



TOACHI MINING INC.

**Unaudited Interim
Consolidated Financial Statements
As at and for the three months ended
October 31, 2017 and 2016**

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of Toachi Mining Inc. (formerly Ferrum Americas Mining Inc.) (the "Company") have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements as at and for the three months ended October 31, 2017 and 2016 have not been reviewed by the Company's auditors.

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements (the "Consolidated Financial Statements") of the Company are the responsibility of the management and its Board of Directors (the "Board").

The Consolidated Financial Statements have been prepared by management, on behalf of the Board, in accordance with the accounting policies disclosed in the notes to the Financial Statements. Where necessary, management has made informed judgments and estimates in accounting for transactions that were not complete at the statement of financial position date. In the opinion of management, the Consolidated Financial Statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board is responsible for reviewing and approving the Consolidated Financial Statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the Consolidated Financial Statements together with other financial information of the Company. The Audit Committee reports its findings to the Board for its consideration in approving the Consolidated Financial Statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Jonathan Goodman"

.....
Jonathan Goodman
Chief Executive Officer

Toronto, Ontario
December 27, 2017

"Joe Fazzini"

.....
Joe Fazzini
Chief Financial Officer

Toronto, Ontario
December 27, 2017



TOACHI MINING INC.

Unaudited Interim Consolidated Statements of Financial Position (Canadian dollars)

As at	October 31, 2017	July 31, 2017
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 5(c))	2,882,409	4,859,334
Amounts receivable and prepaid expenses (note 8)	30,323	42,068
Total current assets	2,912,732	4,901,402
Non-current assets		
Investment in CMLP (note 7)	1	1
Total non-current assets	1	1
Total assets	2,912,733	4,901,403
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (note 9)	499,560	435,266
Due to related parties (note 10)	-	20,637
Total current liabilities	499,560	455,903
Total liabilities	499,560	455,903
Shareholders' equity		
Share capital (note 11)	17,857,103	17,857,103
Reserve for share-based payments (note 11)	1,435,372	796,372
Reserve for warrants (note 11)	1,144,534	1,144,534
Accumulated deficit	(18,023,836)	(15,352,509)
Total shareholders' equity	2,413,173	4,445,500
Total liabilities and shareholders' equity	2,912,733	4,901,403

Going concern (note 2)

Subsequent event (note 13)

Approved for issuance on behalf of the Board on December 27, 2017:

“Laurence Curtis”

Laurence Curtis
Director

“Carolina Vargas”

Carolina Vargas
Director

See notes to the unaudited interim consolidated financial statements.



TOACHI MINING INC.

Unaudited Interim Consolidated Statements of Loss and Comprehensive Net Loss (Canadian dollars)

	3 months ended	
	October 31, 2017	October 31, 2016
	\$	\$
Operating expenses		
Consulting and professional fees	28,283	22,569
Exploration and evaluation expenditures (note 7)	1,692,217	1,257,526
General and administrative	225,356	74,634
Management fees (note 10)	75,000	75,000
Share-based compensation (notes 10 and 11)	639,000	312,000
Total operating expenses	2,679,034	1,741,729
Net loss before other items	(2,679,034)	(1,741,729)
Other items		
Gain on extinguishment of debt (note 7)	-	367,513
Foreign exchange gain (loss)	7,706	145,529
Total other items	7,706	513,042
Loss and comprehensive loss	(2,671,328)	(1,228,687)
Basic and fully diluted net loss per share	(0.04)	(0.03)
Weighted average number of shares	60,966,435	38,920,589

See notes to the unaudited interim consolidated financial statements



TOACHI MINING INC.

Unaudited Interim Consolidated Statement of Changes in Equity (Canadian dollars)

	Share Capital		Reserves			Total
	Number of Shares	Amount	Share-based payments	Warrants	Deficit	
		\$	\$	\$	\$	\$
Balance at July 31, 2016	38,349,935	9,694,405	394,372	1,525,036	(8,914,026)	2,699,787
Common shares issued on exercise of warrants (note 11)	2,625,000	787,500	-	-	-	787,500
Fair value of exercised warrants (note 11)	-	313,317	-	(313,317)	-	-
Share-based compensation (note 11)	-	-	312,000	-	-	312,000
Loss and comprehensive loss	-	-	-	-	(1,228,687)	(1,228,687)
Balance at October 31, 2016	40,974,935	10,795,222	706,372	1,211,719	(10,142,713)	2,570,600
Common shares issued for cash (note 11)	19,312,500	7,725,000	-	-	-	7,725,000
Adjustment to fair value of exercised warrants (note 11)	-	(84,722)	-	84,722	-	-
Shares issued on exercise of broker warrants (note 11)	679,000	135,800	-	-	-	135,800
Fair value of exercised broker warrants (note 11)	-	183,330	-	(183,330)	-	-
Financing costs (note 11)	-	(321,650)	-	-	-	(321,650)
Fair value of broker warrants issued (note 11)	-	(351,318)	-	351,318	-	-
Cash finders' fees (note 11)	-	(224,559)	-	(10,581)	-	(235,140)
Expired warrants	-	-	-	(309,314)	309,314	-
Share-based compensation (note 11)	-	-	90,000	-	-	90,000
Loss and comprehensive loss	-	-	-	-	(5,519,109)	(5,519,109)
Balance at July 31, 2017	60,966,435	17,857,103	796,372	1,144,534	(15,352,508)	4,445,501
Share-based compensation (note 11)	-	-	639,000	-	-	639,000
Loss and comprehensive loss	-	-	-	-	(2,671,328)	(2,671,328)
Balance at October 31, 2017	60,966,435	17,857,103	1,435,372	1,144,534	(18,023,836)	2,413,173

See notes to the unaudited interim consolidated financial statements



TOACHI MINING INC.

Unaudited Interim Consolidated Statements of Cash Flow (Canadian dollars)

3 months ended	October 31, 2017	October 31, 2016
	\$	\$
Operations activities		
Loss and comprehensive loss	(2,671,328)	(1,228,687)
Non-cash items:		
Gain on extinguishment of debt <i>(note 7)</i>	-	(367,513)
Share-based compensation <i>(note 11)</i>	639,000	312,000
Net change in non-cash working capital items:		
Amounts receivable and prepaid expenses	11,745	38,306
Trade payables and accrued liabilities	64,295	428,064
Cash used for operations	(1,956,288)	(817,830)
Financing activities		
Issuance of common shares on exercise of warrants <i>(note 11)</i>	-	787,500
Repayments to related parties <i>(note 10)</i>	(20,637)	-
Advanced from related parties	-	3,014
Cash provided from (used for) financing activities	(20,637)	790,514
Investing activities		
Investment in CMLP	-	(1)
Cash used for investing activities	-	(1)
Increase (decrease) in cash	(1,976,925)	(27,317)
Cash at beginning of year	4,859,334	3,088,620
Cash at end of period	2,882,409	3,061,303

See notes to the unaudited interim consolidated financial statements.



TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

1. NATURE OF OPERATIONS

Toachi Mining Inc. (the “Company”) is a minerals exploration company that was incorporated under the *Canada Business Corporations Act* on October 14, 2010 under the name of 7674279 Canada Inc. On November 26, 2010, the Company changed its name to Ferrum International Mining Inc. and further changed its name on January 28, 2011, to Ferrum Americas Mining Inc. (“Ferrum”). At a Special Meeting of Shareholders held on January 28, 2016, Ferrum received approval from its shareholders to change its name to Toachi Mining Inc. and to a 1-for-5 share consolidation (the “Consolidation”). On March 14, 2016, the Company announced the name-change, Consolidation and change of TSX Venture Exchange (“TSXV”) ticker symbol to “TIM”.

The Company’s main and registered office is located at 2 St. Clair Avenue East, Suite 1206, Toronto, Ontario, M4T 2T5. The principal business activity of the Company is the development of the La Plata (see note 7) gold, copper, zinc and silver volcanogenic-massive-sulphide (“VMS”) project in Ecuador.

2. GOING CONCERN

These consolidated financial statements (the “Consolidated Financial Statements”) have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, these Consolidated Financial Statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the Consolidated Financial Statements.

The Company currently doesn’t generate revenue and in order to meet its work commitments and planned exploration expenditures for its project as well as further working capital requirements over the next 12 months, it will be required to complete additional financings (debt and/or equity). These conditions are material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. Management continues to work toward completing additional financings, as required.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The Consolidated Financial Statements, including comparatives, have been prepared in accordance with IAS 34 *‘Interim Financial Reporting’*. Interim financial statements would not normally include all the information required for audited annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company as at and for the years ended July 31, 2017 and 2016.

The Consolidated Financial Statements were approved for issuance by the Board on December 27, 2017.

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

3.2 Basis of measurement

The Consolidated Financial Statements have been prepared on the historic cost basis except for certain financial instruments, that are measured at fair value. Under IFRS, fair value is, “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

3.3 Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and its wholly-owned subsidiary, Toachiec Exploraciones Mineras S.A. Subsidiaries are all entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date that control ceases.

Inter-company transactions, balances and unrealized gains or losses with subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies and the reporting date of the Company.

4. NEW AND REVISED STANDARDS AND INTERPRETATIONS

Issued by IASB July 2014; effective for the Company's annual period beginning July 1, 2018.

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- **Classification and measurement of financial assets.** Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics.
- **Classification and measurement of financial liabilities.** When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- **Impairment of financial assets.** An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- **Hedge accounting:** Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The Company is currently assessing the implications IFRS 9 will have on the Consolidated Financial Statements.

IFRS 15 Revenue from Contracts with Customers

Issued by IASB May 2014; effective for the Company's annual period beginning July 1, 2018.

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services*.

New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Company is currently assessing the implications IFRS 15 will have on the Consolidated Financial Statements.

IFRS 16 Leases

Issued by IASB January 2016; effective for the Company's annual period beginning July 1, 2019.

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.
- The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company is currently assessing the implications IFRS 16 will have on the Consolidated Financial Statements.

Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)

Issued by IASB January 2016; effective for the Company's annual period beginning July 1, 2017.

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Company is currently assessing the implications Amendments to IAS 7 will have on the Consolidated Financial Statements.

5. FINANCIAL INSTRUMENTS

FAIR VALUE

The Company has classified its cash and cash equivalents as FVTPL, which is measured at Level 1 in the fair-value hierarchy. Trade payables and accrued liabilities, and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. As at October 31, 2017 and 2016, the Company has no accounts receivable and therefore, no credit risk.

Cash and cash equivalents is held with major Canadian and Ecuadorian banks and therefore the risk of loss is minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due by raising funds through asset sales or completing debt and/or equity financings. Management monitors its working capital and seeks financing as necessary. As at October 31, 2017, the Company had a cash and cash equivalents balance of \$2,882,409 (July 31, 2017 - \$4,859,334) and working capital of \$2,413,172 (July 31, 2017 – \$4,445,499). The Company's trade payables and

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

accrued liabilities balances totalling \$499,560 (July 31, 2017 - \$435,266), are subject to normal trade terms.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk. The market risks to which the Company is exposed are as follows:

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents consists of cash held in bank accounts of \$882,409 (July 31, 2017 - \$1,659,334) and guaranteed investment certificates ("GIC's") totalling \$2,000,000 (July 31, 2017 - \$3,200,000). GIC's mature between 30 and 60 days, so that the Company may properly utilize its working capital for project expenditures. As at October 31, 2017, the GIC balance of \$2,000,000 consists of 2 GIC's of \$1,000,000 each, accruing interest at 0.85% and 0.90% per annum.

Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on their cash flow or estimated fair values. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk with respect to cash balances and transactions during the period as a portion of these amounts are denominated in US dollars and Bolivianos. The Company has not entered into any foreign currency contracts or hedges to mitigate this risk.

The Company's net exposure to foreign currency risk on its financial instruments is as follows:

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

	October 31, 2017	July 31, 2017
	\$Cdn	\$Cdn
US dollar cash	368,788	269,579
\$US accounts payable	(361,496)	(368,310)
Net exposure	7,292	(98,731)

Based on the above, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar and the Bolivian boliviano would result in a greater or lessening, as applicable, loss for the year of approximately \$700 (July 31, 2017 – \$9,900) to the Company.

6. CAPITAL MANAGEMENT

The Company considers its capital to be its shareholders' equity (deficiency), which is comprised of share capital, reserve for share-based payments, reserve for warrants and accumulated deficit, which as at October 31, 2017, totalled \$2,413,173 (July 31, 2017 – \$4,445,500). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's projects are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise more funds to complete its La Plata project in Ecuador and to return its 50%-stake in its Cerro Rojo project in Bolivia, in exchange for relief of outstanding amounts due to the optionor. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options and warrants, the sale of equity capital of the Company or the sale by the Company of an interest in its current or future properties, in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the 3 months ended October 31, 2017. The Company is not subject to externally imposed capital restrictions.

7. RESOURCE PROPERTY INTERESTS

(a) La Plata Project

The La Plata project is exploration of gold, copper and silver zinc VMS. On October 28, 2015, the Company announced that it had signed a letter of intent (the "Letter of Intent") with Sultana Del Condor Minera S.A. ("Sultana") pursuant to which the Company would be granted the option (the "Option") to acquire a minimum 60% and a maximum 75% interest

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

in CMLP. CMLP holds an interest in the La Plata project comprised of 2 concessions located approximately 85 kilometres southwest of Quito, Ecuador. On February 10, 2016, the Company completed the definitive agreements and entered into an option agreement with Compania Minera La Plata, S.A. ("CMLP"), a related company to Sultana, to secure the Option (the "Option Agreement"). The Company has taken a de minimus equity stake in CMLP totalling \$1.

The Option Agreement

Payment obligations pursuant to the Option Agreement are to be made over the following period (the "Option Period"):

- A. US\$75,000 non-refundable payment (paid on November 6, 2015), which granted the Company exclusivity rights over a period that terminated on February 10, 2016.
- B. US\$125,000 payment when the Company confirmed its continuation with the Option (paid on February 18, 2016).
- C. In addition to A and B, above, further cash payments totalling US\$1.8 million made to the optionor, as follows:
 - i) US\$200,00 on or before November 6, 2016 (paid);
 - ii) US\$250,000 on or before November 6, 2017 (paid-note 13(ii));
 - iii) US\$350,000 on or before November 6, 2018; and
 - iv) US\$1,000,000 on or before November 6, 2019.
- D. US\$4.0 million of project expenditures over the same 4-year period (see below for adjustment to this amount).

Completion of the above-noted payments, earns the Company a 60% interest in the La Plata project (the "First Interest"). If the Company earns the First Interest, it has the right to finance the cost of a feasibility study over an additional two-year period and acquire an additional 5% interest. If the Company further arranges capital-expenditure financing of less than US\$60 million to build a mine at the project, it will earn an additional 5% interest for a total of 70% interest and if capital-expenditure financing exceeds US\$60 million, it will earn an additional 10% interest for a total of 75% interest in the project.

During the Option Period, Toachi (the optionee) shall act as the operator (the "Operator") of the La Plata project. The Operator earns a fee equal to 5% of all exploration expenditures (as such is defined in the Option Agreement), which exclude payments made to the optionor (the "Operator's Fee") (see below).

On April 25, 2017, the Company and CMLP amended the Option Agreement such that the project expenditures required to be incurred by the Company (7(a)(D) above) was reduced to US\$3.8 million and the Operator's Fee was eliminated.

As at October 31, 2017, total expenditures pursuant to the option agreement total approximately \$6.4 million.

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

(b) Title to properties

Although the Company has taken steps to verify the title to resource properties in which it has interests, 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 unregistered prior agreements or transfers and title may be affected by undetected defects.

(c) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company's exploration and evaluation expenditures on resource property interests are comprised of the following:

3 months ended	October 31, 2017	October 31, 2016	Cumulative to date
	\$	\$	\$
La Plata project			
Acquisition costs	-	-	595,354
Administrative	149,280	91,129	866,433
Assays	6,218	-	113,815
Camp costs	144,755	280,078	577,598
Community costs	126,864	-	185,411
Consulting	74,163	-	178,867
Drilling	883,515	662,033	3,895,296
Engineering	9,328	13,042	35,791
Environmental	30,942	26,753	186,442
General	15,022	-	44,604
Geology and geophysics	240,482	153,180	982,718
Legal and governmental	7,187	25,806	305,697
Travel	4,461	5,505	87,219
	1,692,217	1,257,526	8,055,245

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

Cerro Rojo project			
Acquisition costs	-	-	2,940,754
Assays	-	-	22,503
Consulting	-	-	506,505
Drilling	-	-	507,840
General	-	-	1,602,490
Geologists	-	-	94,636
Geophysics	-	-	2,800
GIS	-	-	5,200
Permits and licensing	-	-	28,082
Travel	-	-	115,245
Forgiveness of option payment (note 7(c))	-	-	(389,006)
	-	-	5,437,039
Total	1,692,217	1,257,526	13,492,284

8. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

The Company's amounts receivable consist of harmonized services tax ("HST") recoverable from the Canadian government taxation authorities and prepaid expenses relating to insurance coverage.

Below is an analysis of the Company's amounts receivable and prepaid expenses:

	As at,	
	October 31, 2017	July 31, 2017
	\$	\$
HST recoverable	23,403	36,510
Prepaid expenses	6,920	5,558
Total amounts receivable and prepaid expenses	30,323	41,068

The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables and prepaids.

The Company holds no collateral for any receivable amounts outstanding as at October 31, 2017 or July 31, 2017.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Trade payables and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities as well as amounts payable for operating and financing activities. The usual credit period for trade purchases is between 30 to 90 days.

The following is an analysis of the trade payable and accrued liabilities:

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

As at	October 31, 2017	July 31, 2017
	\$	\$
General and administrative	35,906	20,006
Consulting and professional fees	128,150	48,117
La Plata trade payables (note 7 (a)(D))	335,504	367,143
Total trade payables and accrued liabilities	499,560	435,266

10. RELATED-PARTY TRANSACTIONS AND BALANCES

The Financial Statements include the following balances and transactions with directors and/or officers of the Company and/or entities related to or controlled by them:

	Three months ended	
	October 31, 2017	October 31, 2016
	\$	\$
Management fees charged by an entity controlled by the Company's CEO and CFO	75,000	75,000
Directors' fees	15,000	10,500
Share-based compensation for the Company's Directors, CEO and CFO	336,000	312,000
Office rent	19,830	-
Total for period	445,830	397,500

As at October 31, 2017, the balance of \$nil (July 31, 2017 - \$20,637) is due to directors of the Company for reimbursable travel expenses.

11. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) **Issued and outstanding**

- (i) On November 6, 2015, the Company announced that it had closed a non-brokered private placement offering of 47.1 million subscription receipts (the "Subscription Receipts") of the Company (the "Offering"), for aggregate gross proceeds of \$471,000, representing a price of \$0.01 per Subscription Receipt. Each Subscription Receipt issued by the Company entitles the holder thereof to receive one common share of the Company. The Subscription Receipts were comprised of two tranches, being \$96,000 worth of "Tranche 1 Subscription Receipts" and \$375,000 worth of "Tranche 2 Subscription Receipts".

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

On November 6, 2015, the Tranche 1 Subscription Receipts were automatically exchanged into 9,600,000 pre-Consolidation common shares and the Company received proceeds of \$96,000.

- (ii) On February 18, 2016, the Company converted the Tranche 2 Subscription Receipts into 37,500,000 common shares and contemporaneously received proceeds of \$375,000.
- (iii) On March 14, 2016, the Company completed the Consolidation. Subsequent to the Consolidation, the Company had 18,849,935 common shares outstanding. For disclosure purposes, on the consolidated statements of changes in equity, the number of shares outstanding has been adjusted to reflect the Consolidation and on the consolidated statements of loss and comprehensive loss, the comparative period's outstanding weighted-average outstanding common shares has been adjusted to reflect the Consolidation.
- (iv) On June 15, 2016, the Company completed a brokered private placement (the "Brokered Financing"), issuing an aggregate of 17,150,000 units (the "Units") at an issue price of \$0.20 per Unit for aggregate gross proceeds of \$3,430,000.

Additionally, concurrent with closing of the Brokered Financing, the Company closed a non-brokered private placement (the "Non-Brokered Financing" and together with the Brokered Financing, the "Financings") of Units whereby the Company issued an aggregate of 2,350,000 Units at an issue price of \$0.20 for aggregate gross proceeds of \$470,000. Pursuant to the Financings, the Company issued an aggregate of 19,500,000 Units for aggregate gross proceeds of \$3,900,000.

Each Unit issued is comprised of one common share of the Company and one-half of a common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one common share at a price per common share of \$0.30, until June 15, 2018.

On closing of the Financings, the Company paid cash brokers' fees equal to 7% of the gross proceeds raised through the Brokered Financing (\$240,100) and issued to the brokers, compensation options (the "Brokers' Options") equal to 7% of the Units issued, being 1,358,000 Brokers' Options, all pursuant Brokered Financing. The fair value of the Brokers' Options of \$366,660 was calculated using the Black-Scholes option pricing model with variables detailed below. Each Brokers' Option is exercisable into one common share at a price of \$0.20 per common share until June 15, 2018. The Company also paid to the lead broker a corporate finance fee of \$31,500 and reimbursement of transaction costs of \$41,878. In addition, further financing costs totalling \$241,832, were incurred. The total financing costs of \$921,970, have been allocated between share capital (\$558,804) and reserve for warrants (\$363,166) based on the relative fair value of the issued warrants, again as calculated using the Black-Scholes option pricing model with variables detailed below.

The Black-Scholes option pricing model was used to determine the fair value of the issued warrants of \$1,536,364 and Brokers' Options of \$366,660. The weighted average assumptions used were as follows: risk-free interest rate of 0.48%;

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

expected volatility of 219.94%; expected life of 2 years; expected dividends of \$nil and weighted average common share price of \$0.30.

- (v) On October 12, 2016, the Company issued 2,625,000 common shares on the exercise of that number of warrants (see note 11 (d)). The exercise of the warrants raised proceeds of \$787,500. The fair value of the exercised warrants of \$330,725 less associated costs of \$102,131, was also transferred to share capital from the warrants.
- (vi) On November 22, 2016, the Company completed a non-brokered bought-deal private placement (the "November 2016 Financing") and issued 10,000,000 common shares at a price of \$0.40 each, for gross proceeds of \$4,000,000. The Company paid underwriting fees equal to 6% of the gross proceeds, or \$234,046, raised for all subscriptions except those issued to certain "president's list" investors, for which the Company paid fees equal to 3% of the gross proceeds, or \$2,976. The Company also reimbursed the underwriters for expenses incurred on the transaction equal to \$50,000. The Company also incurred legal fees equal to \$33,194, with such costs recorded as a reduction to common shares.

In addition, the Company issued underwriter options (the "Underwriting Options") equal to 6% of the common shares issued, or 585,120 Underwriting Options with a fair value of \$181,387, except for those common shares issued in relation to certain "president's list" investors, for which the Company issued 7,440 Underwriting Options with a fair value of \$2,306. The Underwriting Options are exercisable for a period of 2 years at an exercise price of \$0.40 each. The fair value of the Underwriting Options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free rate of 0.65%; expected volatility of 195.6%; expected life of 2 years; expected dividends of \$nil and common share price of \$0.37.

- (vii) In February 2017, 679,000 common shares were issued on the exercise of the same number of broker warrants at \$0.20 each, raising gross proceeds of \$135,800. The fair value of \$183,330 of the exercised broker warrants plus associated cash issue costs of \$1,433, was transferred to common shares (see note 11(d)).
- (viii) On June 14, 2017, the Company completed a non-brokered private placement (the "June 2017 Financing") and issued 9,312,500 common shares at a price of \$0.40 each, for gross proceeds of \$3,725,000. The Company paid agent fees by issuing 558,750 agent options (the "Agent Options") and paid \$224,560 cash fees. Each Agent Option is exercisable into one common share of the Company for a period of 2 years at an exercise price of \$0.40 each. The fair value of \$167,625 for the Agent's Options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free rate of 0.88%; expected volatility of 150.7%; expected life of 2 years; expected dividends of \$nil and common share price of \$0.42. The total financing costs of \$235,141, have been allocated between share capital (\$224,560, noted above) and reserve for warrants (\$10,581) based on the relative fair value of the issued warrants.

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

(c) Share-based payments

The Company has a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. The plan allows for the issuance of up to 10% of the issued and outstanding common shares. As at October 31, 2017, the Company had 2,084,644 additional options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

	Number	Weighted average exercise price
Balance at July 31, 2016	1,442,000	0.374
Granted	1,050,000	0.395
Forfeit	(80,000)	(0.500)
Balance at July 31, 2017	2,412,000	0.381
Granted	1,600,000	0.440
Balance at October 31, 2017	4,012,000	0.396
Exercisable at July 31, 2017	4,012,000	0.396

The following table provides further information on the outstanding options as at October 31, 2017:

Expiry Date	Number exercisable	Number outstanding	Weighted average exercise price	Weighted average years remaining	Fair Value
			\$		\$
6-Jan-19	160,000 ⁴	160,000 ²	0.500	1.18	24,000
27-Oct-19	252,000 ⁴	252,000 ¹	0.250	1.99	18,872
28-June-21	950,000	950,000 ³	0.380	3.66	351,500 ⁸
9-Sept-21	800,000	800,000 ⁴	0.400	3.86	312,000 ⁹
17-May-22	250,000	250,000 ⁵	0.380	4.55	90,000 ¹⁰
09-Aug-22	1,300,000	1,300,000 ⁶	0.440	4.78	546,000 ¹¹
5-Oct-22	300,000	300,000 ⁷	0.330	4.93	93,000 ¹²
	4,012,000	4,012,000	0.396	4.01	1,435,372

¹The grant-date fair value of the options issued was \$0.09 each.

²The grant-date fair value of the options issued was \$1.20 each.

³The grant-date fair value of the options issued was \$0.37 each.

⁴The grant-date fair value of the options issued was \$0.39 each.

⁵The grant-date fair value of the options issued was \$0.36 each.

⁶The grant-date fair value of the options issued was \$0.42 each.

⁷The grant-date fair value of the options issued was \$0.31 each.

⁸The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 0.57%; expected volatility based on historical volatility of the Company's shares, of 199.1%; expected life of 5 years; expected dividends of \$nil and weighted average common share price of \$0.38.

⁹The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 0.71%; expected volatility based on historical

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

volatility of the Company's shares, of 199.1%; expected life of 5 years; expected dividends of \$nil and weighted average common share price of \$0.40.

¹⁰The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 0.91%; expected volatility based on historical volatility of the Company's shares, of 175.3%; expected life of 5 years; expected dividends of \$nil and weighted average common share price of \$0.38.

¹¹The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 1.52%; expected volatility based on historical volatility of the Company's shares, of 174.2%; expected life of 5 years; expected dividends of \$nil and weighted average common share price of \$0.44.

¹²The Black-Scholes option pricing model was used to determine the fair value of the issued options using the following variables: risk-free interest rate of 1.75%; expected volatility based on historical volatility of the Company's shares, of 170.2%; expected life of 5 years; expected dividends of \$nil and weighted average common share price of \$0.33.

(d) Warrants

The outstanding issued warrants balance at October 31, 2017, is comprised of the following items:

Date of Expiry	Type	Number	Exercise Price	Fair Value
			\$	\$
June 15, 2018	Warrant	7,125,000	0.30	897,680
June 15, 2018	Brokers options	679,000	0.20	183,330 ¹
November 22, 2018	Underwriting options	592,560	0.40	183,693 ²
June 14, 2019	Agents' options	558,750	0.40	167,625 ³
	Cost of financing allocated to warrants	-	-	(287,794)
		8,955,310	0.31	1,144,534

¹ Balance reflects the exercise of 679,000 broker options during the period with a fair value of \$183,330.

²The Black-Scholes option pricing model was used to determine the fair value of the issued underwriting options using the following variables: risk-free interest rate of 0.65%; expected volatility of 195.6%; expected life of 2 years; expected dividends of \$nil and weighted average common share price of \$0.37.

³The Black-Scholes option pricing model was used to determine the fair value of the issued agents' options using the following variables: risk-free interest rate of 0.88%; expected volatility of 150.1%; expected life of 2 years; expected dividends of \$nil and weighted average common share price of \$0.38.

12. SEGMENTED INFORMATION

Operating segments

At October 31, 2017, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Ecuador. The Company's corporate division only earns revenues (interest income) that are considered incidental to the activities of the Company. As the operations comprise a single reporting segment, amounts disclosed in these consolidated financial statements also represent operating segment amounts.

TOACHI MINING INC.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the 3 months ended October 31, 2017 and 2016 (Canadian dollars)

Geographic segments

The Company is in the business of mineral exploration in Ecuador and is winding down its business in Bolivia. As such, management has organized the Company's reportable segments by geographic area. The Company's operations in Ecuador and Bolivia are responsible for each country's mineral exploration activities while the Canadian segment manages corporate head office activities. Information concerning the Company's reportable segments is as follows:

As at	October 31, 2017	July 31, 2017
	\$	\$
Non-current assets		
Canada	-	-

Year ended	October 31, 2017	October 31, 2016
	\$	\$
Loss and comprehensive net loss		
Canada	(1,139,577)	41,891
Bolivia	-	(11,258)
Ecuador	(1,531,751)	(1,259,320)
Consolidated net loss	2,671,328	1,228,687

13. SUBSEQUENT EVENTS

(i) Option payment

On November 6, 2017, the Company made an option payment of US\$250,000 pursuant to the Option Agreement (see note 7(a)(C)(ii)).

(ii) Issuance of compensation shares

On November 24, 2017, the Company issued 200,000 common shares with a deemed value of \$0.23 per share, or \$46,000 to the past president and chief executive officer of the Company.

(iii) Issuance of stock options

On December 5, 2017, the Company issued 375,000 options with an exercise price of \$0.22 per share. The options were issued to members of management and the board of directors. The options vest 1/3 on issuance, 1/3 on the 1-year anniversary of issuance and 1/3 on the 2-year anniversary of issuance. The options have a 5-year term to maturity.