to eligible Grantees, the option to purchase common shares at the fixed price over a defined future period. Generally the options vest over two

11. STOCK-BASED COMPENSATION, continued

years from the date of grant. The SOP is a rolling plan under which the maximum number of common shares reserved for issuance is 10% of the issued shares of the Company at the time of granting the options. At December 31, 2018, there is a total of 1,688,687 stock options available for granting under the Plan.

Pursuant to the RSUP, the Board may in its discretion grant to eligible Grantees RSU's. Each RSU shall represent one common share of the Company. Generally, the RSU's vest over three years from the date of award and upon vesting, the holder is entitled to receive one common share of the Company per RSU, for no consideration. The RSUP is a fixed plan under which the maximum number of common shares reserved for issuance is 2,275,973. To December 31, 2018, the Company has issued a total of 124,500 RSU's.

Both the SOP and RSUP are intended to enhance the Company's ability to attract and retain highly qualified officers, directors, key employees and consultants, and to motivate such persons to serve the Company and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company.

(a) Stock Options

i) On May 26, 2017, the Company granted 150,000 stock options to the President of the Company. Each option is exercisable to acquire one common share at a price of $2.30. These options expire on May 26, 2022, and vest as follows: 1/3 on the grant date, 1/3 on May 26, 2018 and the remaining 1/3 on May 26, 2019. A total fair value of $256,242 was assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 0.96% and an expected life of 5 years. During the year ended December 31, 2018, $92,510 (2017 – $162,287) was recorded as stock-based compensation expense and to December 31, 2018, a total of $254,797 has been expensed for the vested options.

ii) On November 2, 2017, the Company granted 370,000 stock options to directors, officers, and consultants. Each option is exercisable to acquire one common share at a price of $2.00. These options expire on November 2, 2022, and vest as follows: 1/3 on the grant date, 1/3 on November 2, 2018 and the remaining 1/3 on November 2, 2019. A total value of $521,700 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 125%, a risk-free interest rate of 1.62% and an expected life of 5 years. During the year ended December 31, 2018, $260,475 (2017 – $216,440) has been recorded as stock-based compensation expense and to December 31, 2018, a total of $476,915 has been expensed for the vested options.

iii) On November 2, 2017, the Company granted 60,000 stock options to two consultants. Each option is exercisable to acquire one common share at a price of $2.00. These options expire on May 3, 2019 and vested immediately on the grant date. A total value of $51,585 has been assigned and fully expensed to these options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 113%, a risk-free interest rate of 1.40% and an expected life of 18 months.

11. STOCK-BASED COMPENSATION, continued

Stock Option Plan ("SOP"), continued

(a) Stock Options, continued

iv) On March 2, 2018, the Company granted 250,000 stock options to two directors and one consultant. Each option is exercisable to acquire one common share at a price of $2.89. The options expire on March 2, 2023, and vest as follows: 1/3 on the grant date, 1/3 on March 2, 2019 and the remaining 1/3 on March 2, 2020. A total value of $541,934 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.1% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. During the year ended December 31, 2018, $406,223 (2017 – $nil) has been recorded as stock-based compensation expense for these options.

v) On April 5, 2018, the Company granted 300,000 stock options to a director/officer. Each option is exercisable to acquire one common share at a price of $2.68. The options expire on April 5, 2023, and vest as follows: 1/3 on the grant date, 1/3 on April 5, 2019 and the remaining 1/3 on April 5, 2020. A total value of $602,706 has been assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.03% and an expected life of 5 years. Volatility was based on the historical trading of the Company's shares. During the year ended December 31, 2018, $423,719 (2017 – $nil) has been recorded as stock-based compensation expense for these options.

vi) On November 26, 2018 the Company granted 1,260 stock options to a consultant. Each option is exercisable to acquire one common share at a price of $3.00. The options expire on May 26, 2020. A total value of $1,168 has been assigned to the stock options using the Black Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.24% and an expected life of 18 months. During the year ended December 31, 2018, the assigned value of $1,168 for these options was fully expensed.

vii) During the year ended December 31, 2018, a total 1,730,000 stock options were exercised in consideration of cash and debt settlement. **See notes 10(l)(i)(ii) – Share Capital**.

11. STOCK-BASED COMPENSATION, continued

Stock Option Plan ("SOP"), continued

(a) Stock Options, continued

viii) The following summarizes the stock options activity during the years ended December 31, 2018 and 2017:

	Issued Number of Options	Weighted Average Exercise Price	Estimated Fair Value
Balance - December 31, 2016	**2,165,000**	**$0.44**	**$719,417**
Issued	150,000	2.30	162,287
Issued	370,000	2.00	216,440
Issued	60,000	2.00	51,585
Exercised	(50,000)	(0.40)	(14,891)
Balance - December 31, 2017	**2,695,000**	**$0.80**	**$1,134,838**
Issued	250,000	2.89	406,223
Issued	300,000	2.68	423,719
Exercised	(1,700,000)	(0.40)	(506,294)
Exercised	(30,000)	(2.00)	(25,794)
Issued	1,260	3.00	1,168
Stock-based compensation expense	-	-	372,992
Balance – December 31, 2018	**1,516,260**	**$2.92**	**$1,806,852**

(ix) The following summarizes the stock options outstanding at December 31, 2018:

Issued Number of Options	Exercisable Number of Options	Exercise Price	Expiry Date	Estimated Fair Value
30,000	30,000	$2.00	May 3, 2019	$25,792
1,260	1,260	$3.00	May 26, 2020	1,168
415,000	415,000	$0.60	July 13, 2021	218,238
150,000	100,000	$2.30	May 26, 2022	254,797
370,000	246,667	$2.00	November 2, 2022	476,915
250,000	83,250	$2.89	March 2, 2023	406,223
300,000	100,000	$2.68	April 5, 2023	423,719
1,516,260	**976,177**			**$1,806,852**

The weighted average contractual life remaining for stock options as at December 31, 2018 is 3.5 years (2017 – 1.7 years).

The above stock options were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

11. STOCK-BASED COMPENSATION, continued

Restricted Stock Unit Plan ("RSUP"), continued

(b) Restricted Stock Units ("RSU's")

(i) On November 2, 2017, the Company granted 124,500 RSU's to officers, employees and consultants. The RSU's vest as to 1/3 on the first anniversary of the grant date, 1/3 on the second anniversary of the grant date and the final 1/3 on the third anniversary of the grant date. A total value of $168,150 was assigned to the RSU's, being the closing price of the Company's common shares, on the grant date of the RSU's. During the year ended December 31, 2018, $151,608 (2017 – $23,363) was recorded as stock-based compensation expense for the RSU's. Additionally, 24,000 RSU's were cancelled when three employees left the Company and a total of $25,343 was deducted from stock-based compensation expense in recognition of the forfeiture of unvested RSU's. On November 22, 2018, 33,500 common shares were issued to the grantees as the first tranche of vested RSU's and $17,047 was debited to contributed surplus and credited to share premium to record the value of the issuance.

(ii) There were no new issuances of RSU's during the year ended December 31, 2018.

(iii) The following summarizes the RSU activity during the years ended December 31, 2018 and 2017:

	Number of RSUs	Weighted Average Fair Value	Estimated Fair Value
Balance – December 31, 2016	**-**	**-**	
Issued	124,500	$1.35	$23,363
Balance – December 31, 2017	**124,500**	**$1.35**	**$23,363**
RSU's cancelled	(24,000)	(0.71)	(25,343)
Shares issued for RSU's	(33,500)	(0.38)	(17,047)
Stock-based compensation expense	-	1.69	151,608
Balance – December 31, 2018	**67,000**	**$1.98**	**$132,581**

The contractual life remaining for RSU's at December 31, 2018 is 2.25 (December 31, 2017 – 2.84) years. The RSU's were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

12. WARRANTS

(i) On April 19, 2017, a total of 1,600,445 common share purchase warrants were issued in connection with the 2017 Offering. **See note 10(a) – Share Capital**.

(ii) On April 19, 2017 a total of 144,200 Agents' Options were issued in connection with the 2017 Offering. Each Agent Option was exercisable into an Agent Unit at a price of $2.00 for a period of 18 months until October 19, 2018. Each Agent Unit consisted of one common share of the Company and one-half of one common share purchase warrant ("Agent Warrant"). **See note 10(a)(h) – Share Capital.**

(iii) From January 1, 2018 to February 28, 2018 a total of 530,536 warrants were exercised for proceeds of $1,591,608. **See note 10(g) – Share Capital**.

12. WARRANTS, continued

(iv) On January 31, 2018, 41,650 Agents' Options related to the 2017 Offering were exercised for 41,650 common shares and 20,825 broker warrants. **See notes 10(a)(h) – Share Capital**.

(v) On June 29, 2018, a total of 1,000,000 common share purchase warrants were issued by the Company in connection with Tranche 1 of the 2018 Offering. **See note 10(c) – Share Capital.**

(vi) On June 29, 2018, also in connection with Tranche 1 of the 2018 Offering, a total of 79,442 broker warrants were issued**. See note 10(h) – Share Capital.**

(vii) On September 6, 2018, a total of 109,700 common share purchase warrants were issued by the Company in connection with Tranche 2 of the 2018 Offering**. See note 10(i) – Share Capital.**

(viii) On September 12, 2018, the Company announced the extension of the expiry date of the non-broker warrants issued pursuant to the Company's 2017 Offering, until October 19, 2019. The extended warrants are subject to Company's acceleration option that allows the Company to accelerate the expiration date to a date which is 30 days following the date on the acceleration notice if the average trading price of the common shares exceeds $3.00 for a period of 20 consecutive days.

(ix) Pursuant to securities regulations, the Company was unable to extend the 2017 broker warrants from the 2017 Offering and therefore a total of 20,825 broker warrants expired on October 19, 2018 and the grant date fair value of $15,000 was debited to warrants reserve and credited to deficit.

(x) The following summarizes the activity of warrants and Agents' Options for the year ended December 31, 2018 and 2017:

	Number of Warrants/ Agents' Options	Weighted Average Exercise Price	Estimated Fair Value
Balance – December 31, 2016	**-**	**$-**	**$-**
Issued for private placement (note 10(a))	1,600,445	$3.00	$750,476
Issued for Agents' Options (note 10(a))	144,200	$2.00	133,398
Balance – December 31, 2017	**1,744,645**	**$2.92**	**$883,874**
Exercised (note 12(iii))	(530,536)	$(3.00)	(248,777)
Exercised and cancelled Agents' Options (note 12(ii))	(144,200)	$(2.00)	(133,398)
Issued upon exercise of agents' options (note 12(iv))	20,825	$3.00	15,000
Issued (note 12(v))	1,000,000	$3.00	525,000
Issued brokers' warrants (note 12(vi))	79,442	$3.00	43,810
Issued (note 12(vii))	109,700	$3.00	53,000
Expired brokers' warrants (note 12(iv),(viii))	(20,825)	$3.00	(15,000)
Balance – December 31, 2018	**2,259,051**	**$2.92**	**$1,123,509**

12. WARRANTS, continued

(xi) The following summarizes the outstanding warrants and brokers' warrants at December 31, 2018:

Issued Number of Warrants	Exercise Price	Expiry Date	Estimated Fair Value
1,069,909	$3.00	October 19, 2019	$501,699
1,000,000	$3.00	December 29, 2019	525,000
79,442	$3.00	December 29, 2019	43,810
109,700	$3.00	March 6, 2020	53,000
2,259,051			**$1,123,509**

The above warrants have not been included in the computation of diluted net loss per share as they are anti-dilutive. Warrant-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions described in note 10 can materially affect the fair value estimates.

13. KEY MANAGEMENT COMPENSATION EXPENSE

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company ("Key Management").

During 2018 and 2017, the remuneration of Key Management was:

For the year ended December 31,	2018	2017 (note 16)
Management fees corporate (1)	**$279,803**	$243,040
Management fees technical (1)	**256,306**	284,169
Director and advisor fees (2)	**68,396**	63,375
Stock-based compensation for Key Management (3)	**1,116,860**	423,638
Total key management compensation expense	**$1,721,365**	$1,014,222

(1) Management fees corporate includes 100% CFO fees, Toronto, 100% salary/benefits of the Country Manager, Ecuador, and 30% of the President's compensation. Management fees technical includes the remaining 70% of the President's compensation and 100% of the compensation paid to the Vice President, Exploration.

(2) Director's fees are $15,000 per annum or $3,750 per quarter. From March 2, 2018 to June 13, 2018, Mr. Alfred Lenarciak served as a financial advisor to the Company, at a compensation rate equal to that of a Director. Mr. Lenarciak joined the Board of Directors on June 13, 2018 after being elected a Director at the Company's ASM, and his advisory position was terminated. **See note 18 – Commitments and Contingencies.**

(3) This figure is the fair value expense of vested stock options and RSU's granted to key management .

14. EXPLORATION EXPENDITURES

For the years ended December 31,	2018	2017(note 16)
ECUADOR		
GEOLOGY/FIELD:		
- Salaries, benefits	$914,060	$138,249
- Camp costs, equipment, supplies	411,151	48,878
- Project management	320,398	195,043
- Travel, accommodation	172,942	198,927
- Office (Quito, Macas)	105,944	67,686
- Environment, health & safety	72,619	24,231
GEOCHEMISTRY	368,680	14,919
GEOPHYSICS	48,039	971,883
CORPORATE SOCIAL RESPONSIBILITY - fees, travel, supplies	609,352	302,776
FINANCIAL AND ADMINISTRATIVE SUPPORT SERVICES (1)	226,188	70,000
LEGAL COSTS FOR CONCESSION MAINTENANCE	173,617	101,600
CONCESSION MAINTENANCE – permits	2,612,433	82,627
Total exploration expense – Ecuador	$6,035,423	$2,216,819

For the years ended December 31,	2018	2017 (note 16)
SWITZERLAND		
GEOLOGY/FIELD:		
- Travel, accommodation	$478	$15,887
- Core shack rental fees	1,377	950
Total exploration expense – Switzerland	$1,855	$16,837
TOTAL EXPLORATION EXPENSE	$6,037,278	$2,233,656

(1) Approximately 50% of the service costs incurred by the Company for the staffing engaged in the Toronto office has been charged to exploration expenditures to reflect the allocation of support services provided directly to the Project.

15. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. During the years ended December 31, 2018 and 201, the Company entered into the following transactions with related parties:

(a) A total of $150,000 (2017 - $96,750), plus applicable taxes was charged to the Company by a management company controlled by the President, on account of management consulting fees (the "Fees"). Included in the Fees is a charge of $6,750 for geographic information systems services provided to the Company by the spouse of the President. Included in accounts payable and accrued liabilities at December 31, 2018 is $nil (December 31, 2017 - $21,753) owed to the President's company, for unpaid Fees. These amounts are unsecured, non-interest bearing and due on demand.

15. RELATED PARTY TRANSACTIONS, continued

(b) A total of $75,000 (2017 - $66,250), plus applicable taxes was charged to the Company by a management company controlled by the Chief Financial Officer ("CFO"), on account of accounting consulting fees.

(c) A total of $201,742 (2017 - $158,607) was charged to the Company by a company controlled by the Vice President, Exploration ("VPX"), on account of Project Management consulting fees. The fees paid in 2017 were related to a partial year and his contract is denominated in US dollars. Included in accounts payable and accrued liabilities at December 31, 2018 is $nil (December 31, 2017 - $19,970) owed to the VPX, for unpaid consulting fees. These amounts are unsecured, non-interest bearing and due on demand.

(d) A total of $68,396 (2017 - $63,375) has been recorded as directors' and advisor fees. Included in accounts payable and accrued liabilities at December 31, 2018 is $20,003 (December 31, 2017 – $11,250) owed to the directors for unpaid directors' fees. These amounts are unsecured, non-interest bearing and due on demand.

Service Costs

(e) From 2013 to 2017, the Company engaged a company controlled by the CEO, director and principal shareholder to provide Base Services ("ServiceCo"). From January 1 to September 30, 2017, the Company paid a total of $201,235 to ServiceCo for the Bases Services and these costs were allocated in the financial statements as follows: $53,800 to office and general for rent, $80,500 (for marketing and telecommunications) to investor relations and $66,935 to professional and administration fees.

(f) Effective October 1, 2017 the Company entered into a new arrangement with another service company ("NewServiceCo)", also controlled by the CEO, director, and principal shareholder, to provide different rental space and the Base Services, to the Company. From October 1 to December 31, 2017, a total of $90,561 (2016 - $nil) was charged by NewServiceCo for the Base Services provided and costs were allocated in the consolidated financial statements as follows: IT and marketing under investor relations - $25,411, legal project management under professional and administrative - $18,933, Controller services under professional and administrative - $9,605 and rent under office - $36,612. Included in accounts payable and accrued liabilities at December 31, 2017 is $55,162 owed to NewServiceCo. These amounts are unsecured, non-interest bearing and due on demand. NewServiceCo provides shared services to one other public and one other private company, in the same rental space.

(g) During the year ended December 31, 2018, the Company incurred $42,500 per month for the Base Services provided by New ServiceCo. These monthly costs were allocated in the financial statements as follows: $18,000 to office and general (including rent and administrative), $7,000 for investor relations, marketing and IT and $17,500 direct project costs. Included in accounts payable and accrued liabilities at December 31, 2018 is $82,500 (December 31, 2017 - $55,162) owed to New ServiceCo, for unpaid services. These amounts are unsecured, non-interest bearing and due on demand. **- See note 18 - Commitments and Contingencies.**

(h) **See note 6 – Acquisition of EcuaSolidus, S.A. and note 9 - Indebtedness**

16. RECLASSIFICATION OF PRIOR YEAR'S DATA FOR PRESENTATION

Certain of the 2017 comparative amounts have been reclassified to conform to the 2018 form of presentation.

17. SEGMENTED INFORMATION

At December 31, 2018 and 2017, the Company's operations comprised one business segment engaged in mineral exploration and two geographical segments - in Ecuador and Switzerland.

As at and for the year ended December 31, 2018	Corporate [1] ($)	Ecuador ($)	Total ($)
Cash	805,854	11,167	**817,021**
Restricted cash	255,912	-	**255,912**
Property, plant and equipment	76,790	61,107	**137,897**
Total assets	1,214,571	93,713	**1,308,824**
Loans payable	(3,491,976)	-	**(3,491,976)**
Total liabilities	(3,688,142)	(194,068)	**(3,882,210)**
Net loss	3,429,273	6,195,071	**9,624,344**

As at and for the year ended December 31, 2017	Corporate [1] ($)	Ecuador ($)	Total ($)
Cash	665,863	5,483	671,346
Property, plant and equipment	17,618	34,955	52,573
Total assets	713,001	75,800	788,801
Loans payable	(1,273,000)	-	(1,273,000)
Total liabilities	(1,620,762)	(117,194)	(1,737,956)
Net loss	7,220,550	2,024,772	9,245,322

[1] Corporate includes cash in Switzerland, the segment's only asset.

18. COMMITMENTS AND CONTINGENCIES

Environmental Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. The Company conducts its operations to protect public health and the environment and believes that its operations are materially in compliance with all applicable laws and regulations.

Consulting Agreements

The Company's President provides management services to the Company through a personal management company pursuant to a one-year, renewable consulting agreement. The President's annual compensation is $150,000. Should the Company effect early termination of the agreement, a three-month notice period is required, and Dr. Spencer would be entitled to an additional lump-sum cash payment equal to nine months of monthly retainer fee. Should Dr. Spencer's agreement be terminated due to a change of control, additional compensation would be payable to a maximum of two years' retainer fees and any unvested options would vest immediately.

18. COMMITMENTS AND CONTINGENCIES, continued

The Company's CFO provides financial/accounting and corporate secretarial services to the Company pursuant to an annual, renewable consulting agreement, also through a personal management company. The CFO's annual compensation is $75,000. Early termination of the agreement requires 90 days' written notice by either party.

The Company's VPX provides geological/technical consulting services to the Company, through ESA, pursuant to a consulting agreement. The VPX's annual compensation is USD124,188 (approximately $166,500) plus benefits. Should the Company terminate his contract, without cause, or if he is constructively dismissed, on or before January 1, 2021, he is entitled to receive six months' salary plus an additional 25% of his monthly salary for each year worked for ESA. Should the Company terminate his contract, without cause, after January 1, 2021, he would receive 125% of one-month's salary for each year or fraction of a year worked for ESA.

The Company runs its corporate social responsibility ("CSR") program under the guidance of a Toronto consulting firm, in tandem with the Project exploration program. Compensation for services provided by the consultants is stipulated at $1,000 per diem for up to 10 days per month ("the base services"). Any additional services to be performed over and above the base services must be pre-approved in writing. Either party may terminate the CSR Contract with 30 days' written notice. This arrangement continues.

On March 2, 2018, the Company appointed Mr. Alfred Lenarciak as an independent special financial advisor to the Board. His compensation was $15,000 per annum and the Board granted to him, 150,000 five-year stock options, with an exercise price of $2.89. At the Annual and Special Meeting held June 13, 2018, Mr. Lenarciak joined the Board of Directors. Upon becoming a director, Mr. Lenarciak's advisory engagement was terminated. **See note 13 – Key Management Compensation Expense.**

On October 9,2018, the Company entered into a capital markets support agreement (the "Agreement") with Noble Capital Markets Inc. ("Noble"), a Florida corporation. Noble has been engaged to assist the Company by broadening the Company's exposure within the U.S. and Latin American investment communities. The Company has agreed to pay to Noble – USD111,000 in the first year, paid as follows: USD21,000 paid upon signing the Agreement and USD30,000 paid each three-month period ("Quarterly") thereafter throughout the term of the Agreement. The Agreement commenced on October 1, 2018 ("Commencement Date") and will terminate on the second anniversary, unless extended as by mutual agreement. After a period of eight (8) months following the Commencement Date, the Agreement may be terminated by either party at any time, with or without cause, upon 30 days' prior written notice to the other party.

See note 15 – Related Party Transactions.

See note 20 – Subsequent Events.

19. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of approximately 0% (2017 – 0%) are as follows:

(Loss) before taxes:	**$(9,624,344)**	$(9,245,322)
Expected income tax benefit based on statutory rate	**-**	-
Adjustments to expected income tax benefit:		
Adjustment for taxes in foreign operations	**$(1,701,000)**	$(2,384,000)
Change in foreign exchange rates	**(284,000)**	51,000
Acquisition of ESA	**-**	600,000
Non-deductible expenses	**5,000**	140,000
Tax benefits not recognized	**1,980,000**	1,593,000
Deferred income tax	**$-**	$-

(b) Deferred income tax balances

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2018 ($)	2017 ($)
Non-capital losses carry-forwards – Canada	**3,471,000**	2,114,000
Non-capital losses carry-forwards - Switzerland	**1,672,000**	1,816,000
Non-capital losses carry-forwards - Ecuador	**11,169,000**	4,743,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The losses which may reduce taxable income in Canada, amount to approximately $3,471,000 and expire as follows:

Amount ($)	Year of Expiry
347,000	2033
341,000	2034
313,000	2035
262,000	2036
850,000	2037
1,358,000	2038
3,471,000	

The losses which may reduce taxable income in Switzerland, amount to approximately $1,672,000 (CHF 1,206,000) and expire as follows:

Amount ($)	Year of Expiry
68,000	2019
590,000	2020
165,000	2021
547,000	2022
199,000	2023
100,000	2024
3,000	2025
1,672,000	

The Company also has approximately $11,169,000 of non-capital losses in Ecuador, of which $5,157,000 expire 2022 and $6,012,000 expire in 2023.

20. SUBSEQUENT EVENTS

Engagement of an Advisor and Granting of Stock Options

Effective January 16, 2019, the Company engaged a senior level financial consultant, on a part-time basis, to serve as an advisor (the "Consultant") to the Company. The Consultant's initial engagement is for six months (the "initial term"), at the end of which, Management will consider retaining him, on a permanent basis. His compensation is $12,000 per month and concurrent with signing the agreement, the Consultant was granted up to 180,000 stock options at $3.40 per share. 75,000 of the options will vest at the end of six months and the balance will vest over two years should the Consultant remain with the Company on a permanent basis.

Further on this date, the Company granted an aggregate of 48,000 stock options to two senior employees of ESA. These are five-year options that vest over two years from the date of grant. The exercise price is $3.40 per share.

Repayment and Conversion of Convertible Debenture

On January 28, 2019 the Company announced the issuance of 877,192 common shares from treasury in connection with the repayment of a USD2.0 million convertible debenture issued by the Company to Dr. Barron on May 26, 2018. As dictated by the terms of the Debenture, the unpaid principal amount of USD2.0 million, was converted into common shares at the conversion price of $3.00 per common share , fixed at the March 20, 2018 Bank of Canada exchange rate of USD0.76 to $1.00 such that the maximum number of common shares to be issued upon the exercise of the conversion right would be 877,192 common shares.

Extension of 2017 Promissory Note

On January 28, 2019 and concurrent with the below described rights offering, the Company announced that it had negotiated a further extension of the 2017 Promissory Note with Dr. Barron, deferring the maturity date from May 29, 2019 to May 29, 2020 (the "New Maturity Date"), whereupon the principal amount and any accrued interest will be payable to Dr. Barron. The Company is currently indebted to Dr. Barron for $579,915, pursuant to the Promissory Note. All other terms of the Promissory Note shall remain in full force and effect.

Rights Offering

On March 8, 2019, the Company announced that it had completed a rights offering ("Rights Offering") for $5,254,667 (gross), with the issuance of 1,946,172 common shares at $2.70 per share. Eligible registered brokers were entitled to a commission of 3%, and the cash paid for commissions was $106,471.

Stand-By Commitment

In connection with the Rights Offering, the Company entered into a stand-by purchase agreement with Dr. Keith Barron, Chairman and Chief Executive Officer of the Company, for a commitment amount of $4,000,000 (the

"**Stand-By Commitment**"). As a result, Dr. Barron exercised his rights' entitlement for the purchase of 1,385,790 common shares and purchased an additional 95,691 common shares from the 'Additional' shares pool, as agreed. Both the basic and additional shares were purchased for $2.70 per share. In connection with the Stand-By Commitment for the Rights Offering, Dr. Barron did acquire 1,481,481 common shares.

Payment of 2019 Mineral Concession Fees

Between March 13 and 15, 2019, a total of USD2,046,475 ($2,727,235) was paid to the Ecuador government, as payment in full for the renewal of the 2019 Mineral Concession Fees for the Company's Ecuador Project concessions.