Plata Latina Minerals

Plata Latina Minerals Corporation

Condensed Interim Consolidated Financial Statements
For the Nine Months ended September 30, 2018

(Unaudited)

Notice of No Auditor Review

In accordance with National Instrument 51-102, the Company discloses that the accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company's management. They have been reviewed and approved by the Company's Audit Committee and the Board of Directors.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Professional Accountants of Canada.

Plata Latina Minerals Corporation
Condensed Interim Consolidated Statements of Financial Position (unaudited)
(Expressed in Canadian Dollars)

As at		September 30, 2018		December 31, 2017
Assets				
Current assets				
Cash	$	429,349	$	172,557
Amounts receivable (Note 4)		17,400		33,846
Prepaid expenses		22,767		7,463
		469,516		213,866
Non-current assets				
Exploration and evaluation assets (Note 5)		2,040,712		2,446,785
Equipment (Note 6)		44,445		-
		2,085,157		2,446,785
Total assets	$	2,554,673	$	2,660,651
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 7)	$	370,810	$	391,003
Loan payable (Note 8)		-		313,958
Deferred rent (Note 11)		89,343		-
Deferred benefit obligations (Note 11)		92,865		-
		553,018		704,961
Non-current liabilities				
Deferred benefit obligations (Note 11)		38,397		-
Deferred tax liability		184,905		170,673
Total liabilities		776,320		875,634
Equity				
Share capital (Note 9)		11,386,580		11,072,622
Reserves (Note 9)		675,039		523,913
Deficit		(10,283,266)		(9,811,518)
Total equity		1,778,353		1,785,017
Total liabilities and equity	$	2,554,673	$	2,660,651

Nature of operations (Note 1)
Commitment (Note 11)
Subsequent event (Note 14)

Approved by the Board of Directors on November 19, 2018:

/s/ Gilmour Clausen
Director

/s/ W. Durand Eppler
Director

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

Plata Latina Minerals Corporation

Condensed Interim Consolidated Statements of Comprehensive Loss (unaudited)
(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Expenses				
Salaries and benefits (Note 10)	$ 47,757	$ 12,959	$ 125,136	$ 34,790
Directors' fees (Note 10)	15,000	15,000	45,000	45,000
Professional fees (Note 10)	55,853	44,619	178,943	172,110
Office and administration	25,642	8,377	49,698	23,291
Investor relations	-	395	8,642	6,647
Filing fees and transfer agent	417	411	12,711	12,347
Travel	-	29	2,703	8,287
Property investigations (Note 5)	16,599	21,372	33,589	33,964
Share-based compensation	-	-	-	1,664
Depreciation	5,553	-	7,413	327
Total expenses	(166,821)	(103,162)	(463,835)	(338,427)
Interest income	62	101	192	5,227
Foreign exchange (loss) gain	(3,701)	2,810	(6,019)	(1,593)
Interest expense (Note 8)	-	(6,180)	-	(18,750)
Loss before income taxes	(170,460)	(106,431)	(469,662)	(353,543)
Income tax expense	-	-	(2,086)	-
Loss for the period	(170,460)	(106,431)	$ (471,748)	$ (353,543)
Other comprehensive income				
Items that may be reclassified to profit or loss				
Foreign currency translation adjustment	(28,561)	86,330	151,126	315,257
Comprehensive loss for the period	$ (199,021)	$ (20,101)	$ (320,622)	$ (38,286)
Basic and diluted loss per share	$ (0.002)	$ (0.002)	$ (0.006)	$ (0.005)
Weighted average number of shares outstanding	69,764,813	67,432,826	74,409,671	67,432,826

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

Plata Latina Minerals Corporation
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)
(Expressed in Canadian Dollars)

	Share Capital (Note 9)		Reserves				
	Number of Shares	Amount	Accumulated other comprehensive income (loss)	Options and Warrants	Total Reserves	Deficit	Total Equity
Balance, December 31, 2017	67,432,826	$ 11,072,622	$ (1,096,603)	$ $ 1,620,516	$ 523,913	$ (9,811,518)	$ 1,785,017
Settlement of loan payable (Note 8)	6,976,845	313,958	-	-	-	-	313,958
Loss for the period	-	-	-	-	-	(471,748)	(471,748)
Foreign currency translation adjustment	-	-	151,126	-	151,126	-	151,126
Balance, September 30, 2018	**74,409,671**	**$ 11,386,580**	**$ (945,477)**	**$ 1,620,516**	**$ 675,039**	**$ (10,283,266)**	**$ 1,778,353**

	Share Capital (Note 9)		Reserves				
	Number of Shares	Amount	Accumulated other comprehensive income (loss)	Options and Warrants	Total Reserves	Deficit	Total Equity
Balance, December 31, 2016	67,432,826	$ 11,072,622	$ (1,089,436)	$ $ 1,618,852	$ 529,416	$ (8,732,572)	$ 2,869,466
Share-based compensation	-	-	-	1664	1,664		1,664
Loss for the period	-	-	-	-	-	(353,543)	(353,543)
Foreign currency translation adjustment	-	-	315,257	-	315,257	-	315,257
Balance, September 30, 2017	**67,432,826**	**$ 11,072,622**	**$ (774,179)**	**$ 1,620,516**	**$ 846,337**	**$ (9,086,115)**	**$ 2,832,844**

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

Plata Latina Minerals Corporation

Condensed Interim Consolidated Statements of Cash Flows (unaudited)
(Expressed in Canadian Dollars)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Operating activities				
Loss for the period	$ (170,460)	$ (106,431)	$ (469,662)	$ (353,543)
Items not affecting cash:				
Share-based compensation	-	-	-	1,664
Depreciation	5,553	-	7,413	327
Accrued interest expense	-	6,180	-	18,750
Unrealized foreign exchange gain (loss)	4,802	19,372	(10,982)	(9,864)
Income taxes paid	-	-	(2,086)	-
Changes in non-cash working capital items:				
Amounts receivable	3,209	(5,326)	19,116	183,923
Prepaid expenses	(1,230)	(2,200)	(15,304)	2,166
Accounts payable and accrued liabilities	3,404	(17,931)	(12,913)	45,534
Deferred rent (Note 11)	(35,137)	-	89,343	-
Deferred benefits obligations (Note 11)	(42,635)	-	92,865	-
Cash used in operating activities	**(232,493)**	**(106,336)**	**(302,209)**	**(111,043)**
Financing activities				
Deferred rent (Note 11)	(662)	-	38,397	-
Cash provided by financing activities	**(662)**	-	**38,397**	-
Investing activities				
Exploration and evaluation expenditures	(33,976)	(91,288)	(84,290)	(303,162)
Option receipts on exploration and evaluation assets	333,452	294,122	643,649	563,114
Purchase of equipment	892	-	(51,780)	-
Cash provided by investing activities	**300,368**	**202,834**	**507,579**	**259,952**
Effect of exchange rate changes on cash	(6,082)	5,417	13,025	33,888
Change in cash	**61,131**	**101,915**	**256,792**	**182,797**
Cash, beginning of period	368,218	247,600	172,557	166,718
Cash, end of period	**$ 429,349**	$ **349,515**	**$ 429,349**	**$ 349,515**

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

1. NATURE OF OPERATIONS

Plata Latina Minerals Corporation ("Plata" or the "Company") was incorporated on April 1, 2010 under the laws of British Columbia, Canada. Plata's registered and records office is 1100 – 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6. The condensed interim consolidated financial statements as at September 30, 2018, consisted of Plata and its five wholly owned subsidiaries: Plaminco S.A. de C.V. ("Plaminco"), Minera Central Vaquerias S.A. de C.V. ("MCV"), Minera Exploradora del Centro S.A. de C.V. ("MEC"), Servicio PLMC ("Servicio") and Plata Latina US Ltd. ("Plata US"), which are collectively referred to as the "Company". Plaminco, MCV, MEC and Servicio are organized under the laws of Mexico and Plata US is organized under the laws of Colorado, U.S. On April 11, 2012, Plata began trading on the TSX Venture Exchange under the symbol "PLA".

The Company is in the business of acquiring, exploring and evaluating mineral property assets. Plata has not yet determined whether its properties contain mineral reserves that are economically recoverable. The amounts of exploration and evaluation expenditures represent acquisition and exploration costs and do not necessarily represent current values. Recoverability of the exploration and evaluation costs is dependent upon: the discovery of economically viable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing to carry out exploration and development of its mineral properties, future profitable production or proceeds from the disposition of the mineral properties.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and comply with IAS 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements do not include all the information and notes to the annual consolidated financial statements required by IFRS and should be read together with the Company's audited consolidated financial statements for the year ended December 31, 2017.

Going Concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to continue its operations and meet its obligations as they become due. Plata has incurred ongoing losses and will continue to incur further losses in the course of developing its business. To date, Plata has not generated revenue from operations as it is in the exploration stage. As at September 30, 2018, Plata had a deficit of $10,283,266 and working capital deficiency of $83,502. Plata will require to raise further funding through equity financing, debt financing and/or loans from related parties to continue its operations. However, there is no assurance that Plata will be able to obtain such additional funding or on acceptable terms.

These condensed consolidated interim financial statements do not give effect to adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the condensed interim consolidated financial statements. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of Plata and its wholly owned subsidiaries, Plaminco, MCV, MEC, Servicio and Plata US. The Company consolidates these subsidiaries on the basis that it controls them through its ability to affect its financial and operating policies. All intercompany transactions and balances have been eliminated on consolidation.

(Expressed in Canadian Dollars, unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

Critical Accounting Judgments, Estimates and Assumptions

The preparation of these condensed interim consolidated financial statements under IFRS requires management to make certain judgments, estimates and assumptions that impact the Company's reported financial position. Judgment and estimates are based on historical experience and expectation of future events within reasonable circumstances. Uncertainty on these estimates and assumptions could result in material adjustments to the carrying amounts in the financial results. Revisions to these estimates are recognized in the period in which the estimates are revised and in future periods affected.

The significant judgments, estimates and assumptions made by management in preparing these condensed interim consolidated financial statements were the same as those applied to the audited consolidated financial statements for the year ended December 31, 2017.

3. NEW, AMENDED AND FUTURE IFRS PRONOUNCEMENTS

IFRS 9, *Financial Instruments*, replaces IAS 39 and is effective on January 1, 2018. The standard requires all financial assets be measured at amortized cost or fair value. The measurement approach is based on how the Company manages its financial instruments in its business model and the contractual cash flows characteristics of the financial assets. It provides an irrevocable option for equity instruments to present changes in fair value through other comprehensive income ("FVTOCI").

IFRS 9 provides a new "expected credit loss" impairment model for financial assets. It no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit loss when the financial instruments are initially accounted for and to update the amount of expected credit losses at each reporting period to reflect changes in the credit risk of the financial instruments. The standard has no impact on the Company's classification and measurement of financial assets and liabilities nor the carrying values of its financial instruments.

IFRS 16, *Leases*, replaces IAS 17 and is effective on January 1, 2019. The standard requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company is in the process of evaluating this standard and does not expect it to have significant impact on the condensed interim consolidated financial statements.

4. AMOUNTS RECEIVABLE

		September 30, 2018		December 31, 2017
Mexican value added tax ("IVA") recoverable	$	8,168	$	24,528
Good and services tax receivable		1,789		4,150
Other receivable		7,443		5,168
	$	17,400	$	33,846

5. EXPLORATION AND EVALUATION ASSETS

The Company holds interest in its mineral properties through its wholly owned subsidiary, Plaminco.

Naranjillo Project

The Company holds four mineral concession licenses under the Naranjillo project. The four licenses - La Sibila, La Sibila I, La Sibila II and La Sibila III – were issued by the Mexican General Directorate of Mines ("GDM") on April 20, 2011, September 23, 2011, August 26, 2011 and April 10, 2013, respectively. These licenses are valid for fifty years until 2061 to 2063.

(Expressed in Canadian Dollars, unless otherwise stated)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

On February 8, 2017, Plata entered into an option agreement (the "Naranjillo Option Agreement") with a wholly owned subsidiary of Fresnillo PLC ("Fresnillo"). The Naranjillo Option Agreement (which superseded the Letter of Intent signed on July 12, 2016) granted Fresnillo the option to explore the Naranjillo property (the "Naranjillo Property") for a total cash payment of US $1,650,000 over three years (the "Option Payment"). In addition, Fresnillo is required to spend US $3,000,000 in exploration on the Naranjillo Property over the three-year period. If Fresnillo fails to meet the obligations of the Naranjillo Option Agreement, it will forfeit all rights to the Naranjillo Property.

The schedule of the cash payments is as follows:

Commitment Timeline	Due Date	Cash in US$	
Letter of Intent signed on July 12, 2016	July 29, 2016	$100,000	(received - CAD$120,961)
	September 12, 2016	$100,000	(received - CAD$120,962)
Option Agreement signed on February 8, 2017	April 5, 2017	$200,000	(received - CAD$232,490)
	August 8, 2017	$250,000	(received - CAD$290,612)
	February 8, 2018	$250,000	(received - CAD $328,985)
	August 8, 2018	$250,000	(received - CAD $314,664)
	February 8, 2019	$250,000	
	August 8, 2019	$250,000	
	Total	**$1,650,000**	

At the end of the three-year period, if Fresnillo wishes to acquire 100% of the Naranjillo Property, it will pay the Company an additional US $500,000 and grant the Company a 3% net smelter return royalty ("Royalty") on the Naranjillo Property. Fresnillo will be required to pay advance royalty payments to the Company of US $100,000 annually (the "Advanced Royalty Payment"), until the earlier of (a) a maximum of US $1,000,000 in the Advance Royalty Payments having been paid, or (b) commercial production of minerals commences from the Naranjillo Property. Fresnillo has the option to reduce the Royalty to 2% by paying an additional US $1,000,000, and, thereafter, may reduce the remaining 2% Royalty to nil by paying an additional US $5,000,000. The respective additional payments of US $500,000, US $1,000,000 and US $5,000,000 are collectively referred to as the "Additional Option Payments".

Impairment assessments on the Naranjillo Property

During the years ended December 31, 2017 and 2016, the Company performed impairment assessments on the Naranjillo Property based on the terms of the Naranjillo Option Agreement with Fresnillo. The assessments determined that the carrying value of the Naranjillo Property was lower than its recoverable amount, which is its value in use and fair value less costs to sell. As such, the Naranjillo project was written down by $82,810 and $3,305,263 in profit and loss in 2017 and 2016 respectively.

Vaquerias Project

On June 30, 2011, the Company entered into a Vaquerias Option Agreement with the vendors of the Vaquerias license. The Vaquerias Option Agreement gave the Company the right to purchase the Vaquerias license for US $530,000 until December 31, 2017, with the vendors retaining a 2% net smelter return (the "Vaquerias Option"). In addition, the Company had the option to purchase the 2% net smelter return for US $500,000 within 18 months of exercising the Vaquerias Option.

As at December 31, 2017, the Company had paid the vendors US $200,000 (CAD $213,195) on the Vaquerias license. In October 2017, the Company completed a small drilling program on the optioned Vaquerias property. The assaying results showed minimal potential on the Vaquerias vein within the small optioned license. As a result, on November 20, 2017, the Company provided the vendors a termination notice on the Vaquerias Option Agreement effectively immediately, and the final option payment of US $330,000 was cancelled accordingly. Upon the termination of the Vaquerias Option Agreement, the Company recognized an impairment loss of $546,834 which represented the total capitalized costs related to the optioned Vaquerias property, to profit or loss in 2017.

(Expressed in Canadian Dollars, unless otherwise stated)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Besides the optioned Vaquerias property, the Company also holds two titled adjacent concessions: Sol and Luna. The Sol and Luna licenses were issued by the GDM on December 13, 2011 and December 8, 2011, respectively and are valid until 2061. As of September 30, 2018, the carrying value of the Vaquerias Project represents total capitalized costs related to these two licenses.

Palo Alto Project

The Palo Alto project consists of three licenses: Catalina, Catalina II, and Catalina III. The Catalina, Catalina II and Catalina III licences were issued by the GDM on November 22, 2012, November 4, 2011, and November 30, 2011, respectively and are valid until 2061 to 2062.

The Palo Alto project falls within a Protected Natural Area in the state of Aguas Calientes and requires the submission of an environmental impact assessment ("EIA") and Federal permission to drill. The Company is currently in the process of obtaining the necessary approvals to commence drilling.

Exploration and Evaluation Expenditures

For the nine months ended September 30, 2018, exploration and evaluation expenditures were as follows:

	Naranjillo	Vaquerias	Palo Alto	Total
Balance, December 31, 2017	**$ 1,775,223**	**$ 494,574**	**$ 176,988**	**$ 2,446,785**
Contractor and general labour	-	10,119	-	10,119
Camp costs, supplies and other	-	2,297	-	2,297
Travel and vehicle costs	-	1,509	-	1,509
Claims, taxes and acquisitions costs	-	27,354	29,280	56,634
Salaries and benefits	-	13,731	-	13,731
	-	55,010	29,280	84,290
Option payments	(643,649)	-	-	(643,649)
Foreign exchange movements	65,655	76,334	11,297	153,286
Incurred during the period	(577,994)	131,344	40,577	(406,073)
Balance, September 30, 2018	**$ 1,197,229**	**$ 625,918**	**$ 217,565**	**$ 2,040,712**

Property Investigations

The Company holds title to the La Carmen license for its La Joya project. The La Carmen license was issued by the GDM on December 21, 2010 and is valid until 2060.

The La Joya project surrounds a third-party license. The Company has been negotiating with the interior license owners before advancing to drilling on the property. The Company carries out reconnaissance work on and around the licensed areas and such related costs are expensed as property investigations.

The cumulative reconnaissance costs incurred on the La Joya project and outside the licensed area for the nine months ended September 30, 2018 and 2017 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Assaying	$ -	$ 1,586	$ 1,121	$ 2,575
Claims and taxes	5,741	2,770	11,190	5,626
Contractor and camp costs	6,469	9,949	13,709	15,650
Travel and vehicles costs	4,389	7,067	7,569	10,113
Total	$ 16,599	$ 21,372	$ 33,589	$ 33,964

(Expressed in Canadian Dollars, unless otherwise stated)

6. EQUIPMENT

On June 8 2018, the Company assumed the purchased assets of Brio Gold U.S. Inc. which included computers and servers $38,835 (US $30,000) and office furniture and equipment $12,945 (US $10,000) (Note 11).

Cost		Computer Equipment		Office Furniture and Equipment		Total
December 31, 2017	$	-	$	-	$	-
Addition		38,835		12,945		51,780
September 30, 2018	$	38,835	$	12,945	$	51,780
Accumulated depreciation						
December 31, 2017	$	-	$	-	$	-
Depreciation		(6,472)		(863)		(7,335)
September 30, 2018	$	(6,472)	$	(863)	$	(7,335)
Net book value						
December 31, 2017	$	-	$	-	$	-
September 30, 2018	$	32,363	$	12,082	$	44,445

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30, 2018		December 31, 2017
Trade payables	$	16,000	$	81,193
Accrued liabilities		354,810		309,810
	$	370,810	$	391,003

At September 30, 2018, accrued liabilities of $354,810 (December 31, 2017 - $309,810) were amounts due to directors and a former officer.

Subsequent to the period ended September 30, 2018, on October 30, 2018, the Company settled indebtedness of $231,250 by issuing 4,625,000 common shares at a deemed price of $0.05 per share. The indebtedness included $201,250 due to the directors with respect to the directors' fees and $30,000 due to the former officer with respect to a portion of her management fees. For the remaining outstanding management fees of $123,560, the former officer has agreed to renounce. The transaction was approved by the TSX Venture Exchange (Notes 9, 10 and 14).

8. LOAN PAYABLE

In May 2015, the Company received a $250,000 loan from a director of the Company bearing interest at 10% per annum. In March 2016, the term of the loan was extended to December 31, 2016 and in November 2016, the term was further extended to December 31, 2017. In November 2017, the director waived interest charges on the loan as of November 16, 2017.

On March 12, 2018, the Company and the director entered into a debt restructuring agreement. Both parties agreed to settle the total loan and accrued interest in the amount of $313,958 with the issuance of 6,976,845 common shares. On May 31, 2018, upon receiving the approvals of both the shareholders and the TSX Venture Exchange, the Company issued 6,976,845 common shares to the director at a deemed price of $0.045 (Notes 9 and 10).

At September 30, 2018, loan interest payable was nil (December 31, 2017 - $63,958) and the loan interest expense for the nine months ended September 30, 2018 was nil (September 30, 2017- $18,750).

(Expressed in Canadian Dollars, unless otherwise stated)

9. EQUITY

a) Share capital

Authorized - unlimited number of common shares without par value

b) Share issuance

On May 31, 2018, the Company issued 6,976,845 common shares at a deemed price of $0.045 per share for a debt settlement of $313,958 due to a director (Notes 8 and 10).

On October 30, 2018, the Company issued 4,625,000 common shares to settle indebtedness of $231,250 owing to its directors and the former officer. The common shares were issued at a deemed price of $0.05 per share (Notes 7, 10 and 14).

c) Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the foreign operations, from the foreign operations' functional currency to the Company's presentation currency, as well as from the translation of inter-group loans that form the Company's net investment in its foreign subsidiaries.

d) Options and warrants reserves

Stock options

The Company has a stock option plan which provides directors, officers, employees and consultants the opportunity to acquire an ownership interest in the Company. The maximum number of options that may be granted under the plan is 10% of the total number of common shares issued and outstanding at the grant date. Options granted have a five-year term and the exercise prices and the vesting periods are determined by the Board of Directors.

Stock option activities for the periods ended September 30, 2018 and December 31, 2017 were as follows:

	September 30, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	550,000	$0.06	1,365,000	$0.35
Expired	-	-	(890,000)	($0.50)
Granted	-	-	75,000	$0.06
Outstanding, end of the period	550,000	$0.06	550,000	$0.06

At September 30, 2018, the following options were outstanding and exercisable:

Expiry date	Exercise price	Options outstanding and excisable	Weighted average remaining contractual life (year)
March 3, 2020	$0.06	225,000	1.42
May 25, 2020	$0.06	75,000	1.65
June 9, 2020	$0.06	75,000	1.69
August 1, 2021	$0.06	100,000	2.83
June 5, 2022	$0.06	75,000	3.68
		550,000	2.05

(Expressed in Canadian Dollars, unless otherwise stated)

9. EQUITY (CONTINUED)

Stock options (continued)

For the nine months ended September 30, 2018, the Company recognized share-based compensation of $nil (2017 - $1,664). The fair values of stock options are calculated using the Black-Scholes option pricing model which requires judgment and assumptions on the expected life of options, expected volatility, expected dividend yield and the risk-free interest rate. The assumptions used in the 2017 option grant of 75,000 were: expected life of 5 years, annualized volatility of 95%, risk-free interest rate of 0.94% and zero dividend yield.

Option expired

During the nine months ended September 30, 2018, no options were expired (2017 – 890,000).

Warrants

No warrants were outstanding at September 30, 2018 and 2017.

10. RELATED PARTY TRANSACTIONS

Compensation of Key Management

Key management includes the Company's directors and officers. Their compensation paid or accrued for the nine months ended September 30, 2018 and 2017 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Salaries	$ -	$ 12,959	$ 69,590	$ 34,790
Salaries capitalized to exploration and evaluation assets	-	12,959	17,164	34,789
Directors' fees	15,000	15,000	45,000	45,000
Professional fees	15,000	16,000	45,000	44,000
Share-based compensation	-	-	-	1,664
Total	$ 30,000	$ 56,918	$ 176,754	$ 160,243

At September 30, 2018, included in accounts payable and accrued liabilities were $354,810 (December 31, 2017 - $309,810) due to directors and a former officer. On October 30, 2018, the Company settled the accrued liabilities of $231,250 with the issuance of 4,625,000 common shares at a deemed price of $0.05 per share. The remaining accrued liabilities of $123,560 were forsaken by the former officer (Note 7, 9 and 14).

In May 2015, a director of the Company provided a $250,000 loan to the Company bearing interest at 10% per annum. On May 31, 2018, the Company settled the loan and accrued interest totalling $313,958 with the issuance of 6,976,845 common shares at a deemed price of $0.045 (Notes 8 and 9).

11. COMMITMENT

On June 8, 2018, the Company completed an agreement with Brio Gold USA Inc. ("Brio"), whereby the Company assumes Brio's office lease, its office assets in Colorado, U.S., and the executives' benefit obligations resulting from Brio Gold Inc.'s amalgamation with Leagold Mining Corporation ("Leagold"). With the assumption of the lease and benefit obligations, the Company received a payment of $252,288 ($US $191,592), being a year of lease payments net of security deposit of $116,678 (US $88,607), benefit obligations to May 31, 2020 of $188,282 (US $142,985) less office asset purchases of $52,672 (US $40,000).

As of June 1, 2018, the Company assumed Brio's operating lease and the annual commitments net of the payments from Leagold are:

2019	$	78,755	(US $60,838)
2020		137,389	(US $106,133)
2021		128,067	(US $98,932)
	$	344,211	

12. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

Financial Instruments

The financial instruments are classified into the following categories of financial assets and liabilities and shown at carrying values which approximate fair values due to their short-term maturity:

Category	Measurement		September 30, 2018		December 31, 2017
Cash	Loans and receivables	$	429,349	$	172,557
Amounts receivable	Loans and receivables	$	17,400	$	33,846
Accounts payable and accrued liabilities	Other financial liabilities	$	(370,810)	$	(391,003)
Loan payable	Other financial liabilities	$	-	$	(313,958)
Deferred rent	Other financial liabilities	$	(89,343)	$	-
Deferred benefit obligations	Other financial liabilities	$	(131,262)	$	-

Risk management

The main risks that could adversely affect the Company's financial assets, liabilities and future cash flows are foreign currency risk, liquidity risk, commodity price risk and credit risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign currency risk

The Company's operations are in Canada, United States and Mexico. The Company maintains Mexican Peso and US Dollar bank accounts in Mexico and USA. The Company is subject to gains and losses from fluctuations in the Mexican Peso and US Dollar against the Canadian Dollar. The Company does not hedge its exposure to currency fluctuations.

At September 30, 2018 and December 31, 2017, the Company was exposed to currency risk through the following assets and liabilities denominated in US dollars ("US$"):

		September 30, 2018		December 31, 2017
Cash	US$	330,623	US$	99,639
Accounts payable and accrued liabilities		(3,383)		(272)
	US$	327,240	US$	99,367

12. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (CONTINUED)

At September 30, 2018 and December 31, 2017, the Company was exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos ("MXN"):

		September 30, 2018		December 31, 2017
Cash	MXN	17,998	MXN	512,451
Accounts payable and accrued liabilities		(155,754)		(761,301)
	MXN	(137,756)	MXN	(248,850)

A 10% change of the Canadian dollar against the US dollar at September 30, 2018 would have increased or decreased net loss by $37,877 (December 31, 2017 – $12,380) and would have increased or decreased the comprehensive loss by $49,655 (December 31, 2017 – $1,229). A 10% change of the Canadian dollar against the Mexican peso at September 30, 2018 would have increased or decreased the comprehensive loss by $952 (December 30, 2017 – $1,588). This analysis assumes that all other variables, in particular interest rates, remain consistent.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company seeks to achieve this by maintaining sufficient cash balances.

Commodity Price risk

While no resource estimate has yet been prepared for the Company's core mineral resource properties, the market value of the Company is related to the price of silver and the outlook for this mineral. The Company currently does not have any operating mines and hence does not have any hedging or other commodity-based risks in respect of its operational activities.

Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on amounts receivable. Credit risk exposure on cash is limited through maintaining the Company's balances with high-credit quality financial institutions and assessing institutional exposure. The Company's maximum exposure to credit risk as at September 30, 2018 was the carrying value of its cash and amounts receivable.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue the exploration of mineral properties and to maintain flexible capital which optimizes the costs of capital at an acceptable risk level.

In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity and cash. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. No changes were made in the objectives, policies or procedures during the nine months ended September 30, 2018.

In order to maximize funds available for its exploration efforts, the Company does not pay out dividends. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian Dollars, unless otherwise stated)

13. SEGMENT INFORMATION

The Company operates in one reportable and operating segment, being the exploration and evaluation of mineral resource properties in Mexico. Geographic information for the periods ended below was as follows:

	Canada	Mexico	United States	Total
Non-current assets as at:				
September 30, 2018	$ 1,043,515	$ 997,197	$ 44,445	$ 2,085,157
December 31, 2017	$ 1,029,784	$ 1,417,001	$ -	$ 2,446,785
Net (loss) income before tax for the three months ended:				
September 30, 2018	$ (127,824)	$ (39,274)	$ (3,362)	$ (170,460)
September 30, 2017	$ (81,342)	$ (28,170)	$ 3,081	$ (106,431)
Net (loss) income before tax for the nine months ended:				
September 30, 2018	$ (368,844)	$ (107,522)	$ 6,704	$ (469,662)
September 30, 2017	$ (269,827)	$ (90,816)	$ 7,100	$ (353,543)

14. SUBSEQUENT EVENT

On October 30, 2018, the Company settled indebtedness of $201,250 due to its directors and $30,000 due to its former officer for a portion of her indebtedness. The total indebtedness of $231,250 were settled by issuing 4,625,000 of the Company's common shares at a deemed price of $0.05 per share (Notes 7, 9 and 10).